

Management Discussion and Analysis



Management Discussion and Analysis (MD&A)

1. Overview – The Company’s Business Operations

There was a slow positive turnaround of the global economy recovered during 2015 and the US economy show trends of a recovery with increased employment as well as higher household income; while some key risks remain with regard to the economic slowdown in China and Asia. As for the Thai economy, overall full year 2015 GDP growth was approximate 2.7 - 3.2%, driven by continued consumer consumption and public sector investments, significantly ongoing positive tourism sector growth and weakening of the Baht, together with decreased gasoline prices and low overall inflation that both helped to increase consumers purchasing power as well as a more stable domestic political situation. However, there were also negative impacts from prevailing low agricultural commodities process in the global market and from the extended critical drought situation in Thailand.

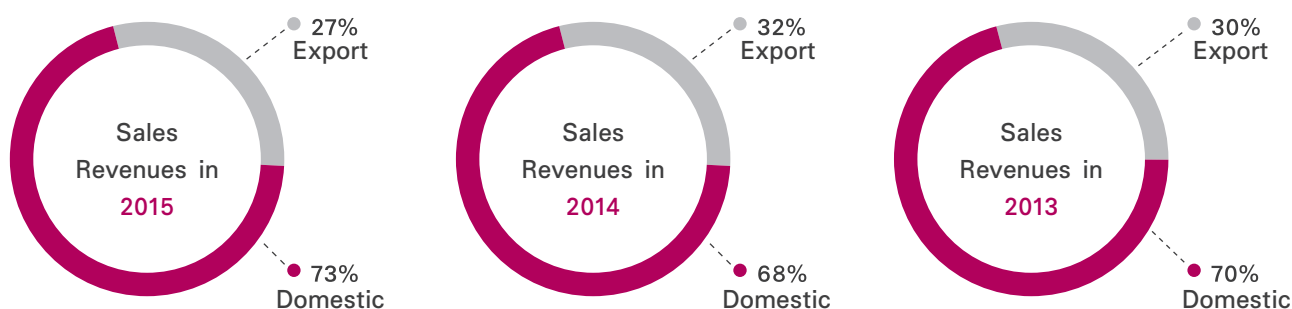
For 2015, the degree of competition in the ladies' lingerie market in Thailand has increased, due to new foreign brands entering this market. Thus, the Company continued to budget for ongoing advertising and marketing promotions campaigns, together with its distributors, in order to maintain its market 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 2015, the Company achieved total consolidated revenues of Baht 4,140.80 million, representing an increase of 9.75% YoY; and total Net Profit of Baht 334.37 million, representing an increase of 20.84% YoY. As at the end of 2015, total assets were Baht 6,596.66 million, an increase of 1.72% compared to the end of the previous year; while, Return on Equity was 6.50%, and Return on Assets was 5.11%. 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 the 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 the 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 was affected by both a labor shortage together with increased labor costs. In 2015, therefore, the Company undertook a joint venture business through establishing Myanmar Wacoal Co., Ltd. in The Republic of the Union Myanmar, with a 40% equity shareholding, that will be the manufacturing base for the various AEC markets.

2. Operating Results and Profitability

2.1 Analysis of Operating Results



Revenues from Sales of Products and Services

In 2015, the Company had total sales revenues of Baht 3,972.50 million, compared to Baht 3,601.33 million for the previous year, a net increase of Baht 371.17 million or 10.31% YoY. The increase in total sales revenues resulted from increased sales of products locally in Thailand of Baht 448.30 million, or equal to 18.34% YoY, due to the Company's distributor expanding its sales channels and increasing its marketing promotions campaigns. However, total revenues from export sales decreased by Baht 77.13 million, or 6.67% YoY, mainly due to the economic slowdown in Japan.

