

Management Discussion and Analysis



Management Discussions and Analysis (MD&A)

Analysis of the Company's Business Operations and Financial Status

1. Overview - Business Environment and Performance Results

The global economy did not fully recover as expected in 2014, including the economy of the EU zone or of Japan. While the US economy only started to recover very slowly, and the economy of China was in a declining mode. As for the Thai economy, overall GDP growth for 2014 was only 0.7% year-on-year (YoY); and the prolonged political situation during the first 5 months of the year had significant negative impacts on overall domestic consumption and investments together with the export and tourism sectors, as well as resulted in declining consumer purchasing power and increased carefulness by consumers in their in discretionary spending.

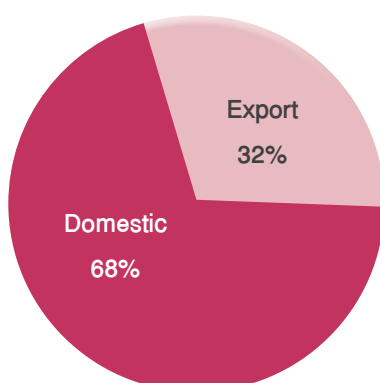
Additionally, the degree of competition in the ladies' lingerie market in Thailand has increased, due to new foreign brands entering this market. Thus, the Company continued to budget for ongoing advertising and marketing promotions campaigns, together with its distributors, in order to maintain its market share; and collaborated with its distributors in improving its logistics systems in order to speed up the lead time for its products distribution to meet consumer demands, and to manage its inventories more appropriately and efficiently.

For 2014, the Company achieved total consolidated revenues of Baht 3,772.88 million, representing a decrease of 1.40% YoY; and total Net Profit of Baht 276.70 million, representing an increase of 8.79% YoY. As at the end of 2014, total assets were Baht 6,485.43 million, an increase of 7.61% compared to the end of the previous year; while, Return on Equity was 5.47%, and Return on Assets was 4.42%. The Company has also adapted its policies and strategies to the changing economic conditions in regards to sales and marketing, raw materials, and expenses.

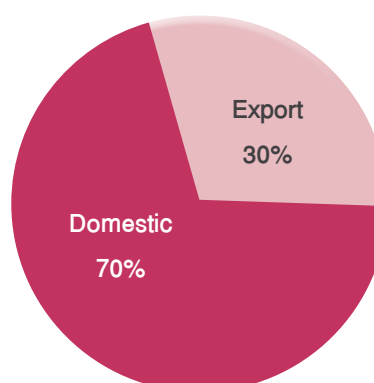
In regards to sales activities, the Company has collaborated with its key distributors in supporting its existing sales outlets and exploring various new sales channels - namely, Retail Shops, E-Commerce, TV Shopping, Catalog Sales, and Modern Trade. As for raw materials, the Company has cooperated with its suppliers in researching and developing innovative new raw materials that meet consumers' requirements, in order to achieve a competitive advantage for the longer term. Lastly, with regards to expenses, the Company entered into a joint investment to set-up Pattaya Myanmar Co., Ltd. to study and assess possible investments in AEC countries, since currently Thailand has both a shortage as well as high cost of labor.

