

Risk Factors

The Risk Management Committee has the duty of overseeing the risk management of the organization in accordance with the inherent risk, formulating the risk management policy and assessing internal and external risk affecting the organization. Then risk management processes are determined and action plans to mitigate risk are formulated. The Risk Management Committee submits a quarterly progress report to the Board of Directors, which can be summarized as follows.

1. Management of Distribution Channels

Domestic

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.

Export

The Company was aware of the potential impact of the solely relying on the sale of products to major overseas clients, despite a healthy and long relationship, may bring about disadvantageous effects in case they had slow turnover due to economic conditions.

Therefore, the Company implemented a policy to shift more sales mix to others potential clients and to search for new customers in both existing and new markets.

2. Survey of changing consumer behavior

Current consumer behavior has changed considerably. Consumer lifestyle in the present era, the advances technological and novel and rapid forms of communication, 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

The Company had a business function to export the goods as well as import materials, machines and equipment, which can be affected from currency exchange rate fluctuation. The Risk Management Working Group has formulated the following exchange rate management policy:

> The Business Operations

1) Purchasing and selling of 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. 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.

5. Management of Personnel to Maintain Competitiveness

In order to keep up with fast-changing world where the economy, and society together with technology are continuously and vigorously adapting, the business strategies, methodology, approach, organization chart, and work system needed to be changed and improved in order to comply with business direction. Regarding personnel management, the Company modified organization chart to flat organization by shortening hierarchy and combining departments to increase work effectiveness, which accelerated the business and ensured that the strategic goal will be achieved.

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) Enhance Executives' potential, assign successor and create and develop successors at each work unit.
- 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.

6. 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.