
Part 1 Business Conduct

1. Policy and Business conduct overview

Sabina Public Company Limited or SABINA, Thailand number one lingerie manufacturer and distributor with several distributing channels cover all over the country and expand to neighboring countries in the ASEAN Economic Community, especially CLMV (Cambodia, Laos, Myanmar and Vietnam) including other regions of the world. Moreover, a lingerie manufacturer and distributor according to the orders of customers who are lingerie suppliers in foreign countries (OEM)

Sabina lingerie product has distinctive collection feature which cover all age and price segment and outstanding both fashion and function. Beautiful design outside while inside there is a function support the body of the wearer, suitable for the shape of the target customers individually. By using research data and market survey results to analyze for product development, Sabina is currently able to meet the needs of women, small breasts and large breasts. As well as applying innovation in production for great lingerie and comfortable to wear.

The company was found on August 17, 1985 formerly name is J&D Apparel Public Company Limited with registered capital of 1 million baht to operate lingerie manufacturing & sales business for Subsidiaries and customers who are lingerie suppliers in foreign countries (OEM - Original Equipment Manufacturer) which the subsidiary is Sabina Fareast Company Limited was found on January 11, 1977.

The Company and Subsidiaries were founded by the 2nd generation of “Thanalongkorn” Family led by Mr. Viroj Thanalongkorn, who has expertise in lingerie industry for over 40 years. The 1st generation of the family started lingerie business from “Jintana Lingerie Limited Partnership” (Currently is Jintana Apparel Company Limited) operate lingerie business which was founded by Mrs. Jintana and Mr. Adul Thanalongkorn, parents of Mr. Viroj Thanalongkorn who is management and major shareholder of the company.

J&D Apparel Public Company Limited changed its name to Sabina Public Company Limited on May 18, 2007 with registered head office at 177 Moo 8, Wangkaituen Sub-district, Hanka District, Chainart and 4 subsidiaries located at 12 Arun-Amarin Road, Arun-Amarin Sub-district, Bangkoknoi District, Bangkok; 30/5 Moo 12, Putthamonthon 5 Road, Raiking Sub-district, Sampran District, Nakorn Pathom; 236 Moo 10, Dootung Sub-district, Muang District, Yasothon; 81,106 Moo6, Nongbout, Sub-District, Nangrong District, Buriram

Originally, OEM production & sales operation of the company is a production and distribution for subsidiary company who receives production order from customer because the subsidiary has been operating for a long time and better recognition to foreign customers. When the company being recognize by foreign customers then more OEM product direct distribution has begun which turn this operation into the main income. After the company change policy by reducing distribution to overseas distributor since 2008, now the company's main income came from the production and distribution to subsidiary under the brand name "SABINA" primarily.

The company and subsidiary operation

Sabina Public Company Limited

Operate lingerie manufacturing & sales business for subsidiary and customers who are lingerie suppliers in foreign countries (OEM) Currently, there are 3 factories located in Chainart, Yasothon and Burirum. There are 2,860 machines in total which divide into 2,773 of sewing machines and 87 other machines. In addition, there are accessories for sewing machines which can help adjust the machines to work more efficiently and more suitable for product styles. There will be many different types according to the product style which the company has an actual production volume of 8.8 million pieces per year.

Sabina Fareast Company Limited (Subsidiaries)

Operate lingerie design, produce and distribution business which divide into 2 main sections as following.

1. lingerie design, produce and distribution business under the trademark SABINA which comprise of sub collections such as Sabinie, DoommDoomm, Soft Doomm, Modern V by Sabina and several other variety collections meet with the needs of women of all age.

2. lingerie design, produce and distribution business made to customer order who are lingerie suppliers in foreign countries (OEM) such as England, USA, Europe, Russia and Scandinavia etc.

Furthermore, lingerie is also sold under the trademark "SABINA", "SABINIE" and "SBN" which already partially registered in foreign countries. The selling lingerie product under our own trademark is an outright sale to distributor. Most of them would distribute their products in department store or their own store. Fore example in the Middle East, including The United Arab Emirates in Asia, including Pakistan, Bangladesh and the ASEAN Economic Community (AEC), Myanmar, Cambodia, Philippines, Laos and Vietnam.

The current subsidiary has to 2 factories located in Bangkok and Nakorn Pathom. Total number of machines is 1,570 which can be divide into 1,377 of sewing machines and 193 of other machines. Currently, the subsidiary has a production capacity of 3.4 million pieces per year.

1.1 Vision, mission, strategy and operational goals of the company

Vision

The company operates under the concept of “Create Value with Innovation” aim to build Sabina lingerie brand integrity with new innovations as well as modern fashion, accepted quality, consist and fits with the needs of all women in all countries and along with social responsibility.

Mission

The company has a mission to operate in accordance with the vision structured under the concept of operations which are separated into various parts as follows.

People: Trust and Worthiness in human as precious resources

People: The company believes that employees are valuable human resources because they are an important factor enables the company to achieve its goals and objectives. Therefore, giving importance to taking care of all employees, every position is like a valuable resource of the company.

Product: Delivered products beyond expectation

Product: The company will produce product's quality to meet with expectations of customers. By using research, develop new innovations for products that will meet the needs of women of all ages.

Partners: Trust and Reliable Enterprise

Partners: The company will manage and operate in order to gain trust and confidence from partners or those related to the company in every aspect such as shareholders, employees, customers, creditors, and competitors.

Productivity: Innovation through productivity by advance mechanism

Productivity: The company will manage production by using production management methods, production technology, production innovation Including modern machinery used in production. In order to get standardize quality products and approve by every customer in every country.

Planet: Return Benefit to Society and Environment

Planet: The company is still committed to business conducting by returning profits to society and the environment.

4 Good Corporate Culture

The company adheres to the principle of "happiness organization" as the basis for management and believe that the organization can be good, if employees work happily at the organization as if it is their second home. There are many types of management hierarchy, top-down management or bottom-up, but the company adheres to the management principles using employees as the center of development (Client Center) and others changes. All because the company believes if anything doing comes from employee's intention and initiation, happiness will be final answer. Which is the origin of the word 4 good corporate culture, consisting of "good thinking, good speaking, good doing and good being."

