

Management Discussion and Analysis



Management Discussion and Analysis (MD&A)

1. Overview - The Company's Business Operations

In 2017, the overall Thai economy had been stable and had improved from the export sector and the tourism industry which was in line with the world economic recovery. The private investment was likely to improve while the private consumption grew slowly but not strong. This came from the high level of household debt.

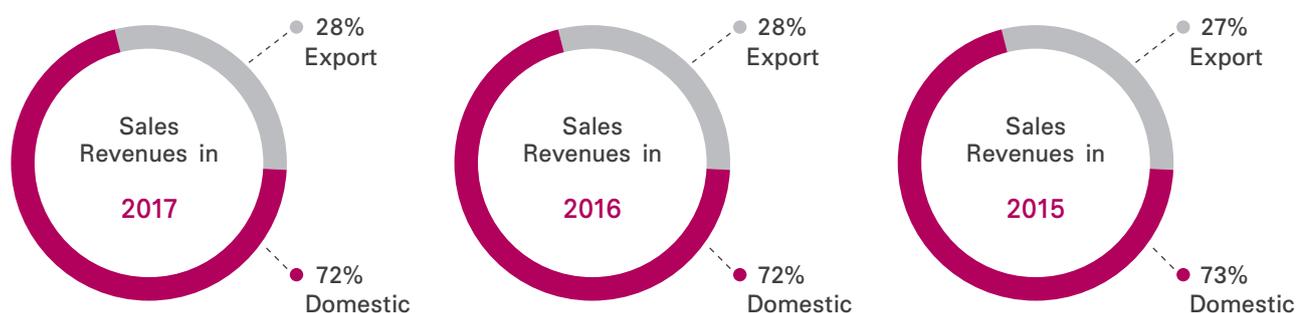
In 2017, the ladies' lingerie market still continued to be highly competitive with regards to product quality features and design as well as associated services, pricing, sale channels, and marketing promotions activities that are all aimed at responding to various consumer demands. As such, the Company focused on Thai women physiology research, development and innovation and also developed the potential in product design. This also included closely collaboration with its distributors in undertaking various sales promotions campaigns so as to increase sales as well as maintain its market share; and also developing logistics system and warehouse efficiently to meet consumer demands.

For 2017, the Company achieved total consolidated revenues of Baht 4,546.55 million, representing an increase of 5.40% YoY; and total Net Profit of Baht 324.67 million, representing an increase of 4.41% YoY. As at the end of 2017, total assets were Baht 7,068.17 million, an increase of 5.70% compared to the end of the previous year; while, Return on Equity was 5.80%, and Return on Assets was 4.72%. The Company has also adapted its policies and strategies to the changing economic conditions in regards to sales and marketing, raw materials, and expenses.

As for the sales activities, the Company has also collaborated with its key distributors with regards to the production process, as well as improved existing sales channels in expanding into various new sales and distribution channels – such as: Retail Shops, E-Commerce, TV Shopping, Catalog Sales, and the Modern Trade. As for raw materials, the Company invested in establishing A Tech Textile Co., Ltd. and G Tech Material Co., Ltd., in order to produce new quality and innovative lingerie raw materials that will meet customers' demands so as to achieve competitive advantages in the long term. With regards to overhead costs and operating expenses, the Company has started to manufacture products at Myanmar Wacoal Co. Ltd., that was established in 2015, in order to expand its overall production base within the AEC countries where labor costs is lower so as to meet any labor shortages in Thailand.

2. Operating Results and Profitability

2.1 Analysis of Operating Results



Revenues from Sales of Products and Services

In 2017, the Company had total sales revenues of Baht 4,362.54 million, compared to Baht 4,138.46 million for the previous year, a net increase of Baht 224.08 million or 5.41% YoY. The increase in total sales revenues resulted from increased sales of products locally in Thailand of Baht 168.69 million, or equal to 5.70% YoY, due to the Company's distributor expanding its sales channels and increasing its marketing promotions campaigns. Total revenues from export sales increased by Baht 55.39 million, or 4.70% YoY, mainly due to the Company had received higher volume of orders from Japan.