Unit : Million Baht

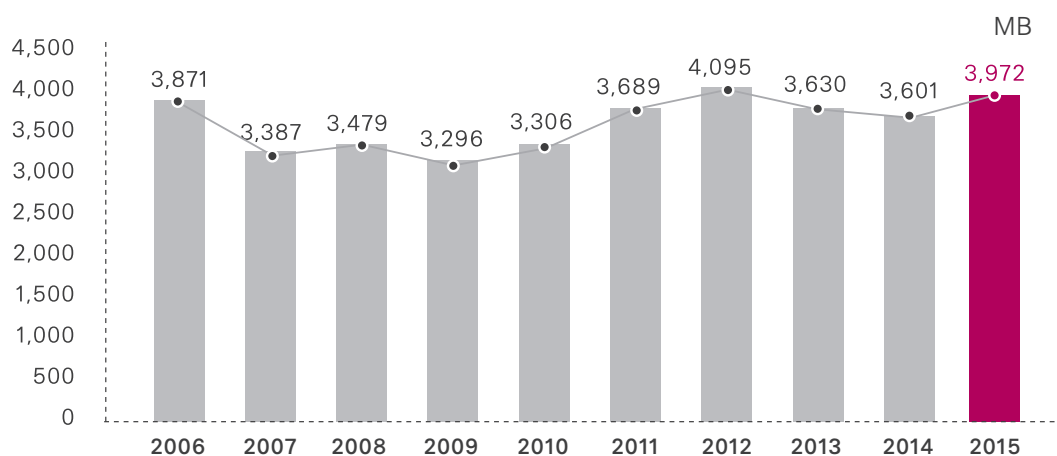
Consolidated	2015	2014	2013	%Increase (Decrease)	
				2015/2014	2014/2013
Domestic sales	2,892.58	2,444.28	2,540.66	18.34	(3.79)
Export sales	1,079.92	1,157.05	1,088.85	(6.67)	6.26
Total sales	3,972.50	3,601.33	3,629.51	10.31	(0.78)

As for full year 2015 sales by product categories, they are as follows: total ladies' lingerie sales of Baht 3,668.33 million, or an increase of 11.22% YoY; total ladies' outerwear sales of Baht 76.08 million, or an increase of 7.40% YoY, and total childrenwear sales of Baht 228.09 million, or an increase of 1.74% YoY.

Unit : Million Baht

Consolidated	2015	2014	2013	%Increase (Decrease)	
				2015/2014	2014/2013
Ladies' lingerie	3,668.33	3,298.35	3,307.24	11.22	(0.27)
Ladies' outerwear	76.08	70.84	85.44	7.40	(17.09)
Childrenwear	228.09	232.14	236.83	(1.74)	(1.98)
Total sales	3,972.50	3,601.33	3,629.51	10.31	(0.78)

Sales revenues



Other Income

In 2015, other income totaled Baht 102.13 million - consisting mainly of interest income of Baht 24.24 million, rental income of Baht 14.12 million, other service income of Baht 15.30 million, and a gain on foreign exchange of Baht 10.36 million. This is compared to Baht 110.25 million for the previous year, or equal to a decrease of Baht 8.12 million or 7.37% YoY, whereby this YoY decrease is due to the total amount of interest income decreasing by Baht 10.63 million.

Unit : Million Baht

Consolidated	2015	2014	2013	%Increase (Decrease)	
				2015/2014	2014/2013
Revenues from sales of products and services	3,972.50	3,601.33	3,629.51	10.31	(0.78)
Dividend income	66.17	61.30	67.64	7.94	(9.37)
Other income	102.13	110.25	129.12	(7.37)	(14.61)
Total revenues	4,140.80	3,772.88	3,826.27	9.75	(1.40)

Cost of Sales

In 2015, the Company had total cost of sales equal to 75.50% of total sales revenues, compared to 76.96% in the previous year or representing as a decrease of 1.46 percentage points YoY, due to a decrease in the overseas cost of sales resulting from the weakening of the average value of the Baht against foreign currencies during the year.