2. Analysis of Operating Results

Sales Revenues in 2014

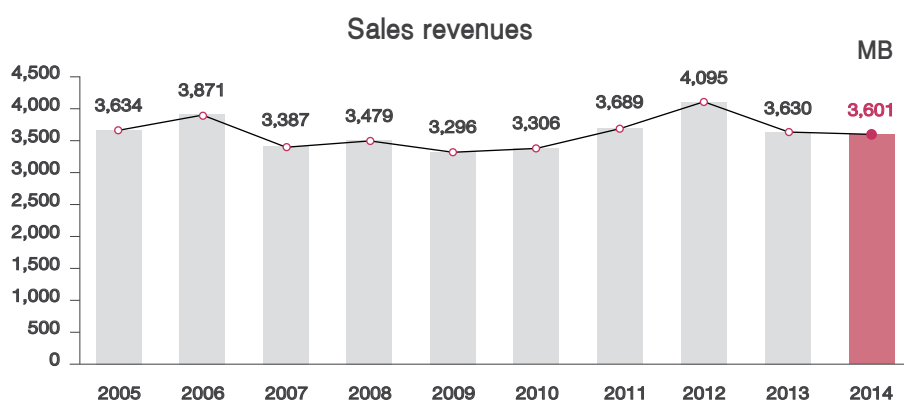


Sales Revenues in 2013



Revenues from Sales of Products and Services

In 2014, the Company had total sales revenues of Baht 3,601.33 million, compared to Baht 3,629.51 million for the previous year or a net decrease of Baht 28.18 million or 0.78% YoY. The decrease in total sales revenues resulted from a declining sales of products locally in Thailand of Baht 96.38 million, or equal to 3.79% YoY, from the previous year. This is because the Company's distributor made improvements to its inventory management system resulting in a decrease in the total quantity of products ordered, together with the changing political situation in Thailand that negatively impacted the tourism industry and caused a decline in consumption. However, total revenues from export sales increased by Baht 68.20 million, or 6.26% YoY, mainly due to increased sales to the US market.



Other Income

In 2014, other income totaled Baht 110.25 million - consisting mainly of interest income of Baht 34.87 million, rental income of Baht 14.31 million, and a gain on foreign exchange of Baht 9.62 million. This is compared to Baht 129.12 million for the previous year, or equal to a decrease of Baht 18.87 million, whereby this YoY decrease is due to the total amount of interest income decreasing by Baht 21.73 million.

Cost of Sales

In 2014, the Company had total cost of sales equal to 76.96% of total sales revenues, compared to 78.17% in the previous year, or a decrease of 1.21% YoY, as a result of the Company having achieved increased productivity and manufacturing efficiency, together with an increased gross margin for export sales due to the weakening average value of the Baht against foreign currencies during the year.

Selling and Administrative Expenses

In 2014, the Company had total selling expenses of Baht 102.55 million, compared to Baht 96.82 million for the previous year, representing an increase of Baht 5.73 million or 5.93% YoY due to the Company having increased advertising and sales promotional expenses relating to new product brands and selling through the Modern Trade sales channels.

The Company also had total administrative expenses of Baht 523.22 million, compared to Baht 510.27 million for the previous year or an increase of 2.54% YoY mainly due to the adjusted increase in monthly wages.

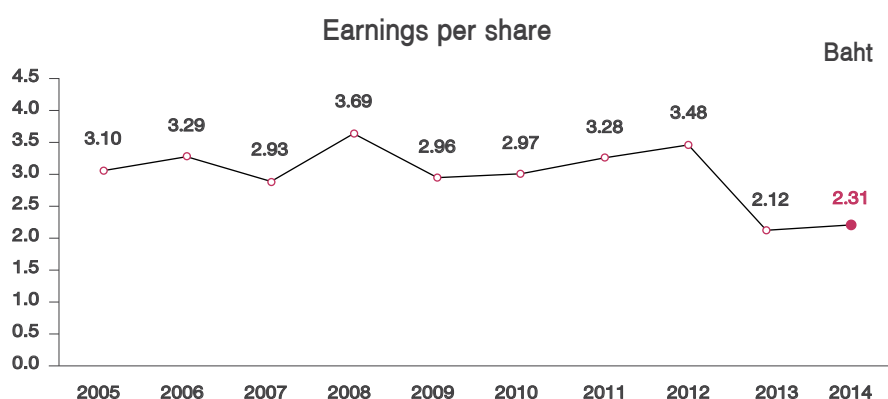
Income Tax Expenses

Income tax expenses for 2014 totaled Baht 39.46 million, compared to Baht 41.34 million in 2013 or a decrease of Baht 1.88 million; while overall Net Profit increased due to a Subsidiary Companies having been granted corporate income tax reduction from having BOI promotional privileges.