Unit : Million Baht

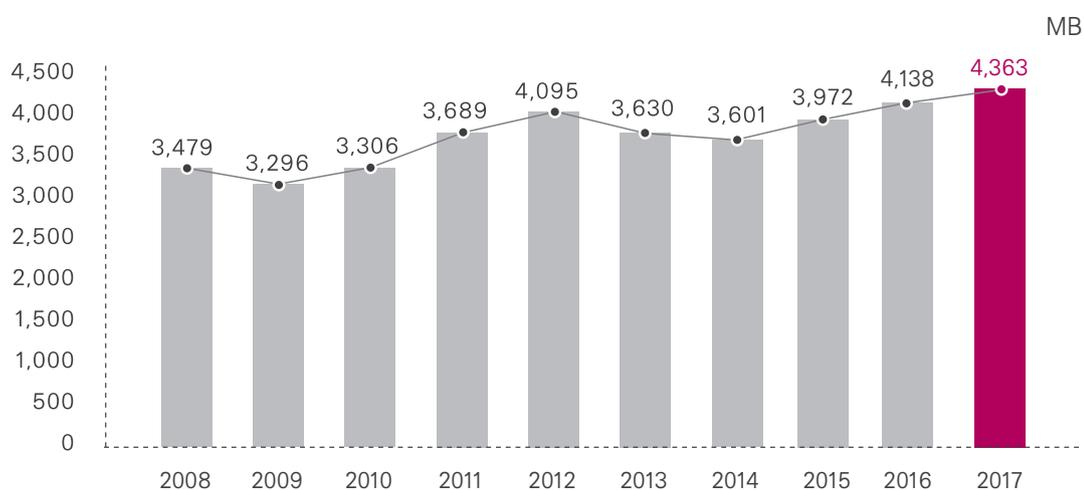
| Consolidated | 2017 | 2016 | 2015 | %Increase (Decrease) | |
|--------------------|-----------------|-----------------|-----------------|----------------------|-------------|
| | | | | 2017/2016 | 2016/2015 |
| Domestic sales | 3,129.58 | 2,960.89 | 2,892.58 | 5.70 | 2.36 |
| Export sales | 1,232.96 | 1,177.57 | 1,079.92 | 4.70 | 9.04 |
| Total sales | 4,362.54 | 4,138.46 | 3,972.50 | 5.41 | 4.18 |

As for full year 2017 sales by product categories, they are as follows: total ladies' lingerie sales of Baht 4,055.34 million, or an increase of 5.71% YoY; total ladies' outerwear sales of Baht 95.84 million, or a decrease of 2.27% YoY, and total children wear sales of Baht 211.36 million, or an increase of 3.54% YoY.

Unit : Million Baht

| Consolidated | 2017 | 2016 | 2015 | %Increase (Decrease) | |
|--------------------|-----------------|-----------------|-----------------|----------------------|-------------|
| | | | | 2017/2016 | 2016/2015 |
| Ladies' lingerie | 4,055.34 | 3,836.26 | 3,668.33 | 5.71 | 4.58 |
| Ladies' outerwear | 95.84 | 98.07 | 76.08 | (2.27) | 28.90 |
| Children wear | 211.36 | 204.13 | 228.09 | 3.54 | (10.50) |
| Total sales | 4,362.54 | 4,138.46 | 3,972.50 | 5.41 | 4.18 |

Sales revenues



Other Income

In 2017, other income totaled Baht 102.14 million - consisting mainly of interest income of Baht 8.91 million, rental income of Baht 11.56 million, service income and consultancy fees of Baht 20.53 million, gain on foreign exchange of Baht 13.81 million, compensation from goods return of Baht 32.32 million, and gain on sale of assets of Baht 7.03 million. This is compared to Baht 94.46 million for the previous year, or equal to an increase of Baht 7.68 million or 8.13% YoY.