Good thinking means everyone must start thinking positive, being optimist and be conscious both for themselves and others.

Good speaking means everyone must speak good with good words, reduce comparisons.

Good doing means knowing the disadvantage, not taking advantage of others and know how to give.

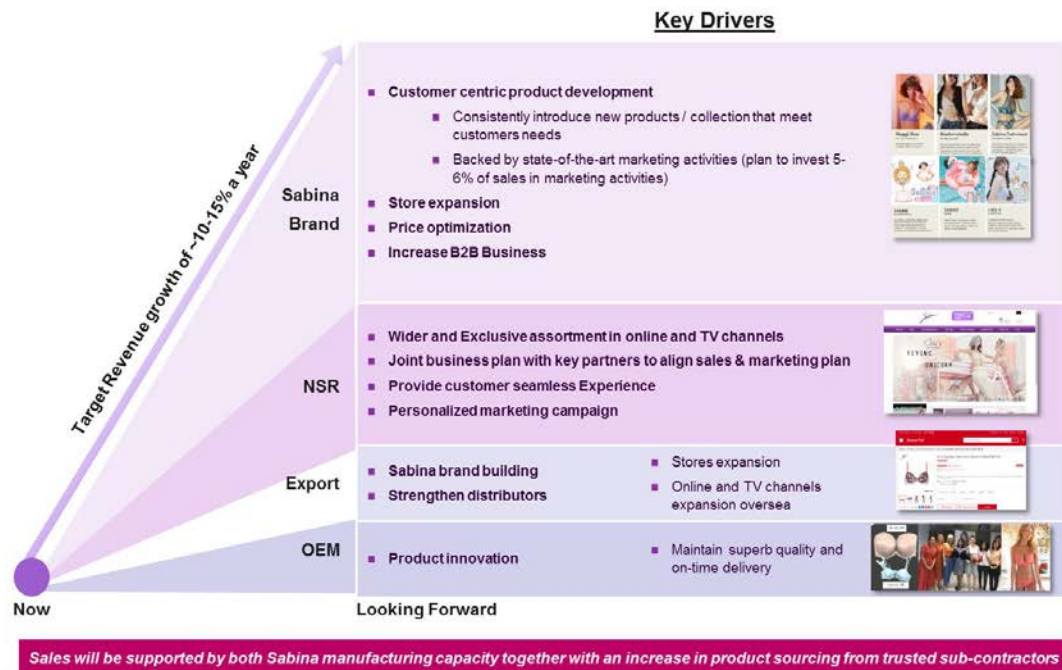
Good being will happen automatically when you have the three G above.

From the rapid changes of current factors whether it is the work system, market conditions, consumer behavior, competitors, etc. The company therefore focuses on the principles of Chanathip Songkrasin "as long as I think I am good, we will be like water full of glass that cannot be pouring in more water" So all employees will be ready to respond to changes that can occur all the time.



Strategy and long-term goals

Growth Strategy in 2018-2023



For the long-term goals during 2018-2023, the Company anticipated 10-15% growth in sales revenue amidst the changing situation. In some period, 15% growth can be possible, but if the situation is not totally great, the Company is still of the view that 10% growth can be achievable, given the 4 structures of revenue generation as follows:

1. **Domestic Distribution of SABINA Brand:** The Company continues to anticipate continuous growth, since during the past 10 years (2006-2015) the Company focused solely on customers with A-cup size, specifically Doomm Doomm. The survey suggested that women with B, C and D cup sizes account for 65%, so the Company shifted focus to these groups more. With that, SABINA's products now have 100% coverage for all customer groups. The Company has reviewed the price range that customers are comfortable with and appropriate distribution channels for each price level to satisfy needs of all customer groups.

2. **NSR (Non Store Retailing):** Products are distributed via TV programs and online channels, with the major customer groups being retired people in baby boomer generation, which makes the majority of the population. Meanwhile, other online channels; Shopee, Lazada and Line@, capture interests of teenagers or younger generation. So, we can anticipate rapid growth of the NSR market as the Company has 100% growth every year and this channel can generate revenue under low costs, not requiring rent expense, discount that has to be paid to department stores, store decoration expense, store attendants' salary as well as bulk transportation expense. Instead, the business will be operated more in a B2C format, meaning that products will be shipped directly from the factory to customers' addresses. Hence, it is expected that sales from the NSR channel will be

higher. Moreover, the Company has acquired products via the outsourcing method to sell, which will further increase the net profit. In 2018, the Company's net profit increased by 12%.

3. Export of SABINA Products: This is especially for the CLMV market; Vietnam, Laos, Myanmar and the Philippines. We sent our staff members to work with overseas distributors in each country to emphasize our strength and share experience in inventory management, to prevent best-selling products from running short in supply and not having to order less popular products from Thailand, in order for distributors to have more efficient inventory turnover, leading to larger orders each year. Furthermore, the Company also encourages the development program for sales representatives as well as the online business in each country. With this, the Company expects bigger results for the export market over the next 3-5 years, especially in Vietnam, which is a growing market, supported by higher purchasing power and being the exporter that produces goods for every industry in the global market.

4. OEM Market: This is a revenue structure that is not the major focus of the Company and will not be expanded further. The revenue contribution of the OEM business used to be 90%, but has now been reduced to 10%. However, the Company still focuses on producing products that require advanced skills, high fashion products or products with large cup sizes, which are difficult for other producers to master, thus earning continuous businesses for the Company. This is considered the strategy of SABINA's OEM business, as seen from higher profits of the OEM business compared to the past. In short, in the past we needed 1,000 million Baht sales in order to have a gross profit of 20%. But now, sales revenue of 200-300 million Baht can generate profit of 35%. In the next 5 years, the Company is of the view that the OEM sales will increase in parallel with our customers' growth.