Unit : Million Baht

Consolidated	2015	%	2014	%	2013	%	%Increase (Decrease)	
							2015/2014	2014/2013
Revenues from sales of products and services	3,972.50	100.00	3,601.33	100.00	3,629.51	100.00	10.31	(0.78)
Cost of sales	2,999.25	75.50	2,771.48	76.96	2,837.24	78.17	8.22	(2.32)
Gross profit	973.25	24.50	829.85	23.04	792.27	21.83	17.28	4.74

Selling and Administrative Expenses

In 2015, the Company had total selling expenses of Baht 117.07 million, representing an increase of Baht 14.52 million or 14.16% YoY, due to the Company having increased licensing fees for products sold in the domestic market together with increased sales promotional expenses relating to new product brands and to selling through the Modern Trade sales channels.

The Company also had total administrative expenses of Baht 565.83 million, representing an increase of Baht 42.61 million or 8.14% YoY mainly due to the adjusted increase in monthly wages and training expenses.

Unit : Million Baht

Consolidated	2015	%	2014	%	2013	%	%Increase (Decrease)	
							2015/2014	2014/2013
Selling expenses	117.07	2.95	102.55	2.85	96.82	2.67	14.16	5.92
Administrative expenses	565.83	14.24	523.22	14.53	510.27	14.06	8.14	2.54
Income tax expenses	37.29	0.94	39.46	1.10	41.34	1.14	(5.50)	(4.55)

Income Tax Expenses

Income tax expenses for 2015 totaled Baht 37.29 million, representing a decrease of Baht 2.17 million or 5.50% YoY; while overall Net Profit increased due to Subsidiary Companies having been granted corporate income tax reduction from having BOI promotional privileges.

Profit

Consolidated	Unit	2015	2014	2013	%Increase (Decrease)	
					2015/2014	2014/2013
Gross profit	Million Baht	973.25	829.85	792.27	17.28	4.74
Operating profit	Million Baht	214.19	139.43	115.61	53.62	20.61
Net profit	Million Baht	334.37	276.70	254.34	20.84	8.79
Earnings per share	Baht per share	2.79	2.31	2.12	20.78	8.96
Return on total revenues	%	8.08	7.33	6.65	10.23	10.23
ROE	%	6.50	5.47	4.98	18.83	9.84
ROA	%	5.11	4.42	4.09	15.61	8.07

Gross Profit

In 2015, the Company achieved Total Gross Profit of Baht 973.25 million, representing an increase of Baht 143.40 million or 17.28% YoY, due to increased Gross Profit for overseas sales operations that resulted in increased Gross Margins.

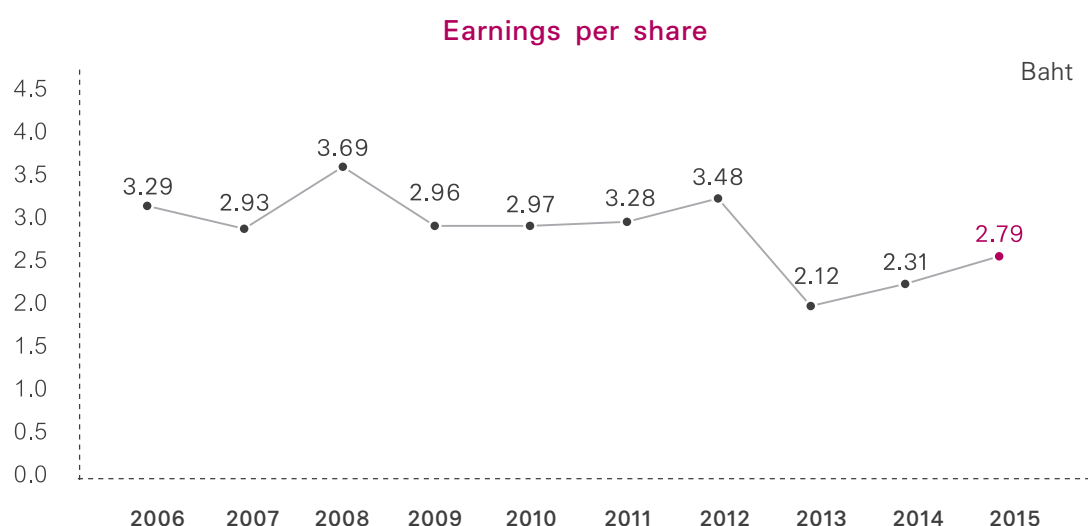
Operating Profit

Achieved Total Operating Profit was Baht 214.19 million, equal to an increase of Baht 74.76 million or 53.62% YoY, due to having relatively stable Total Selling and Administrative Expenses that increased at a lower rate than the increase in Total Gross Profit.