Unit : Million Baht

| Consolidated | 2017 | 2016 | 2015 | %Increase (Decrease) | |
|--|-----------------|-----------------|-----------------|----------------------|-------------|
| | | | | 2017/2016 | 2016/2015 |
| Revenues from sales of products and services | 4,362.54 | 4,138.46 | 3,972.50 | 5.41 | 4.18 |
| Dividend income | 81.87 | 80.50 | 66.17 | 1.70 | 21.66 |
| Other income | 102.14 | 94.46 | 102.13 | 8.13 | (7.51) |
| Total revenues | 4,546.55 | 4,313.42 | 4,140.80 | 5.40 | 4.17 |

Cost of Sales

In 2017, the Company had total cost of sales equal to 76.59% of total sales revenues, compared to 76.60% in the previous year or representing a decrease of 0.01 percentage points YoY, which was similar to the previous year.

Unit : Million Baht

| Consolidated | 2017 | % | 2016 | % | 2015 | % | %Increase (Decrease) | |
|--|----------|--------|----------|--------|----------|--------|----------------------|-----------|
| | | | | | | | 2017/2016 | 2016/2015 |
| Revenues from sales of products and services | 4,362.54 | 100.00 | 4,138.46 | 100.00 | 3,972.50 | 100.00 | 5.41 | 4.18 |
| Cost of sales | 3,341.33 | 76.59 | 3,169.99 | 76.60 | 2,999.25 | 75.50 | 5.41 | 5.69 |
| Gross profit | 1,021.21 | 23.41 | 968.47 | 23.40 | 973.25 | 24.50 | 5.45 | (0.49) |

Selling and Administrative Expenses

In 2017, the Company had total selling expenses of Baht 131.68 million, representing an increase of Baht 31.45 million or 31.38% YoY, due to the Company having increased sales promotional expenses.

The Company also had total administrative expenses of Baht 625.47 million, representing an increase of Baht 37.03 million or 6.29% YoY mainly due to the adjusted increase in monthly wages, the expenditure in information technology system development, and the expenditure in research and development.

Unit : Million Baht

| Consolidated | 2017 | % | 2016 | % | 2015 | % | %Increase (Decrease) | |
|-------------------------|--------|-------|--------|-------|--------|-------|----------------------|-----------|
| | | | | | | | 2017/2016 | 2016/2015 |
| Selling expenses | 131.68 | 3.02 | 100.23 | 2.42 | 117.07 | 2.95 | 31.38 | (14.38) |
| Administrative expenses | 625.47 | 14.34 | 588.44 | 14.22 | 565.83 | 14.24 | 6.29 | 4.00 |
| Income tax expenses | 40.20 | 0.92 | 36.36 | 0.88 | 37.29 | 0.94 | 10.56 | (2.49) |

Income Tax Expenses

Income tax expenses for 2017 totaled Baht 40.20 million, representing an increase of Baht 3.84 million or 10.56% YoY, due to in 2017 the Companies having increased sales revenues and profit.

Profit

| Consolidated | Unit | 2017 | 2016 | 2015 | %Increase (Decrease) | |
|---|----------------|----------|--------|--------|----------------------|-----------|
| | | | | | 2017/2016 | 2016/2015 |
| Gross profit | Million Baht | 1,021.21 | 968.47 | 973.25 | 5.45 | (0.49) |
| Profit before financial cost and income tax expenses | Million Baht | 370.65 | 362.75 | 375.40 | 2.18 | (3.37) |
| Net profit | Million Baht | 324.67 | 310.95 | 334.37 | 4.41 | (7.00) |
| Earnings per share | Baht per share | 2.71 | 2.59 | 2.79 | 4.63 | (7.17) |
| Return on total revenues | % | 7.14 | 7.21 | 8.08 | (0.94) | (10.77) |
| ROE | % | 5.80 | 5.86 | 6.50 | (1.04) | (9.85) |
| ROA | % | 4.72 | 4.68 | 5.11 | 0.83 | (8.41) |

Gross Profit

In 2017, the Company had Total Gross Profit of Baht 1,021.21 million, representing an increase of Baht 52.74 million or 5.45% YoY, due to the Companies having increased revenues from sales of products and services.