Strategy and goals

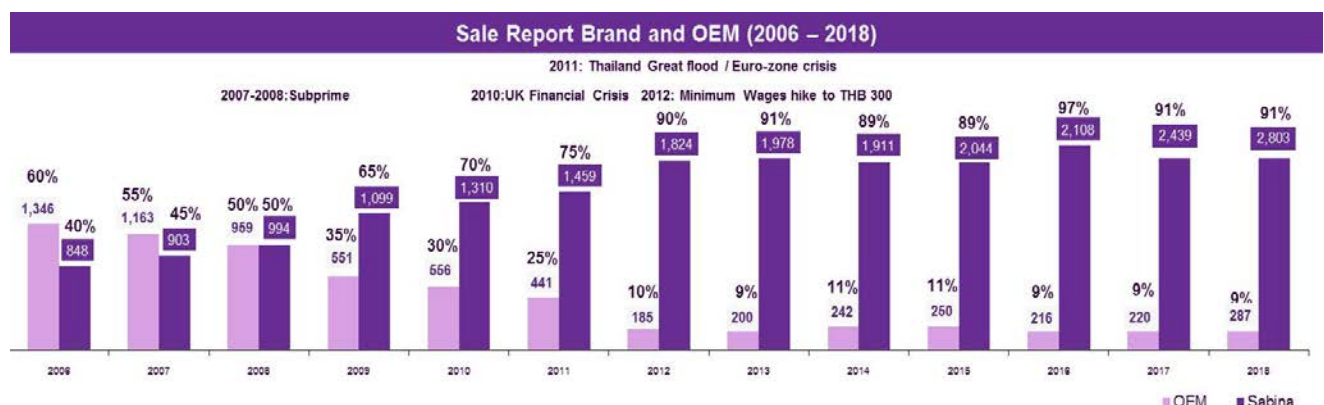
Creating and Expanding brands

The company aims to be the number one brand in Thailand, covering both domestic and ASEAN countries or Asian Brand through all distribution channels. Especially selling via TV and online, focusing on promoting digital marketing, as well as committing to be a quality and innovative women underwear manufacturer who can keep up to date with the needs of consumers.

Expanding the brand "Sabina" domestic, the company aims to build Sabina brand to be strong and in the minds of consumers as much as possible. Also providing the products to meet the needs of consumers in every age range to occupy the most market share by focusing on studying behavior, fashion trends and consumer needs and bring products to meet the needs and behaviors that changes all the time. Including more marketing activities to expand the customer base, as well as increasing distribution channels through all channels. Especially wider sales via TV and Online. Change the purchasing and delivery system to be more convenient for

buyers and focus on promoting digital marketing which is consistent with consumer behavior changing in the online world.

Expanding the brand "Sabina" oversea, The company has set a policy to expand the brand to cover the ASEAN Economic Community (AEC: Asean Economic Community) which has already established distributors in 5 countries, namely the Philippines, Vietnam, Laos, Myanmar and Cambodia, also speed up coordination with distributors to open distribution points in department stores, standalone shops, hypermarkets in each country as much as possible to create brand awareness and sales. Then active the localized marketing plan and use social marketing media to reach as many consumers as possible. Including working more closely with distributors in the warehouse management to help with convenient inventory turnover and quicker because the company's products is a product focusing heavily on fashion segment. Which requires new in and out fashion all the time in order to set the direction for further growth of Asian Brand. For other countries apart from ASEAN members, the company has implemented both in terms of appointing dealers and sales in the usual forms, including the United Arab Emirates, Pakistan, Bangladesh, Kazakhstan, etc.



At the same time, the company has adjusted its business goals since 2007 by keep reducing the proportion of OEM products sales and proportion of Sabina brand sales in the country. Until the last year 2018, the proportion of OEM products sales is 9.24% and the proportion of Sabina brand sales is 90.34% of the total income according to the consolidated financial statements but the company still hold the maintaining proportion of OEM products policy to be in the level of not more than 10 - 20 percent of the production capacity, among the growth sales rate. Due to the strength of the company's OEM production in terms of quality and on-time delivery, some customers who affected by other manufacturers began to order more products with the company. Also offering a contract to produce more and larger products, include a production of swimwear that has been tested for some customers over the past 2-3 years. Therefore, the company continues to focus on finding more of these customers

because the production capacity of the company cannot be increased but still consider company's profit as a priority.

The reason that the company still maintains the proportion of sales under the Sabina brand and under the brand of OEM customers at such level as follows.

1) Uncertainty in both domestic and international markets, Due to the production capacity of most factories, skilled workers cannot be reduced or increase immediately because these workers require high skills and ability in such production. Therefore, the company must maintain appropriate production level to match with such skillful workers during the production for the company's brand and OEM customer's brand and manage the production efficiency and generate profit at the highest level at all time. Also finding new markets especially the countries in the AEC group that have zero tariff agreements which started December 31, 2015 onward.

2) To learn new technology and design trends, receiving orders from abroad enable the company to learn to keep pace with the needs of the lingerie and swimwear markets around the world. These include new production technology, directions and trends of markets in each country, finding opportunities to expand markets in those countries and the fashion trend of underwear and swimwear in the future to develop the production and design for the brand of the company.

- **The products**

Creating innovation for underwear and swimwear products

The company and its subsidiaries have established a product research and development team to create new innovations for underwear and swimwear products in terms of new functions and modern design that corresponds to consumers rapid behaviour change. Using previous distribution data to analyse and find product characteristics, product styles and product fashion for the consumer needs at all time. In addition, the company is aware of the product fashion guidelines that the company has produced for customers in Europe and England Which is a leader in fashion and lingerie. In addition, the research team also bring in new raw materials and formulas to adjust with the consumer's body and needs. So that the company's products are modern and attractive to consumers and consist with the current lingerie market conditions.