Net Profit attributable to Owners of the Parent

In 2015, total achieved Net Profit was Baht 334.37 million compared to Baht 276.70 million in the previous year, representing an increase of Baht 57.67 million or 20.84% YoY. This is equal to an Earnings per Share (EPS) of Baht 2.79; and represented a Return on total revenues of 8.08%, a Return on Equity of 6.50% and a Return on Assets of 5.11%. As such, this achieved increase in Total Net Profit was derived from overall increased total sales together with an increase in Gross Profits from overseas sales due to the weakening of the Thai Baht.

The quality of the Company's profit is considered to be 'good', with a total net Cash Flow from operations of Baht 278.92 million derived from sales revenues and also from being able to collect most of the receivables within their due date.

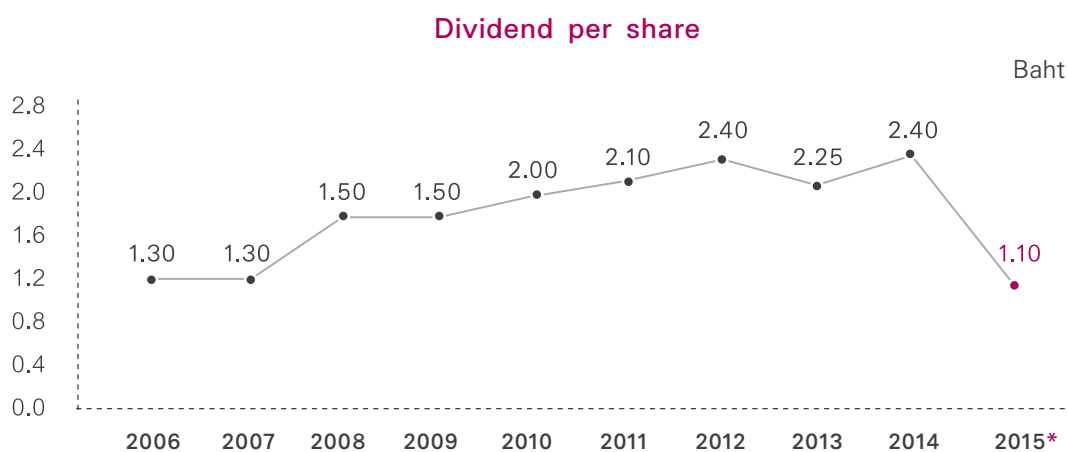


Return on Equity

In 2015, the Company achieved a Return on Equity of 6.50%, compared to 5.47% for the previous year, with this ROE increase resulting from the achieved 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 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 42 consecutive years - from 1974 and up to the present.

According to its consolidated financial statements for year 2015, the Company achieved a total consolidated Net Profit of Baht 334.37 million (or equal to an EPS of Baht 2.79) and a total separate Net Profit of Baht 318.05 million (or equal to an EPS Baht 2.65); whereby at the Board of Directors Meeting No.7/2015 held on March 2, 2016, a resolution was approved to propose, to the Annual General Shareholders Meeting, a dividend payment for 2015 of Baht 1.10 per share - or totaling Baht 132 million. This proposed dividend payment is equal to 41.50% of the total separate Net Profit, with actual payment to be made on May 24, 2016.

Separate	Unit	2015	2014	2013
Net profit	Million Baht	318.05	295.66	270.31
Number of shares	Million shares	120.00	120.00	120.00
Earnings per share	Baht per share	2.65	2.46	2.25
Dividend per share	Baht per share	1.10	2.40	2.25
Total dividend payments	Million Baht	132.00	288.00	270.00
Payout Ratio	%	41.50	97.41	99.89



Remark * The Board of Directors resolved to set dividend payment rate at Baht 1.10 per share, for further proposal to the shareholders' general meeting for approval, on April 25, 2016.