Profit before Financial Cost and Income Tax Expenses

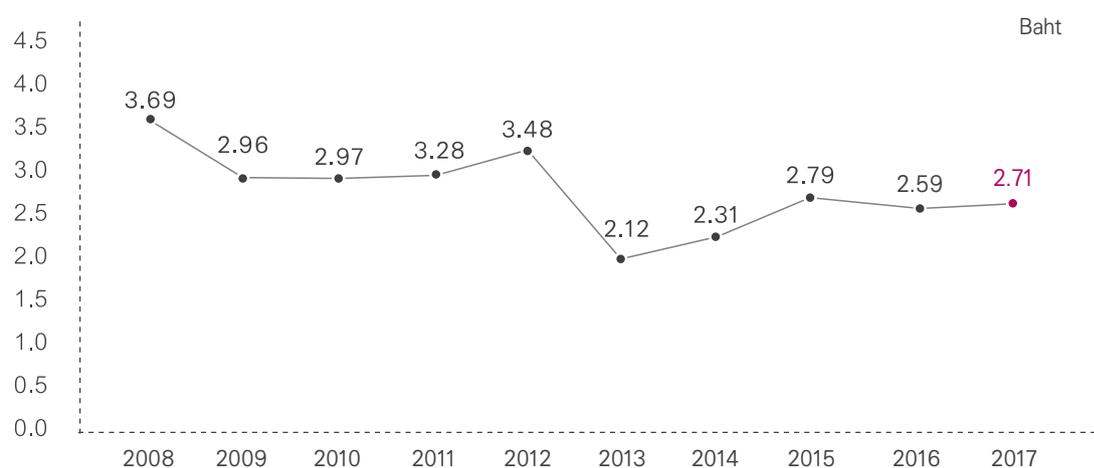
Total Profit before Financial Cost and Income Tax Expenses was Baht 370.65 million, equal to an increase of Baht 7.90 million or 2.18% YoY, due to higher Gross Profit and Other Income.

Net Profit attributable to Owners of the Parent

In 2017, total achieved Net Profit was Baht 324.67 million compared to Baht 310.95 million in the previous year, representing an increase of Baht 13.72 million or 4.41% YoY. This is equal to an Earnings per Share (EPS) of Baht 2.71; and represented a Return on total revenues of 7.14%, a Return on Equity of 5.80% and a Return on Assets of 4.72%.

The quality of the Company's profit is considered to be 'good', with a total net Cash Flow from operations of Baht 397.60 million derived from sales revenues and also from being able to collect most of the receivables within their due date.

Earnings per share



Return on Equity

In 2017, the Company achieved a Return on Equity of 5.80%, compared to 5.86% for the previous year. The Company had increased Net Profit and increased Shareholders' Equity resulting from unrealized gain on available-for-sale securities. 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 operating performance results as well as the overall economic situation. Additionally, the Company also take into consideration its current liquidity together with ongoing investment plans. In the past, the Company has continuously paid out dividend payments to its Shareholders for 44 consecutive years - from 1974 and up to the present.

According to its consolidated financial statements for year 2017, the Company achieved a total consolidated Net Profit of Baht 324.67 million (or equal to an EPS of Baht 2.71) and a total separate Net Profit of Baht 370.56 million (or equal to an EPS Baht 3.09); whereby at the Board of Directors Meeting No.9/2017 held on March 6, 2018, a resolution was approved to propose, to the Annual General Shareholders Meeting, a dividend payment for 2017 of Baht 1.50 per share - or totaling Baht 180 million. This proposed dividend payment is equal to 48.58% of the total separate Net Profit, with actual payment to be made on May 22, 2018.

| | Separate | Unit | 2017 | 2016 | 2015 |
|-------------------------|----------|----------------|--------|--------|--------|
| Net profit | | Million Baht | 370.56 | 347.28 | 318.05 |
| Number of shares | | Million shares | 120.00 | 120.00 | 120.00 |
| Earnings per share | | Baht per share | 3.09 | 2.89 | 2.65 |
| Dividend per share | | Baht per share | 1.50 | 1.30 | 1.10 |
| Total dividend payments | | Million Baht | 180 | 156.00 | 132.00 |
| Payout Ratio | | % | 48.58 | 44.92 | 41.50 |



Remark * The Board of Directors resolved to set dividend payment rate at Baht 1.50 per share, for further proposal to the shareholders' general meeting for approval, on April 23, 2018.