Research and Direct survey of consumer's needs

The subsidiary surveyed the needs of consumers in order to obtain products that meet market needs by using various methods such as focus group research, surveying both before and after the product distribution,

data collection in the sales area (Market Survey), talking to target groups through various activities such as campus tour, work shop etc. Which the subsidiary will keep conduct surveys in every collection at all time in order to quickly respond to customer needs and using this information to analyze and develop the sample product and then test it with the target group. These process takes time to develop and a period to test the product until the company confident enough in the quality and product then they will be release into the market.

Cost reduction

The company takes care of costs continuously with various strategies. In the past that has costing up to 65%, but the current cost has dropped to 48%, resulting in higher gross profit. In the future there is a tendency to make higher gross profit.

Focusing on reducing the proportion of OEM production and sales to the appropriate level is one way to reduce costs. Since such production requires materials as specified by the brand, the company must purchase materials from suppliers as agreed upon, which affect the bargaining power while the company's brand production volume has increased. Apart from being able to set a better selling price, being a major customer of material manufacturer gives the company with more bargaining power. Resulting in reduced costs and increase more gross profit. This showing by continuously increasing business profit since 2007 and now the gross profit is 50%

However, the company has reduced material costs without reducing its quality. Which is a very important factor to compete with both domestic competitors and foreign competitors such as China and Indonesia. In addition, cost reduction helps the company in a price compete with more competitors. Therefore, company has more profit from sales.

In addition, the company has a way to reduce material costs by finding new sources of materials and let the supplier to pitch their materials sale which is raise more choices in terms of materials quality and bargaining power. Resulting an effective control of material management.

Finding new sources of diverse materials, good quality, and reasonable price is a way to reduce dependence on one of the distributors, preventing supplier's production capacity insufficiency problem due to the quantity orders from the company, preventing monopoly price issue from distributors. Providing the company with more options on the amount of purchase require materials from many distributors both domestic and international, which the current trade agreements with many countries have greatly reduced the import tax on materials. The

procurement of new materials both domestic and international is the way to show potential of the company in material procurement development and helps increase product's diversity and modern as well.

Moreover, the company has studied various innovations including some manufacturing technique on our own to lower materials cost. This can reduce dependency, material monopoly from distributors such as Mould bra, which is the important material in the making of lingerie. At the present the company can produce 89% of the needed amount by ourselves (Our own production in 2014 is only 30%) and planning to produce 100% on our own in 2019.

Another way to reduce costs is hiring more finished goods manufacturer from outside (Outsourcing) in the easy to sew product group. The machine can substitute skillful workers resulting in low production costs. The company focus on producing complex products that require skills but comes with the high gross profit. In the past recent, the company has continuously increased the proportion of outsourcing and in the future the ability of this type of production will be better and better. This is because the company help giving advice to the contractor coordinate in the form of partners. In order to be able to produce more complex products according to the quality that the company needs, which will result in lower costs and more gross profit.

- **The Productions**

The company's products are divided into collections that cover all groups of all ages and at all price levels. Apart from the production also emphasize on beauty in term of designs, it is also mix with functionality adjust to the different type of the wearer's physiology. The company's underwear feature is when wearing it will be suitable with the shape of the wearer. Which won't be able to see on the outside but inside it will fit the actual physiology of the target customers.

As for the quantity of products to be produced depends on many factors such as forecasting market competition conditions, new product release season, production capacity of each factory and policies from the management department with fundamental factors derived from customer's needs. Furthermore, there are factors in the production format. If the product is divided according to the production pattern, it can be divided into 2 formats which are the product that has the original repetitive pattern production (Basic) and new products or fashion products (Fashion) The original repetitive pattern product is often used by consumers which will always be produced in the form of product replenishment. This enabling the company to predict production and planning production efficiently by always set the production line to produce in the same way or close enough to increase expertise which resulting in improved production efficiency and more productivity. While there is always new

design on fashion product, the original pattern won't be reproduced. Even though new pattern has complex production, but it has better sales revenue and better gross margin.

For products under the trademark of a subsidiary. There will be a product distribution plan every year in order to control production efficiently. Product distribution plan indicates the quantity and type of products that the company must produce each month in order to release as scheduled. The production plan is flexible according to the volume of orders during the year. The central production planning department disperse production volumes to various factories by distributing the product quantity as appropriate for the duration, dividing the type of products according to the suitability of the machine and the expertise of employees in each factory for maximum efficiency in production.

As for OEM products, the company will produce according to customer's order from time to time. That is, no production in advance which customers must order before the date that need the product for a long period of time as follow the customer's product distribution plan. In order to prevent delays production and delivery, the company will distribute the volume of products to be produced to various factories according to the suitability of the production capacity, duration and type of products. The volume of production will be considered along with our own trademarks as well and if customer's order is far more than the remaining production capacity, the company would not accept that order to avoid the damage that could happen to both customer and the company.

Moreover, the company focus on developing other factors that helps increase production efficiency such as human labor development because they are an important factor in the production of ready-made garments. Especially when the product needs details and has a variety of designs. At the present there are employee ability development and product quality test continuously. During production, there will always be quality inspection at every step and encourage employees to produce quality products. Furthermore, there are periodic staff training, depending on the type of new product that needs to be released and the need to increase production skills.

Improving production efficiency, the company focuses on improving production efficiency by bringing various tools to be used in production management for creating sustainable growth. Apart from developing and integrate various process in operations, also extend throughout the organization, including business partners or stakeholders through SPM project (Sabina Productive Management) Which is a combination of all suitable tools for managing the production of the company, to drive and operate continuously by the board which are representatives of all departments of the company. Especially the Lean Enterprise concept or lean system throughout the company to extend result of timely production management. Also extend results to partners and

customers to be in the same chain and strengthen the business. The ultimate goal here is to achieve a holistic quality management (Total Quality Management) and become a corporate culture that everyone in here value, contribute to the ongoing operation development of the organization. Aiming to meet the needs and create satisfaction for customers which will create business opportunities, competitive advantage and sustainable development of the organization.