2.2 Analysis of the Financial Status

As at the end of 2015, the Company had total assets of Baht 6,596.66 million, an increase of Baht 111.23 million, or 1.72%, 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 0.95%; temporary investments at 4.61%; trade and other receivables at 10.04%; inventories at 17.65%; available-for-sale securities investments at 22.60%; other long-term investments at 10.04%; investment property at 10.33%; property, plant and equipments (net) at 19.32%; and other assets at 4.46%.

Unit : Million Baht

Consolidated	2015	2014	2013	%Increase (Decrease)	
				2015/2014	2014/2013
Cash and cash equivalents and Temporary investments	366.41	425.81	663.95	(13.95)	(35.87)
Trade and other receivables	662.30	631.71	611.98	4.84	3.22
Other short-term loans	150.60	140.60	110.80	7.11	26.90
Inventories	1,164.49	1,133.27	913.09	2.76	24.11
Other current assets	21.68	28.13	22.65	(22.93)	24.19
Total current assets	2,365.48	2,359.52	2,322.47	0.25	1.60
Available-for-sale investments	1,490.72	1,481.69	1,742.87	0.61	(14.99)
Investments in associates	58.13	4.58	4.74	1,169.21	(3.38)
Other long-term investments	661.98	631.53	700.67	4.82	(9.87)
Investment property	681.65	686.31	75.55	(0.68)	808.42
Property, plant and equipment	1,274.39	1,268.89	887.91	0.43	42.91
Other non-current assets	64.31	52.91	292.53	21.55	(81.91)
Total Non-Current Assets	4,231.18	4,125.91	3,704.27	2.55	11.38
Total Assets	6,596.66	6,485.43	6,026.74	1.72	7.61

Current Assets

As at the end of 2015, the Company had total current assets of Baht 2,365.48 million, an increase of Baht 5.96 million from the previous year mainly consisting of increased receivables and inventories as a result of preparing additional inventory for planned new distribution channels - with details as follows:

- **Cash and cash equivalents, and temporary investments** totaled Baht 366.41 million, representing a decrease of Baht 59.40 million from the previous year, as a result of investments made in associates and purchasing additional property, plant and equipments during the year.
- **Trade and other receivables** totaled Baht 662.30 million, representing an increase of Baht 30.59 million from the previous year, as a result of increased trade receivables during late 2015 that are not yet due for payment.
- **Short-term loans** totaled Baht 150.60 million, representing an increase of Baht 10 million from the previous year as a result of increased short-term loans.
- **Inventories** totaled Baht 1,164.49 million, representing an increase of Baht 31.22 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 2015, the Company had Non-Current Assets totaling Baht 4,231.18 million, an increase of Baht 105.27 million from the previous year, mainly due to investments made in ordinary shares of associates and purchasing additional property, plant and equipments during the year, with the following details:

- **Available-for-sale-securities investments** totaled Baht 1,490.72 million, representing an increase of Baht 9.03 million from the previous year. This is because the Company purchased investments in ordinary shares of Baht 25.68 million, debentures of Baht 4.20 million, as well as made an unrealized gains on changes in value of available-for-sale securities of Baht 10.15 million, together with transferred its investment in debentures, with a maturity of 1 year, into short-term investments totaling Baht 81 million.
- **Investments in Associates** totaled Baht 58.13 million, representing an increase of Baht 53.55 million from the previous year, due to the fact that, in 2015, the Company invested in the joint venture Myanmar Wacoal Co., Ltd., located in The Republic of the Union Myanmar, with a total investment of Baht 52.96 million that equaled a 40% equity shareholding. Additionally, the Company recognized its share of gain from its prior investment in Pattaya Myanmar Co., Ltd., totaling Baht 0.59 million.
- **Other long-term investments** totaled Baht 661.98 million, representing an increase of Baht 30.45 million from the previous year. This is because the Company increased its investments in ordinary shares by Baht 38.85 million, and also provided the allowance for impairment of investments of Baht 8.40 million.
- **Investment property** totaled Baht 681.65 million, representing a decrease of Baht 4.66 million from the previous year, resulting from deducting the depreciation of investment property.
- **Property, plant and equipments** totaled Baht 1,274.39 million, representing an increase of Baht 5.50 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 95.64 million, and deducting total depreciation of Baht 90.14 million for the year.