2.2 Analysis of the Financial Status

As at the end of 2017, the Company had total assets of Baht 7,068.17 million, an increase of Baht 380.96 million, or 5.70%, 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 0.47%; temporary investments at 5.95%; trade and other current receivables at 10.31%; inventories at 15.70%; available-for-sale securities investments at 23.64%; other long-term investments at 12.16%; investment property at 10.09%; property, plant and equipments (net) at 17.79%; and other assets at 3.89%.

Unit : Million Baht

| Consolidated | 2017 | 2016 | 2015 | %Increase (Decrease) | |
|-------------------------------------|-----------------|-----------------|-----------------|----------------------|---------------|
| | | | | 2017/2016 | 2016/2015 |
| Cash and cash equivalents | 453.90 | 311.56 | 366.41 | 45.69 | (14.97) |
| and Temporary investments | | | | | |
| Trade and other current receivables | 728.84 | 623.81 | 662.30 | 16.84 | (5.81) |
| Other short-term loans | 41.55 | 51.55 | 150.60 | (19.40) | (65.77) |
| Inventories | 1,109.49 | 1,225.29 | 1,164.49 | (9.45) | 5.22 |
| Other current assets | 19.86 | 20.95 | 21.68 | (5.20) | (3.37) |
| Total current assets | 2,353.64 | 2,233.16 | 2,365.48 | 5.40 | (5.59) |
| Available-for-sale investments | 1,670.65 | 1,469.35 | 1,490.72 | 13.70 | (1.43) |
| Investments in associates | 165.93 | 47.00 | 58.13 | 253.04 | (19.15) |
| Other long-term investments | 859.82 | 852.92 | 661.98 | 0.81 | 28.84 |
| Investment property | 713.57 | 676.99 | 681.65 | 5.40 | (0.68) |
| Property, plant and equipment | 1,257.31 | 1,350.33 | 1,274.39 | (6.89) | 5.96 |
| Other non-current assets | 47.25 | 57.46 | 64.31 | (17.77) | (10.65) |
| Total non-current assets | 4,714.53 | 4,454.05 | 4,231.18 | 5.85 | 5.27 |
| Total Assets | 7,068.17 | 6,687.21 | 6,596.66 | 5.70 | 1.37 |

Current Assets

As at the end of 2017, the Company had total current assets of Baht 2,353.64 million, an increase of Baht 120.48 million from the previous year mainly consisting of an increased cash and cash equivalents and temporary investments - with details as follows:

- **Cash and cash equivalents, and temporary investments** totaled Baht 453.90 million, representing an increase of Baht 142.34 million from the previous year, as a result of investing additional available-for-sale securities during the year.
- **Trade and other current receivables** totaled Baht 728.84 million, representing an increase of Baht 105.03 million from the previous year, as a result of the Company had higher sales of goods and services, resulting in increased the balance of unpaid receivables.
- **Short-term loans** totaled Baht 41.55 million, representing a decrease of Baht 10 million from the previous year as a result of the Company received the loan return from other companies.
- **Inventories** totaled Baht 1,109.49 million, representing a decrease of Baht 115.80 million from the previous year, mainly due to the decrease in finished goods and finished goods in transit to control inventory level and deliver according to customer orders.