Net Profit attributable to Owners of the Parent

In 2014, total Net Profit was Baht 276.70 million compared to Baht 254.34 million in the previous year, an increase of Baht 22.36 million or 8.79%YoY; whereby Earnings per Share (EPS) was Baht 2.31 and the Net Profit margin equaled 7.33% of total revenues. Return of Equity was 5.47% and Return on Assets was 4.42%. Furthermore, the increase in Net Profit resulted from improved manufacturing productivity together with an increased gross margin for export sales due to Baht's depreciation against other currencies.

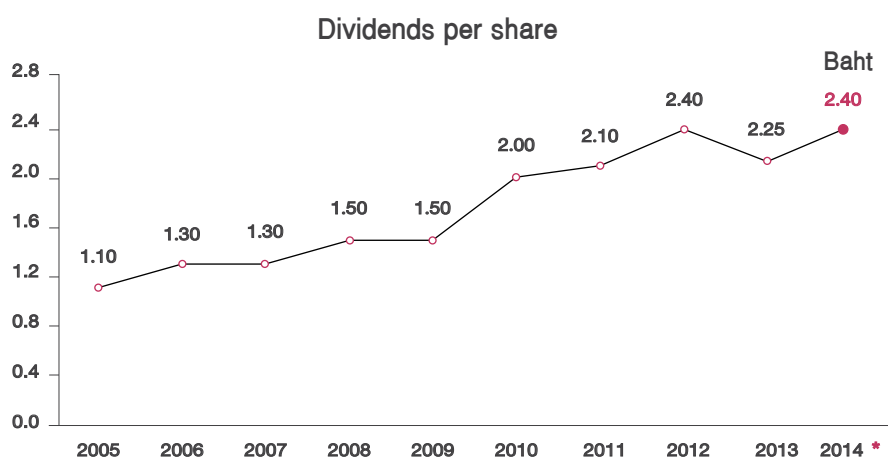
The quality of the Company's profit is considered to be 'good', with a total net Cash Flow from operations of Baht 139.04 million derived from sales revenues and also from being able to collect most of the receivables within their due date.



Return on Equity

In 2014, the Company achieved a Return on Equity of 5.47%, compared to 4.98% for the previous year, with this increase resulting from the increased Net Profit. The Company has a policy to always pay a regular dividend of Baht 0.25 per share to its Shareholders; although this largely depends on the actual achieved performance results and the overall economic situation. In the past, the Company has continuously paid dividend payments to its Shareholders for 41 consecutive years - from 1974 and up to the present.

According to its consolidated financial statements for year 2014, the Company achieved a total consolidated Net Profit of Baht 276.70 million (or equal to an EPS of Baht 2.31) and a total separate Net Profit of Baht 295.66 million (or equal to an EPS Baht 2.46); whereby at the Board of Directors Meeting No.7/2014 held on March 3, 2015, a resolution was approved to propose, to the Annual General Shareholders Meeting, a dividend payment for 2014 of Baht 2.40 per share - or totaling Baht 288 million. This proposed dividend payment is equal to 97.41% of the total separate Net Profit, with actual payment to be made on May 25, 2015.



Remark * The Board of Directors resolved to set dividend payment rate at Baht 2.40 per share, for further proposal to the shareholders' general meeting for approval, on April 27, 2015.

3. Analysis of the Financial Status

As at the end of 2014, the Company had total assets of Baht 6,485.43 million, an increase of Baht 458.69 million, or 7.61%, from the end of the previous year. This consisted of various types of assets and equal to the respective ratio to total assets indicated, as follows: cash and cash equivalents at 0.65%; temporary investments at 5.92%; trade and other receivables at 9.74%; inventories at 17.47%; available-for-sale securities investments at 22.85%; other long-term investments at 9.74%; investment property at 10.58%; property, plant and equipments (net) at 19.57%; and other assets at 3.48%.