With a policy to reduce production time and faster deliver products to customers. Therefore, modern software packages are introduced to help in the production planning and communication and collaboration between the team, resulting in production lead time reduce from 120-180 days to 90-150 days.

Moreover, the company applying the LEAN production system to reduce material delivery time and can greatly reduce waste, the inventory and WIP amount from 244 million baht (in 2012) to approximately 198 million baht (in 2018), allowing the company able to circulate more money to other uses.

- **Logistics**

The company must produce variety of products to meet the needs of consumer, since the consumer behavior that needs more variety of products. So, there is a need to disperse products to stores to always support the needs of consumer, this is the reason to develop logistics system or taking care of stock inventory in each store to distribute products to the right place, right time with the needs of consumers in each area. The company began to develop the system and computer programs that can check the sale products to have inventory in line with the needs of each store in every store, increasing the chances of selling more products.

Moreover, nowadays online trading has played a greater role with consumers. The company has adjusted the work to be in line with this trend, focus on selling products through online channels more. Which has a good response and must send products to consumers more directly. Therefore, the logistics system is very important resulting in need to adjust the warehouse management system and distribute products to respond to consumer behavior.

In addition, the company has begun to distribute more products to ASEAN which require a system to always check supplier's stock or company's distributor. This is because sending goods to various countries takes time to process the delivery documents and delivery time, in order to store new products at similar period in our country.

- **Pricing**

The product pricing policy can be dividing in 2 ways which are determining the selling price of the product under the trademark of the subsidiary (Sabina) and pricing of products manufactured under the trademark of the manufacturer (OEM) The factors affecting the pricing of these 2 types of products are style, quantity and product market value.

Product prices under the trademark of the subsidiary (Sabina) will use the pricing method as appropriate for the product user. Product price will increase according to the market value and will be similar price as competitor at the same market segment and be able to stay in the competition, this allow consumer to use product at full benefit. At the present, product is in mid-range compare to same product category in the market. The company does not have a price competition policy against other manufacturer. However, product price might adapt due market strategy of the department store and at any purchase point appropriately.

For OEM product price, the company will select top level customer and apply increase profit margins from production costs pricing policy (Cost Plus) Which the selling price will cover the risk of some foreign currency fluctuations and gross profit from the production of each product, price will vary depends on the type of product and the quantity of products that customers ordered

- **Seeking new business opportunities**

When the ASEAN Economic Community (AEC) is established. It is a good opportunity for the company to expand business line such as importing various ASEAN brands to expand the market in Thailand, which the company has expertise and good relations with leading department stores in Thailand. This is the company's advantage to contact and operate within the connection.

The company has developed and increased the potential in the non-retail sales channel in order to fill the gap in product access because some customers may not be convenient to travel around by the "Twenty-Four Seven" strategy. This is an attempt to encourage customers to access the service 24 hours a day in 7 days by expanding to online platforms, digital TVs and catalogs. Which is easy access to products and helps reducing investment cost on the storefront, the cost of decorate furniture in the shop, no need to pay rent for department stores or various modern trades fair.

Customer Satisfaction Indicators

The company has raised the improving the production quality level. By adjusting the indicators of repair work (This is still the internal KPI) is a measure of quality from various problems of customers in order to meet the needs and maintain the highest level of customer satisfaction. By collect data from the the CRM center or Customer Relationship Management from all sales channels. Used for analyze, improve and monitor by comparing the millions pieces of sale or PPM (Parts Per Million) in 2018, with the following results:

Store Retailing	2016	2017	2018
Service Problems	3	1.3	1.8
Product Problems	10.1	5.7	8.7
Total ppm	13.1	7	10.5

In 2018, product problems increased to 8.7 / million pieces. Comes from the expansion of production capacity. By accepting about 20% new staff which will continue to improve the sewing skills of these new employees

Non Store Retailing	2017	2018
Sending wrong/not complete problems	96.0	9.0
Bubble/Arm line Problems	41.0	2.7
Bonus freegift Problems	35.0	6.8
Product Problems	55.0	32.2
Total ppm	227.0	50.7

In the year 2018, the company introduced various problems arising from the non-store sales channel to analyze in order to formulate strategies for solving problems. Resulting in a much better performance

1.2 Important changes and developments

Important changes and developments of the company and subsidiaries related to business operations.



1997 – Thailand's economy was at a very low point from the Tom Yum Kung Crisis, with changes in various aspects, caused by abrupt depreciation of the Baht currency overnight from 26 Baht to 45 Baht. Hence, the Company could identify opportunity to adjust the direction in the export business under the customers' brand in the United Kingdom and European countries, since the Company had already been developing the brand for some time back then.

2002 – The Company launched the fourth factory in Yasothorn province, which is the largest one. Prior to this, there were 3 factories located in Tha Phra, Chainat and Putthamonthon Sai 5. Given higher OEM sales in the USA, the Company had decided to launch a new factory.

2006 – The Company shifted focus from the OEM market to building brand awareness, given the appreciation of the Baht currency at 36 Baht/USD and the absence of GSP between Europe and Thailand, coupled with higher cost of labor, leading to less intense competition in the export market. Hence, the Company took a forward-looking vision that the Baht currency might drop to 30-31 Baht/USD, meaning that the Company will not enjoy the privilege of operating the OEM business as before. Thus, the Company needed to adjust the strategy and emphasize on the brand, and penetrate the domestic market more actively, given a small number of competitors. Existing competitors were Japanese and German brands, and none of Thai brands.

2006 – The Company started to identify the segment that no one took any interests in at that time, by launching the product 'Doomm Doomm' (a bra padded with thick sponge) for A-cup customers. This is a great move that defines the Company's positioning, and it has been 10 years since then that people recognize SABINA as the brand that develops products for women with small cup size.