Non-Current Assets

As at the end of 2017, the Company had Non-Current Assets totaling Baht 4,714.53 million, an increase of Baht 260.48 million from the previous year, mainly due to investments made in ordinary shares of associates and unrealized gain on available-for-sale-securities investments during the year, with the following details:

- **Available-for-sale-securities investments** totaled Baht 1,670.65 million, representing an increase of Baht 201.30 million from the previous year, due to an unrealized gains on changes in value of available-for-sale securities of Baht 198.30 million.
- **Investments in Associates** totaled Baht 165.93 million, representing an increase of Baht 118.93 million from the previous year, due to the fact that, the Company increased its investments in associates of Baht 112.85 million and transferred from other long-term investments of Baht 11.61 million. In addition, the Company recognized its share of loss from its investment in associates of Baht 5.49 million.
- **Other long-term investments** totaled Baht 859.82 million, representing an increase of Baht 6.90 million from the previous year. This is because the Company increased its net investments in ordinary shares by Baht 9.56 million, as well as transferred its investment in ordinary shares into investment in associates of Baht 11.61 million, invested in debentures of Baht 67.03 million, transferred its investment in debentures, with a maturity of 1 year, into short-term investments totaling Baht 50 million, together with provided the allowance for impairment of investments of Baht 8.07 million.
- **Investment property** totaled Baht 713.57 million, representing an increase of Baht 36.58 million from the previous year, because the Company transferred its land and plant into investment property of Baht 42.46 million. In addition, the Company sold assets of Baht 1.19 million and deducted the depreciation of Baht 4.69 million.
- **Property, plant and equipments** totaled Baht 1,257.31 million, representing a decrease of Baht 93.02 million from the previous year, as a result of purchasing machinery and equipments, computers, vehicles, and durable articles, together with making improvement of plants totaling Baht 45.77 million, transferring land and plant into investment property of Baht 42.46 million, unused assets disposal of Baht 2.21 million, and deducting total depreciation of Baht 94.12 million for the year.

Total Liabilities

As at the end of 2017, the Company had total liabilities of Baht 1,303.03 million, an increase of Baht 55.51 million, or 4.45%, compared to the end of the previous year mainly due to the Company having higher deferred tax liabilities of Baht 36.47 million and provisions for employee benefit of Baht 28.02 million.

Unit : Million Baht

| Consolidated | 2017 | 2016 | 2015 | %Increase (Decrease) | |
|-------------------------------------|----------|----------|----------|----------------------|-----------|
| | | | | 2017/2016 | 2016/2015 |
| Current liabilities | 682.48 | 698.73 | 861.36 | (2.33) | (18.88) |
| Non-current liabilities | 620.55 | 548.79 | 555.15 | 13.08 | (1.15) |
| Total liabilities | 1,303.03 | 1,247.52 | 1,416.51 | 4.45 | (11.93) |
| Equity | 5,765.14 | 5,439.69 | 5,180.15 | 5.98 | 5.01 |
| Book value per share (Baht / Share) | 48.04 | 45.33 | 43.17 | 5.98 | 5.00 |

Shareholders' Equity

As at the end of 2017, the value of the Shareholders' Equity in the Company totaled Baht 5,765.14 million, an increase of Baht 325.45 million or 5.98% YoY. This resulted from the Company having achieved total full year 2017 Net Profit of Baht 324.67 million and making dividend payments, in regards to full year 2016 performance results, totaling Baht 156 million, together with having an additional other components of Shareholders' Equity totaling Baht 156.80 million. As such, the Company's book value per share, as at the end of 2017, equaled to Baht 48.04 compared to Baht 45.33 for the previous year or a YoY increase of Baht 2.71 per share.



3. Asset Management Capabilities

Receivables

Trade and other current receivables totaled Baht 728.84 million, comprising of Baht 703.70 million in trade receivables and Baht 25.14 million in other current receivables. The trade receivables include accounts receivables that are not yet due totaling Baht 607.53 million (equal to 86.33% of total trade receivables); less than 3 months overdue trade receivables totaling Baht 72.17 million (equal to 10.26% 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 24 million (equal to 3.41% 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 1,109.49 million - consisting of raw materials totaling Baht 328.83 million, work in process totaling Baht 160.56 million, and finished goods totaling Baht 620.10 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 Thai accounting standards.

Investments

The Company had unrealized gains on changes in value of available-for-sale securities totaling Baht 958.41 million, which are included in the total Shareholders' Equity, together with an impairment of investments totaling Baht 8.07 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 6.54% 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 plant, and has regularly reappraised the fair value in accordance with Thai 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. 13) to the Financial Statements : Investment Property'.