Current Assets

As at the end of 2014, the Company had total current assets of Baht 2,359.52 million, an increase of Baht 37.05 million from the previous year mainly consisting of increased inventories as a result of preparing additional inventory for planned new distribution channels - with details as follows:

- **Cash and cash equivalents, and temporary investments** The Company had cash and cash equivalents together with temporary investments totaling Baht 425.81 million, a decrease of Baht 238.14 million compared to the total of Baht 663.95 million for the previous year, as a result of investments made in purchasing additional property, plant and equipments during the year.
- **Trade and other receivables** The Company had a total of Baht 631.71 million in trade and other receivables, an increase of Baht 19.73 million from the previous year, as a result of increased trade receivables during late 2014 that are not yet due for payment.
- **Short-term loans** The Company had outstanding short-term loans that were granted to related and other businesses totaling Baht 140.60 million, an increase of Baht 29.80 million from the previous year.
- **Inventories** The Company had inventories totaling Baht 1,133.27 million, an increase of Baht 220.18 million from the previous year, as a result of additional inventory production to support and meet the requirements of planned new distribution channels; such as, TV Shopping and E-Commerce.

Non-Current Assets

As at the end of 2014, the Company had Non-Current Assets totaling Baht 4,125.91 million, an increase of Baht 421.64 million from the previous year, mainly due to investments made in purchasing land, with the following details:

- **Available-for-sale-securities investments and other long-term investments** The Company has available-for-sale securities investments together with other long-term investments totaling Baht 2,113.22 million, compared to Baht 2,443.54 million for the previous year or representing a decrease of Baht 330.32 million. This is because the Company decreased its investments in debentures by Baht 336.11 million, and also transferred its investment in debentures, with a maturity of 1 year, into short-term investments totaling Baht 222.30 million. The Company also purchased investments in ordinary shares totaling Baht 85.75 million; as well as made an unrealized gains on changes in value of available-for-sale securities of Baht 132.90 million together with reversing an impairment of investments totaling Baht 9.44 million.
- **Investment property** The Company has investment property totaling Baht 686.31 million, compared to Baht 75.55 million for the previous year or an increase of Baht 610.76 million, resulting from purchases of land, during the year, for future use.
- **Property, plant and equipments** The Company has assets in the form of property, plant and equipments totaling Baht 1,268.89 million, an increase of Baht 380.98 million from the previous year, as a result of purchasing additional land totaling Baht 381.62 million and making improvements to its facilities, together with purchasing machinery and equipments and other items totaling Baht 79.76 million, and deducting total depreciation of Baht 80.40 million for the year.

Total Liabilities

As at the end of 2014, the Company had total liabilities of Baht 1,370.97 million, an increase of Baht 346.24 million, or 33.79%, compared to the end of the previous year mainly due to increased trade and other payables totaling Baht 128.95 million, as a result of buying more raw materials in preparation for increased production to meet expected demands from planned new sales and distribution channels. Furthermore, there was an additional deferred tax liabilities totaling Baht 32.49 million, as a result of providing for tax payments in regards to unrealized gains on changes in value of available-for-sale securities.

An additional short-term loan, totaling Baht 190 million, was taken from financial institutions for use as working capital for the Company, because the Company made additional investments in purchasing land as well as also has saving deposits and investments in debentures (that have not yet to reach maturity) with a higher return than the interest rate payable for loans.

Equity

As at the end of 2014, the value of the Equity in the Company totaled Baht 5,114.45 million compared to Baht 5,002.01 million for the previous year, an increase of Baht 112.44 million or 2.25% YoY. This resulted from the Company having achieved total full year 2014 Net Profit of Baht 276.70 million and making dividend payments, in regards to full year 2013 performance results, totaling Baht 270 million, together with having an additional other components of Equity totaling Baht 105.75 million. As such, the Company's book value per share, as at the end of 2014, equaled to Baht 42.62 compared to Baht 41.68 for the previous year or a YoY increase of Baht 0.94 per share.



4. Quality of Assets and Asset Management

Receivables

Trade and other receivables totaled Baht 631.71 million, comprising of Baht 620.63 million in trade receivables and Baht 11.08 million in other receivables. The trade receivables include accounts receivables that are not yet due totaling Baht 517.14 million (equal to 83.33% of total trade receivables); less than 3 months overdue trade receivables totaling Baht 80.76 million (equal to 13.01% of total trade receivables), because the trade payables payment policy of our customers are not aligned to the payment due dates; and beyond 3 months overdue trade receivables totaling Baht 22.73 million (equal to 3.66% of total trade receivables).