2011 – The period of time when the minimum wage increased to 300 Baht/day and the major flood crisis took its toll. A few years before that, the Company had brought in the LEAN system to improve production efficiency. However, in 2011, the LEAN system was incorporated to improve the sewing line by changing from a sitting position to a standing position, resulting in a smaller number of employees required from 2 persons to 1 person. Normally, one production line will require about 40 sewers, but now the number has been reduced to 20 sewers, and the Company made it a policy that new employees would not be recruited in replacement of those who resigned. At that time, the number of employees decreased from 5,100 to 3,900, leading to higher income for those who remained and lower OT wages, allowing the Company to overcome the high minimum wage crisis.

2016 – The Company had catered towards customer group with larger cup size, after having been focusing on customers with A-cup all along, which accounts for only about 35-40% of the market. Hence, the Company had shifted focus to customers with B, C, D and E cup sizes, which account for about 60-65% of the market. Currently, customers are 100% present in each segment, leading to higher sales revenue in 2017 and 2018 compared to previous years.

2017 – The Company built a factory for mold production to produce padding-typed molds to reduce production cost since the Company normally imports molds from Japan and Taiwan, which cost about 45-50 Baht for each pair. Now, with the in-house production, the mold cost has been reduced to only about 18-20 Baht for each pair, and as a result, the Company had to recruit 200 additional workers during 2017-2018.

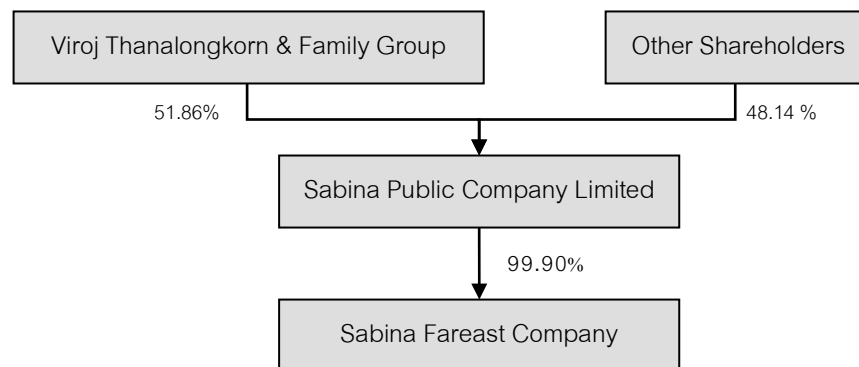
2017 – The Company won a Brand Award from the Faculty of Commerce and Accountancy, Chulalongkorn University in the Fashion category for the 5th consecutive year, and has been recognized in the Hall of Fame. This is considered the brand award that has earned so much value for SABINA.

In the last 3 years, the company and subsidiaries received various awards summarized as follows

- Year 2016**
- Sabina Public Company Limited, Chainart factory was awarded with the outstanding workplace compliance with disability employment law on January 14, 2016
 - Sabina Public Company Limited Yasothon factory received the Thailand Lean Silver award on 28 July 2016 by Technology Promotion Association (Thailand-Japan)
 - Sabina Public Company Limited received commemorative plaque, Thailand's Top Corporate Brand Value award for Fashion Business 2016

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- Year 2017**
- Sabina Public Company Limited made self-declaration to the Thai Labor Standard System (TLS 8001-2010) from Labor Protection and Welfare, Ministry of Labor for the year 2017 on November 23, 2017
 - Sabina Public Company Limited, Chainart Factory received the award for certified establishment, drug problems in workplace prevention and solution from the Department of Labor Protection and Welfare on December 27, 2017
- Year 2018**
- Sabina Public Company Limited Yasothon factory received the Zero Accident Award at the national gold level, year 3 on June 2018
 - Sabina Public Company Limited Chainart factory received the outstanding establishment award on safety, occupational safety, occupational health and working Environment on July 1, 2018
 - Sabina Public Company Limited Yasothon factory received the certificate for Industrial establishment that operates according to the rules of Environmental governance, August 3, 2018
 - Sabina Public Company Limited Yasothon factory received the outstanding establishment award Labor relations and outstanding labor welfare (10 years or more) year 13 on August 23, 2018
 - Sabina Fareast Company Limited, Phutthamonthon Sai 5 factory, was awarded with the disease-free workplace, safe for body and mind at national gold level from the Bureau of Occupational and Environmental Diseases year 2018 on December 18, 2018

1.3 Shareholding Structure of the Company Group



Divisions operation of the company policy

The Company

Acting in the business of producing and selling underwear for subsidiaries and customers who are foreign lingerie suppliers (OEM or Original Equipment Manufacturer) Originally, the business of manufacturing and selling OEM products of the company is the production and distribution for subsidiaries which received production orders from another customer because the subsidiary has been operating for a long time and more well known to customer abroad. When the company started to get some recognition in the group of customers abroad then started selling more OEM products directly to customers without passing through subsidiaries.

The Subsidiary

Acting in the design, manufacture and distribution of women underwear under the brand "Sabina" Including produce by the order from customer who is using their own brand or OEM (Original Equipment Manufacturer) and act as company distribute women underwear under the brand "Sabina" to department store, shopping centers and modern trades fair both domestic and international. Including sales through new distribution channels such as TV Shopping, Website and Company's Application and other Websites.

2. The nature of business

Income structure

Revenue from products sales under the subsidiary's trademark is the main income of the company at present. Which accounted for 91.03% and 90.34% of total revenue in 2017 and 2018, respectively, while revenue from OEM products accounted for 8.22% and 9.24% of total revenue in 2017 and 2018

Product Lines	Operated by	Share-holding ratio %	2016		2017		2018	
			Value	%	Value	%	Value	%
Sale of subsidiary's brandname products	Sabina Fareast Co., Ltd.	99.90%	2,167.01	90.40	2,438.85	91.03	2,803.04	90.34
Sale of OEM products	Sabina Plc.	-	215.90	9.01	220.17	8.22	286.80	9.24
Incomes from provision of service and other sources ^{1, 2}	Sabina Plc.	-	14.13	0.59	20.10	0.75	13.06	0.42
Total			2,397.04	100.00	2,679.12	100.00	3,102.90	100.00

Note: 1. Our sources of incomes are garment production and product sewing services.