4. 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 2017, the Company had the loan repayment to a financial institution of Baht 18 million which was borrowed for use as working capital.

Investments

The Company made investments mainly in purchasing machinery and equipments, computers, and vehicles totaling Baht 47.63 million, with the objective of using most of these assets in the operations of its businesses.

Adequacy of the Company's Liquidity

The Company's has good and adequate financial liquidity, as evident from its current ratio of 3.45 times for 2017, together with its quick ratio of 1.70 times. The liquidity was higher than the previous year since Company's current liabilities in 2017 had decreased. Additionally, the Company still has a very low Debt to Equity (D/E) ratio of 0.23 times that underscores its financial stability and the overall adequacy of the Company's liquidity.

| Consolidated | Unit | 2017 | 2016 | 2015 |
|----------------------|-------|------|------|------|
| Current ratio | Times | 3.45 | 3.20 | 2.75 |
| Quick ratio | Times | 1.70 | 1.32 | 1.18 |
| Debt to equity ratio | Times | 0.23 | 0.23 | 0.27 |

Cash Flows

As at the end of 2017, the Company had cash and cash equivalents totaling Baht 32.99 million compared to Baht 61.78 million as at the end of the previous year, or representing a decrease of Baht 28.79 million. The details of net cash flows classified by operating activities, investing activities, and financing activities were as follows:

| Unit : Million Baht | | | |
|---|----------|----------|----------|
| Consolidated | 2017 | 2016 | 2015 |
| Net cash provided by (used in) operating activities | 397.60 | 361.16 | 278.92 |
| Net cash provided by (used in) investing activities | (251.90) | 15.76 | (42.85) |
| Net cash provided by (used in) financing activities | (174.41) | (377.61) | (215.61) |

The Company had a 'net cash provided by operating activities' totaling Baht 397.60 million, an increase of Baht 36.44 million from the previous year, as a result of the Company having more net cash received from operations.

The Company had a 'net cash flows used in investing activities' totaling Baht 251.90 million, mainly resulting from having cash payment for purchase of temporary investments of Baht 117.70 million, cash payment for purchase of investments in associate of Baht 112.85 million, cash payment for purchase of long-term debentures of Baht 67.03 million, cash payment for purchase of property, plant and equipment of Baht 47.63 million, together with total dividend receipt of Baht 81.87 million.

The Company had a 'net cash flows used in financing activities' totaling Baht 174.41 million, mainly as a result of making dividend payments to its Shareholders totaling Baht 156 million and having cash payment for short-term borrowings from financial institutions totaling Baht 18 million.

5. Contractual obligations and off-balance sheet arrangements

Total liabilities of the Company as at December 31, 2017 was Baht 1,303.03 million - consisting of short-term liabilities totaling Baht 682.48 million and long-term liabilities totaling Baht 620.55 million.

Details of the Company's Total Long-Term Liabilities

Unit : Million Baht

| Long-Term Liabilities | 2017 | 2016 | 2015 |
|-------------------------------|--------|--------|--------|
| Financial lease liabilities | 0.26 | 0.65 | 1.08 |
| Deferred tax liabilities | 122.53 | 86.06 | 68.91 |
| Retirement benefit obligation | 497.76 | 462.08 | 485.15 |

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. 35) to the Financial Statements: Contingent Liabilities and Commitments'.

6. 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

- Overall more positive trends are seen for the domestic economy as a result of private investment and governance expenditure and global economic recovery.
- 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

- The Company gives importance to the development of quality and new innovative products, through undertaking joint investments with a foreign firm that is an expert in the production of quality lingerie raw materials, so as to achieve competitive advantages in the longer term as follows :

| Year of investment | Company Name | Shareholding Ratio |
|--------------------|---------------------------------|--------------------|
| 2016 | A Tech Textile Co., Ltd. | 19% |
| 2016 | G Tech Material Co., Ltd. | 19% |
| 2017 | Pattaya Manufacturing Co., Ltd. | 40% |

- 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. The Company has collaborated in establishing associated companies in Myanmar, in order to expand its manufacturing base into a country with lower cost of labor.