Total Liabilities

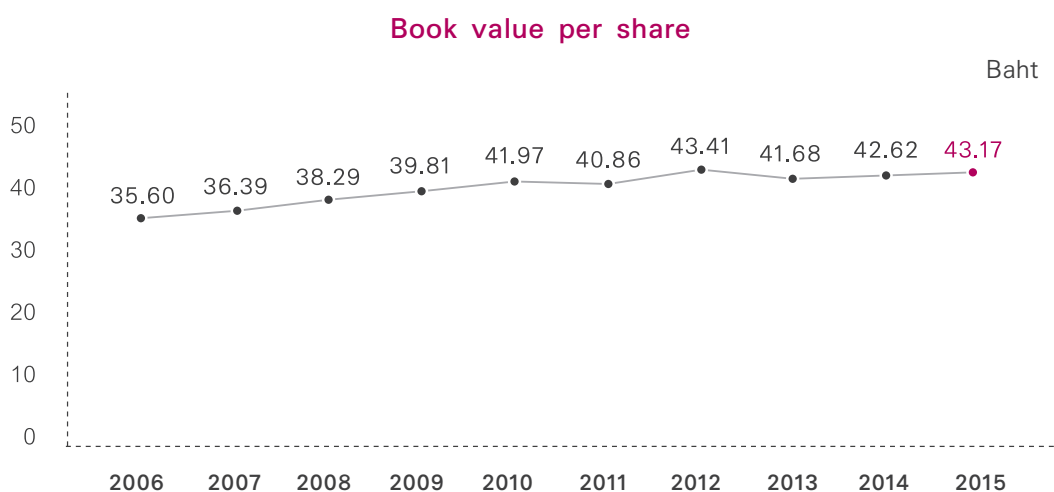
As at the end of 2015, the Company had total liabilities of Baht 1,416.51 million, an increase of Baht 45.54 million, or 3.32%, compared to the end of the previous year mainly due to increased short-term borrowings from financial institutions totaling Baht 73 million, as a result of making additional investments in ordinary shares and purchasing additional assets.

Unit : Million Baht

Consolidated	2015	2014	2013	%Increase (Decrease)	
				2015/2014	2014/2013
Current liabilities	861.36	822.90	522.81	4.67	57.40
Non-current liabilities	555.15	548.07	501.92	1.29	9.19
Total liabilities	1,416.51	1,370.97	1,024.73	3.32	33.79
Equity	5,180.15	5,114.45	5,002.01	1.28	2.25
Book value per share (Baht / Share)	43.17	42.62	41.68	1.29	2.26

Equity

As at the end of 2015, the value of the Equity in the Company totaled Baht 5,180.15 million, an increase of Baht 65.70 million or 1.28% YoY. This resulted from the Company having achieved total full year 2015 Net Profit of Baht 334.37 million and making dividend payments, in regards to full year 2014 performance results, totaling Baht 288 million, together with having an additional other components of Equity totaling Baht 8.54 million. As such, the Company's book value per share, as at the end of 2015, equaled to Baht 43.17 compared to Baht 42.62 for the previous year or a YoY increase of Baht 0.55 per share.



3. Asset Management Capabilities

Receivables

Trade and other receivables totaled Baht 662.30 million, comprising of Baht 647.80 million in trade receivables and Baht 14.50 million in other receivables. The trade receivables include accounts receivables that are not yet due totaling Baht 521.71 million (equal to 80.54% of total trade receivables); less than 3 months overdue trade receivables totaling Baht 93.35 million (equal to 14.41% 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 32.74 million (equal to 5.04% 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 1,164.49 million - consisting of raw materials totaling Baht 261.47 million, work in process totaling Baht 155.75 million, and finished goods totaling Baht 747.27 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 719.23 million, which are included in the total Equity, together with an impairment of investments totaling Baht 8.40 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 6.48% 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. 14) 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 2015, the Company made use of funds derived from total loans of Baht 263 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 mainly in purchasing machinery and equipments, computers, together with making improvement of plants totaling Baht 97.78 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 2.75 times for 2015, together with its quick ratio of 1.18 times. Both these liquidity ratios are similar to the previous year. 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 that underscores its financial stability and the overall adequacy of the Company's liquidity.

