

Risk Factors

The Risk Management Committee has the duty of overseeing the risk management of the organization in scope of the inherent risk. A risk management meeting is held every quarter to assess internal and external risk affecting the Company. Then risk management processes are determined and action plans to mitigate risk are formulated. The Risk Management Committee also continually monitors risk and submits a quarterly progress report to the Board of Directors, which can be summarized as follows.

1. Management of Distribution Channels

The Company operates the business of manufacturing finished garments and leather goods. Purchase volumes are derived from key trading partners and distributions through department stores. In the event that such trading partners are affected by economic, political, competitive conditions or other factors, the Company's sales volume could potentially decrease. An action plan has therefore been formulated, as follows:

1) Collaboration with trading partners to increase distribution channels, such as TV Shopping and online sales. Focus is given to the development of goods, forms, quality and price in line with the demand of target groups in each channel.

2) House Brand products are sold directly to consumer in free standing stores and Factory Outlets. Special services are also provided for the design and production of uniforms as alternative distribution channels.

2. Survey of changing consumer behavior

Current consumer behavior has changed considerably. Brand loyalty has become weaker due to various factors. Novel and rapid forms of communications, as well as businesses and services influencing consumer spending based on popularity have resulted in more meticulous spending and more intense competition. Thus, the following Action Plan has been formulated.

1) Collaboration with trading partners in conducting surveys of consumer behavior and organization of focus groups comprising customer in order to survey customer opinions, levels of satisfaction and various demands, before manufacture and after distribution of goods. The information obtained are applied to the development of new products that would meet the needs and are consistent with consumer behavior in all age groups, lifestyles, both in terms of function and fashion based on good quality products.

2) Importance is given to customer satisfaction. Hence, new innovations are created along with continual surveys of consumer behavior and needs in order to ensure that products are developed in line with consumer needs.

3. Management of Exchange Rates

Due to exchange rate fluctuations, the Risk Management Working Group has formulated the following exchange rate management policy:

1) Payment for goods in several foreign currencies in order to spread risk. In the case where the Company purchased raw materials from overseas and sold goods to other countries using the same currency, a balance of receipts and payments would be managed as a natural hedge.

2) Thereafter, financial instruments in the futures market would be employed in order to protect risk. Forward contracts for the purchase or sale of foreign currency would be entered into as appropriate at a particular time. News concerning currency values are closely monitored in order to detect trends and manage such risk.

4. ASEAN Free Trade Policy

The liberalization of trade in the form of the ASEAN Economic Community in 2016 has promoted the movement of goods, services, investments, investments and skilled labour. All goods originating in ASEAN countries can be freely imported into Thailand. As a consequence, the Company has been affected by the free movement of skilled labour due to lower wage costs in other countries as well as tax privileges, thus resulting in greater competition in the domestic and overseas markets.

The Company sees an opportunity in the liberalization of ASEAN free trade and therefore formulated an action plan involving expansion into ASEAN markets through the use of the Company's renowned brands. The Company also has plans to expand its manufacturing based to neighbouring countries where there are lower wages. In any event, it is important to control quality, continually build innovations of raw materials and goods, raise the quality of goods and services for customers, develop and enhance skills, knowledge and competence of personnel in the organisation, as well as utilize tax privileges in connection with the import of raw materials from ASEAN countries.

5. Investments in Financial Markets

The Company invests in financial markets, e.g. government bonds, state enterprise bonds, deposits in commercial banks or specialized financial institutions, debentures and debt instruments, including investment units in mutual funds. The objective is to manage the Company's investments to achieve the target risk-return profile. An Asset-Liability Management Committee has been established to determine the investment criteria and manage investments, as well as to oversee the Company's liquidity in accordance with the set rules efficiently and effectively.

6. Management of Personnel to Maintain Competitiveness

The Company appreciates the importance of management and development of human resources in line with the organization's growth and in preparation for internal and external changes of the organisation. Therefore, a plan for the administration of human resource management risks has been formulated, as follows:

- 1) Recruitment and selection of knowledgeable and competent personnel in key positions.
- 2) Development of personnel with focus on the development of each group to prepare for organizational growth, e.g. development of high potential employees, development of key personnel of work units, development of employees in business units and development of manufacturing employees. In particular, experts should be trained in the field of leather techniques. Progress should be continually monitored, and competent personnel should be retained in the organisation in order to foster sustained economic growth.
- 3) Maintaining personnel by giving opportunities to express their potentials and performance. Responsibilities are assigned and expanded along with self-development schemes and the determination of a suitable career path and remuneration.

7. Natural Disaster and Terrorism

The Company has formulated a plan for the protection and mitigation of fire and flood risk. In regard to fire, there is a plan on training and campaign for protection. Drills are conducted for stopping and evacuation in the event of fire. A warning system and automatic fire extinguishing system are in place. Such equipment are regularly maintained to ensure functionality. Risk to the Company's properties is covered by an insurance policy in order to reduce and diversify risk. As regards flood risk, there is a working group which implements measures to prevent, oversee and remedy floods prior to the event, during the event and after the event. In the past, inspections have been conducted on equipment, goods manufacturing machinery and computer server. At the point or area in risk of flood, improvements and modifications have been made and the computer server and computer laboratory have been removed from the flood prone area.

8. Compliance with Regulations, Articles and Relevant Laws

The Company's domestic and foreign business operations are subject to regulations, articles and relevant laws. Any violation could have an impact on the operations and reputation. The Company, therefore, attaches importance to compliance with regulations, articles and laws governing the various operations, including newly enacted laws.

In any case, the Company has a legal unit which performs the duties of overseeing and monitoring legal provisions which affected business operations and legal compliance, including the dissemination of knowledge and understanding to people in the organization on a regular basis.