As such, the majority of the Company's trade receivables are of good quality, paying all their debts in full and on time.

Inventories

Inventories totaled Baht 1,133.27 million - consisting of raw materials totaling Baht 299.31 million, work in process totaling Baht 178.13 million, and finished goods totaling Baht 655.83 million. The Company has stated the amount of its inventories in the financial statements at cost or at market value, whichever was lower; whereby any goods that are of sub-standard quality or out-of-date are stated at their adjusted lower value in accordance with standard accounting practices.

Investments

The Company had unrealized gains on changes in value of available-for-sale securities totaling Baht 710.69 million, which are included in the total Equity, together with a reversal of impairment of investments totaling Baht 9.44 million.

Additionally, if the book value, from an accounting viewpoint, of these investments were taken into consideration, the overall total value will be more than the cost value; whereby an annual return in the form of dividend payments at the rate of 6.32% per annum was received, with details being reported to the Board of Directors meetings in order to monitor and assess the value of these investments on a regular basis.

Property, Plant and Equipments

The current market value of property, plant and equipments is higher than the value reported in the financial statements, which is presented at cost less accumulated depreciation. Additionally, improvements and ongoing repairs have been made regularly to the office and manufacturing facilities, as necessary and appropriate; while most of the production machinery and equipments are modern and up to date to enable them to be used effectively in the manufacturing process; whereby the Company has replaced old machinery and equipments with new ones, and have maintained them on a regular basis, with the remaining value of any old and unused machinery and equipments having been sold out.

Investment Property

The Company made investments in buying land and has regularly reappraised the fair value in accordance with accepted accounting standards; whereby the fair value is more than the cost value as reported in the financial statements, with details given in the accompany 'Notes (No. 14) to the Financial Statements : Investment Property'.

5. Liquidity and Sufficiency of Funds

Source of Funds

The source of funds used by the Company for its business operations and in making further investments are mainly derived from its working capital and accumulated profits. For 2014, the Company made use of funds derived from total loans of Baht 190 million, for use as working capital, whereby the Company also has saving deposits and investments in debentures (that have not yet reached maturity), with returns that are more than the rate of interest payable for its borrowings.

Investments

The Company made investments in buying property, plants and equipments totaling Baht 877.66 million, with the objective of using most of these assets in the operations of its businesses, and with other assets earmarked for beneficial use in renting or future sale for profits; whereby the Company's working capital and operating cash flow were used to fund these investments.

Adequacy of the Company's Liquidity

The Company's has good and adequate financial liquidity, as evident from its current ratio of 2.87 times for 2014 and 4.44 times for 2013, together with its quick ratio of 1.27 times for 2014 and 2.40 times for 2013. Both these liquidity ratios have decreased significantly compared to the previous year, because the Company had increased liabilities as at the end of 2014 resulting from increased short-term borrowings from financial institutes and having more creditors. However, the Company still has enough cash and cash equivalents that is adequate to meet the proposed dividend payment and planned future investments. Additionally, the Company still has a very low Debt to Equity (D/E) ratio of 0.27 times for 2014 and 0.20 times for 2013 that underscores its financial stability and the overall adequacy of the Company's liquidity.

Cash Flows

As at the end of 2014, the Company had cash and cash equivalents totaling Baht 41.86 million compared to Baht 105.50 million as at the end of the previous year, a decrease of Baht 63.64 million, as a result of managing its cash and cash equivalents to be more appropriate to its current business operations.

The Company had a 'net cash provided by operating activities' totaling Baht 139.04 million compared to Baht 175.27 million for the previous year, a decrease of Baht 36.23 million as a result of the Company having more inventories to support its planned new distribution channels.