2. Other sources of incomes are interest earning, duty refund, profit from the exchange rates, and rent out real estate.

2.1 Product characteristics

The products under the Sabina trademark has a highlight in product fashion design with high quality, vibrant colors, modern pattern and functions that can meet the needs of modern women of all ages. Embellish personality, dressing beautifully along with the trend. The products can be divided into 2 main group as follows:

2.1.1 Products manufactured and sold under the subsidiary's trademark

Products under the subsidiary's trademark are divided into 4 types as follows:

(1) Bra type products

The company focuses on the design of bra products to boost personality and give confidence to wearers. Nowadays, the bra style is more diverse. Divided into various categories according to the shape and usage as follows:

- Divided according to shape such as demi bra, full cup bra, $\frac{3}{4}$ cup bra, strapless bra
- Divided according to function such as bra with frame base support, bra without frame base support, push up bra, non-push up bra, well-fitting bra

(2) Panty type products

The company produces a variety of panties to meet all the needs of women of all ages. This could be divided into various types according to the type of production materials, shapes and functionality at own user benefits, which can be divided into 2 types as follows:

- Panty Set is a group of fashion underpants. It is a underpants that has a pattern matching a bra, also underwear products in packs.
- Panty Zone is a group of basic solid color underpants. It can be categorized by various utilization such as thong, bikini, brief and also divided by type of fabric such as cotton, microfiber, micromodale fabric. In 2015, the company has added new products in this group, adding attribute into special fabrics that used in the production.

(3) Swimwear products

The company has expanded the production line from lingerie to swimwear and offering to partners in Europe while the production and distribution has high gross profit. The swimwear products can be divided by the age of the customer groups, which are 2 groups, children and teenage.

(4) Other underwear related products, as follows:

- Accessories for customizing underwear, such as body extension hooks, transparent replaceable straps
- Special accessories such as silicone bra for increasing breast size, nipple cover
- Other products such as pajamas, camisole

2.1.2 Products manufactured under the trademark of customers who are distributors in foreign countries (OEM)

The company produces and sells OEM products characteristics as customers want. The products pattern manufactured and sold partly from the prototype that the company and the subsidiary is the designer and then apply some improvements according to customer needs or accounted for about 30 percent of all OEM products.

At the present, there are more closely working together, with the designer of the client going to join the design with the designer of the company. There are suggestions for the Trend, Color, Mood and Tone guidelines for each season. Before starting to develop as a product sample and developing together with sellers of lace fabrics and including patterns and colors with the material suppliers as well.

Grouping products by age

The company's products can meet customers' needs for all ages and all shapes for ladies, product group for children, teenage, young girl to adults. Other type of products such as slimming suit, girdle and other related products which can be divided according to customer's age range as follows:

- **Children** This product group focuses on responding to the rapidly physiological change of childhood, which are...
 - Sabinie products for girls at the age of 6-12 years old who's beginning to grow breasts shape or already have a little breast shape. Using girl character cartoon named "Sabinie" as a symbol and decorative pattern and emphasis on various activities that gives modern knowledge and spend free time wisely. The key features are no steel frame component, good material with soft touch, no skin scratch and mainly use solid white fabric complying with school regulation. This groups of products are popular among parents, they buy for their children.
 - Cool teen products group is for young girl at the of 13-15 years old. This is suitable with young teen which beginning to expand the shape to their breasts but not fully grown. The product has soft frame to support breasts and no steel frame component, also frameless with cute design appropriate for the young age.
 - Sabina Swim products which is swimwear for children.
- **Teenage** Products in this group are suitable for young girls who grow from childhood to teenagers. Starting from high school age and attending university until started working. The age range between 15-25 years, beginning to be young women and care about the image. The product style is colorful, indicates a joyful and enjoying fun life. Products in this group include.
 - Pretty Perfect Group for young teen at the age of 15-18 years old. Emphasize modern patterns with a sponge function and a little extra pressure to increase the confidence of the teenager that the breast is still not fully asymmetrical focus on modern design based on fashion.

In addition, in the adolescents, there is a division of sub-products according to function. The use of products is the Doomm Series for teenagers in the age range of 18-25 years. various Suitable for women with little breasts and want to look full and attractive. Distinguished by bright colors and confident girls with Doomm Doomm, which is a popular product that has long been the heart of customers. Soft Doomm includes Doomm Functions that are suitable for wearing with various fashion styles.

- Maggie Mae group for teenagers aged 18-25 years. Products in this group use a soft sponge without any pressure. Suitable for women with breasts that are full of balance and want the breasts to look attractive. Product style emphasizes modernity according to the fashion trend as the slogan "Full Cup, Full Fashion"
- **Young Adults** This product is suitable for working women aged 25-45 years, where consumers are in their own income. Therefore, interested in buying products with reason, considering both the utility and fashion styles that are modern and beautiful by dividing the sub-product groups according to the functions of product utilization, including
 - Modern V For working-age women who are technicians and want to make the breasts beautiful, firm and well-fitting
 - Perfect Bra For girls with full breasts prefers using a bra without pressure and began to have problems with the chest texture changes with increasing age
 - Sbn Sport For girls who want a bra that is flexible but compact, comfortable to wear. This product has a semi-sport style like a sports bra.