Consolidated	Unit	2015	2014	2013
Current ratio	Times	2.75	2.87	4.44
Quick ratio	Times	1.18	1.27	2.40
Debt to equity ratio	Times	0.27	0.27	0.20

Cash Flows

As at the end of 2015, the Company had cash and cash equivalents totaling Baht 62.48 million compared to Baht 41.86 million as at the end of the previous year, an increase of Baht 20.62 million, as a result of managing its cash and cash equivalents to be more appropriate to its current business operations. The details of net cash flows classified by operating activities, investing activities, and financing activities were as follows:

Unit : Million Baht			
Consolidated	2015	2014	2013
Net cash provided by (used in) operating activities	278.92	139.04	175.27
Net cash provided by (used in) investing activities	(42.85)	(120.46)	43.53
Net cash provided by (used in) financing activities	(215.61)	(80.48)	(288.06)

The Company had a 'net cash provided by operating activities' totaling Baht 278.92 million, an increase of Baht 139.88 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 42.85 million, mainly resulting from having a net cash receipt of Baht 152.01 million from its saving deposits reaching maturity, total dividend receipt of Baht 66.17 million, total interest income of Baht 25.60 million, together with investing a total of Baht 97.78 million in the purchase of property, plants and equipments, a total of Baht 52.96 million in the investment in associated company, and a total of Baht 71.30 million in buying ordinary shares and debentures.

The Company had a 'net cash flows used in financing activities' totaling Baht 215.61 million, mainly as a result of making dividend payments to its Shareholders totaling Baht 288 million and having cash received from borrowing totaling Baht 73 million.

5. Contractual obligations and off-balance sheet arrangements

Total liabilities of the Company as at December 31, 2015 was Baht 1,416.51 million - consisting of short-term liabilities totaling Baht 861.36 million and long-term liabilities totaling Baht 555.15 million.

Details of the Company's Total Long-Term Liabilities

Unit : Million Baht			
Long-Term Liabilities	2015	2014	2013
Financial lease liabilities	1.08	1.46	1.22
Deferred tax liabilities	68.91	72.36	39.87
Retirement benefit obligation	485.15	474.24	460.84

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

- 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. 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%

Financial ratios compared between 2015, 2014, and 2013

Consolidated	Unit	2015	2014	2013
Liquidity Ratio				
1. Current Ratio	times	2.75	2.87	4.44
2. Quick Ratio	times	1.18	1.27	2.40
3. Liquidity of Cash Flow from Operations	times	0.33	0.21	0.29
4. Receivable Turnover	times	6.26	5.93	6.02
5. Collection Period	day	57.51	60.71	59.80
6. Inventory Turnover	times	4.22	4.66	5.40
7. Inventory Turnover Period	day	85.31	77.25	66.67
8. Account Payable Turnover	times	8.60	8.40	9.55
9. Payment Period	day	41.86	42.86	37.70
10. Cash Cycle	day	100.96	95.10	88.77
Profitability Ratio				
1. Gross Profit Margin	%	24.50	23.04	21.83
2. Return on Total Revenues	%	8.08	7.33	6.65
3. Return on Equity	%	6.50	5.47	4.98
Efficiency Ratio				
1. Return on Assets	%	5.11	4.42	4.09
2. Assets Turnover	times	0.63	0.60	0.62
Profitability Ratio				
1. Debt to Equity Ratio	times	0.27	0.27	0.20
2. Interest Coverage Ratio	times	74.52	375.90	3,577.28
3. Payout Ratio	%	39.48*	104.09	106.16

Remark : * The Board of Directors resolved to set dividend payment rate at Baht 1.10 per share, for further proposal to the shareholders' general meeting for approval, on April 25, 2016.