The Company had a 'net cash flows used in investing activities' totaling Baht 120.46 million, resulting from investing a total of Baht 877.66 million in the purchase of land, buildings and equipments and a total of Baht 60.87 million in buying ordinary shares. The Company also had a net cash receipt of Baht 385.91 million from its saving deposits reaching maturity, a net cash receipt of Baht 331.78 million from investments, total dividend receipt of Baht 61.30 million, total interest income of Baht 39.83 million, and total income from the sale of property, buildings and equipments of Baht 2.74 million.

The Company had a 'net cash flows used in financing activities' totaling Baht 80.48 million, as a result of making dividend payments to its Shareholders totaling Baht 270 million and borrowing new loans totaling Baht 190 million.

6. Debt Obligations and Associated Commitments

Total liabilities of the Company as at December 31, 2014 was Baht 1,370.97 million compared to Baht 1,024.73 million as at the end of the previous year, an increase of Baht 346.24 million as result of the Company having made an additional borrowings from financial institutions totaling Baht 190 million together with increased payables totaling Baht 128.95 million.

Details of the Company's Total Long-Term Liabilities

Long-Term Liabilities	Amount (Million Baht)
Financial lease liabilities	1.46
Deferred tax liabilities	72.36
Retirement benefit obligation	474.24

Additionally, the Company has debt-related obligations that may have a significant impact on its overall financial status and business operations, details of which are stated in the accompanying 'Notes (No. 36) to the Financial Statements: Contingent Liabilities and Commitments'.

Factors or situations that may have an impact on the financial status or operations of the Company in the future

The Company has a policy to join with its products distributors in continuing to expand and add new sales and distribution channels, as well as to focus on marketing activities together with developing and enhancing both the value and innovation of its products in order to meet the consumers' requirements and expectations.

However, there are also various factors, which may have an impact on the future business operations of the Company as follows:

External factors

- The macroeconomic environment in Thailand, which has yet to show more significant positive trends and has resulted in consumers being more prudent in regards to their discretionary spending.
- Increasing competition, with various foreign brands entering the Thai market to satisfy consumer demands.
- Fast changing customer and consumer requirements in regards to pricing as well as sales and distribution channels that are more convenient and easily accessible for purchasing these products.

Internal factors

- Increasing labor wages together with a shortage of labor in Thailand, resulting in increased overheads and labor costs, which has driven the Company to expand its investments into nearby AEC countries. During the past 2 years, the Company has collaborated in establishing Pattaya Myanmar Co., Ltd., which is an associated company with the Company having a 20% equity, in order to expand its manufacturing base into a country with lower cost of labor.

Financial ratios compared between 2014, 2013, and 2012

	Unit	2014	2013	2012
Liquidity Ratio				
1. Current Ratio	times	2.87	4.44	4.60
2. Quick Ratio	times	1.27	2.40	2.92
3. Liquidity of Cash Flow from Operations	times	0.21	0.29	0.35
4. Receivable Turnover	times	5.93	6.02	7.04
5. Collection Period	day	60.71	59.80	51.14
6. Inventory Turnover	times	4.66	5.40	6.61
7. Inventory Turnover Period	day	77.25	66.67	54.46
8. Account Payable Turnover	times	8.40	9.55	9.70
9. Payment Period	day	42.86	37.70	37.11
10. Cash Cycle	day	95.10	88.77	68.49
Profitability Ratio				
1. Gross Profit Margin	%	23.04	21.83	24.04
2. Return on Total Revenues	%	7.33	6.65	9.76
3. Return on Equity	%	5.47	4.98	8.25
Efficiency Ratio				
1. Return on Assets	%	4.42	4.09	6.73
2. Assets Turnover	times	0.60	0.62	0.69
Financial Policy Ratio				
1. Debt to Equity Ratio	times	0.27	0.20	0.23
2. Interest Coverage Ratio	times	375.90	3,577.28	700,826.04
3. Payout Ratio	%	104.09 *	106.16	69.01

Remark * The Board of Directors resolved to set dividend payment rate at Baht 2.40 per share, for further proposal to the shareholders' general meeting for approval, on April 27, 2015.