| Year of investment | Company Name | Shareholding Ratio |
|--------------------|---------------------------|--------------------|
| 2013 | Pattaya Myanmar Co., Ltd. | 20% |
| 2015 | Myanmar Wacoal Co., Ltd. | 40% |

7. Expenses for Research & Development with regards to Technology and Innovation

Wacoal products have always been committed to the philosophy of “**BEAUTY FROM THE INSIDE, RESULTS IN BEAUTY ON THE OUTSIDE**”, which reflects the fact that the beauty of a lady's figure always comprises of 2 key elements: the body and the mind. As such, all Wacoal products do not only stress the physical beauty but also the comfortableness in wearing our products that will then also help to give a feeling of healthiness and well-being. Therefore, the Company is committed to and has always attached much importance on research & development of new technology and innovation with regards to ladies' lingerie products, through establishing the Human Science Research Center that is responsible for the research and development of data on the physiology relating to the physical features and figure of Thai women, together with the Research Development & Innovation Center that is responsible for the innovations relating to new raw materials and products that will result in creative and quality lingerie products as well as that are environmentally friendly. During 2017, a summary of the outputs from the research and development activities is as follows:

1. Study and research on women's figure and shape

The Company has continued to study and undertake research on Thai women's figure and shape for a long time, in order to make use of the research data outputs as specifications in producing our ladies' lingerie so that they are of good quality standards and correspond to the ever changing exact ladies form and figure within various age categories. As such, last year the Company spent a total of Baht 4.67 million on these research and development activities.

2. Joint development of new raw materials together with a business partner

The important product development activities focus on research and development of product innovations with regards to raw materials that will meet customer demands. Thus, the Company gives importance to assessing and testing the quality of new raw materials for our products together with the ongoing development of production machinery and the quality of associated production technology for new products. This included undertaking a joint business with a raw materials supplier in producing quality raw materials that will also take care of the environment, details of which activity are given under the heading “Corporate Business Nature” on the significant developments during the past year. During the year, the Company spent a total of Baht 6.82 million relating to this activity.

Financial ratios compared between 2017, 2016, and 2015

| Consolidated | Unit | 2017 | 2016 | 2015 |
|---|-------|----------|--------|--------|
| Liquidity Ratio | | | | |
| 1. Current Ratio | times | 3.45 | 3.20 | 27.75 |
| 2. Quick Ratio | times | 1.70 | 1.32 | 1.18 |
| 3. Liquidity of Cash Flow from Operations | times | 0.58 | 0.46 | 0.33 |
| 4. Receivable Turnover | times | 6.64 | 6.58 | 6.26 |
| 5. Average Collection Period | days | 54.22 | 54.71 | 57.51 |
| 6. Inventory Turnover | times | 4.82 | 4.19 | 4.22 |
| 7. Average Inventory Period | days | 74.69 | 85.92 | 85.31 |
| 8. Account Payable Turnover | times | 9.54 | 9.57 | 8.60 |
| 9. Average Payment Period | days | 37.74 | 37.62 | 41.86 |
| 10. Cash Cycle | days | 91.17 | 103.01 | 100.96 |
| Profitability Ratio | | | | |
| 1. Gross Profit Margin | % | 23.41 | 23.40 | 24.05 |
| 2. Return on Total Revenues | % | 7.14 | 7.21 | 8.08 |
| 3. Return on Equity | % | 5.80 | 5.86 | 6.50 |
| Efficiency Ratio | | | | |
| 1. Return on Assets | % | 4.72 | 4.68 | 5.11 |
| 2. Assets Turnover | times | 0.66 | 0.65 | 0.63 |
| Financial Policy Ratio | | | | |
| 1. Debt to Equity Ratio | times | 0.23 | 0.23 | 0.27 |
| 2. Interest Coverage Ratio | times | 1,610.78 | 93.84 | 74.52 |
| 3. Payout Ratio | % | 55.44* | 50.17 | 39.48 |

Remark : * The Board of Directors resolved to set dividend payment rate at Baht 1.50 per share, for further proposal to the shareholders' general meeting for approval, on April 23, 2018.