In addition, the product segment is divided according to fashion trends. In the form of product releases as collections with interesting stories based on various imaginations Helping to raise the brand to the leading level in the Thai lingerie fashion, including

- Mad Moisselle Is a product designed with inspiration from modern fashion Use high quality sewing materials and techniques and has an attractive, eye-catching style that is especially adapted to the image of the product that is suitable for modern women customers who like fashion products as well as international leading brands. Helping to enhance the image of the company to be higher than the high fashion brands. Make a distinction between competitors and can expand the base to add new customers to the company as well.
- Celebrity's Collection Is a product group that invites actors such as "Chris Horwang", "Woonsen" to work together under the name of Chris Including marketing plans and sales promotion by helping to enhance the brand's reputation and being popular among leading female celebrities in Thailand and expand the group to add new customers who like stylish and trendy styles like those in the society.
- **Adults** The products in this group are suitable for the big age with 45 years of age and older. Customers in this age range often have various problems about the chest condition. Customers are

usually in a stable income range. Therefore, interested in buying products reasonably based on utility and being comfortable to wear Which products in the adult group. There is sub-product segmentation according to the usage functions including

- Function Bra Suitable for consumers in the early age of the body that has changed from the chest muscles that lack firmness, helping to meet the needs of lifting, lifting, storing with complete functions and modern design patterns.
- Function Shape Wear Is a shape fitting product for ladies who care about shape to be slim, such as the latest girdle has released a new product called Secret S Curve which is popular with customers.
- Happy Bar Is a product that focuses on wearing comfort Selling through TV channels, digital shopping, home for retiring customers.

Grouping products in other types

Apart from product segmentation by age, function and fashion There are also other types of products including

- Maternity Is a lingerie product for breastfeeding mothers and has a tummy tucked pants to gain weight during the birth
- Fill Up Bra Is a bra product for women who have received breast surgery from breast cancer treatment. With a special stitching bag for wearing artificial breasts to help balance the balance of the wearer
- Happy is a group of products manufactured for distribution at affordable prices in some distribution channels In order to increase the potential of competition in the area where the consumers are not high income to be able to access the good quality products of the company as well.

With the ability to produce a wide range of lingerie, complete to meet every consumer's needs, the company is strong and is a leader in the lingerie market in Thailand.

2.2 Marketing and Competition

2.2.1 Marketing strategy

- **The development of innovative lingerie production**

Due to the needs and physiology of consumers constantly changing, the company Therefore giving importance to research and development (new products) Continuous By analyzing the behavior of consumers as to what needs And conducting customer surveys via online media to use the information obtained to develop products in accordance with the needs and changes of customer behavior In terms of function and fashion of underwear, for example, in the past, research showed that most Thai women had relatively small breasts. Therefore, leading to the development of the "Doomm Series" collection to enhance the confidence of wearing lingerie for consumers. And after Sabina succeeded in the small breast bra market Have conducted additional research to find that There are still customers with large breasts. It is a small base for Thailand. In 2015, the company started to capture this group of customers. And develop products to support the good response Made last year the customer base is constantly growing. Therefore, concluded that the products of the company are able to meet customers' needs, whether they are breast or small. With the same answer is Good lingerie production Comfortable to wear as customers want.

While production for sale under the brand of customers from European countries Making the company know how to apply new sewing techniques and applying to become a member of the WGSN, which is the website that the world's leading garment manufacturing companies have used widely for a long time Enabling the company to be aware of the Global Trend Fashion in the future that will occur up to 24 months in advance and can produce products that bring up-to-date fashion that meets the customer's popularity more precisely, while maintaining high quality at a reasonable price, worthwhile for consumers.

- **Expanding customer base in foreign countries**

The company expands the business by exporting products under the trademark of the subsidiary or Sabina brand to expand to more countries. Especially in the ASEAN Economic Community (AEC: ASIAN ECONOMIC COMMUNITY) which currently appoints distributors and operates 5 countries including Vietnam, Laos, Cambodia, Myanmar and the Philippines. While being discontinued as a distributor in 2 countries, namely Malaysia and Singapore Because the dealer cannot expand the distribution channels according to the goals set by the company As for Brunei And Indonesia is still in the process of implementation. The company still aims to

expand the brand Sabina to be known in the ASEAN market. And consumers from abroad Paving the way for making "Sabina" an ASEAN Brand, which causes the company Focus on expanding markets in ASEAN Because consumers in the ASEAN region have physiological differences that are not much different from Thai people Can use the same pattern in production and distribution In addition, the company Also appointed distributors in other countries including the Middle East and Asia such as the United Arab Emirates, Bangladesh, Pakistan etc.

- **Gradual release of new products**

The company has a strategy to distribute lingerie products in new models. Continuous To cover usage in all ages of women Starting at the age of 6 years of age, children should start using underwear to maintain proper and proper form. By dividing all product categories according to the format, i.e. basic products and fashion products that are designed according to popular trends, always leading to fashion Helping consumers to be aware of the modernity and fashion movement at all times. The company has released new Sabina brand products every month. In order to maintain brand loyalty, the marketing department will select the time to sell products to suit the consumer groups in each product, such as Sabinie and Cool Teen products, which are underwear for childhood. Will be marketed before the start of the new semester to allow parents to have time to procure products for their children during the peak demand period.

The company also plans to sell products with new innovations. Continuous In order to meet the needs of consumers that have changed according to the era, such as new products, the name of the Soft Collection, which focuses on the production of woven fabrics, seamless bags. Giving high flexibility and texture to give a soft, comfortable feel to the skin And bringing popular copyright products to present as products that customers are very interested in, such as Disney Frozen copyright products from the United States Used to design products in the childhood group And the company also supports the intellectual property of Thai people by bringing famous cartoon designs to join the Pretty Perfect product group for teenagers, including Mamuangjung characters Of Wisut Pornnimit, a cartoon character from Facebook Fanpage. What are the fans who have a cartoon bear "Meekho" that is famous for stickers on the Line application. In addition, new products are presented in the form of fashion collections for young and young teenagers. Adult age circulates continuously throughout the year.

- **Maintaining sales levels of current customers and find new customers**

The company is committed to maintaining the level of sales of current customers because they recognize the importance of maintaining good relationships with every customer, which will help work to be effective by focusing on producing quality products and providing product design services to meet customer needs and

create customer satisfaction by increasing the efficiency of producing quality products, including on-time service In order to maintain the production order continuously, also trying to find new customers In addition to customers in Europe By expanding to Russia Who want products with modern design, good quality and high price to avoid competing with manufacturers in other countries Which focuses mainly on price competition In order to maintain the level of profit margins at an appropriate level.

At the same time, the company has adapted channels to access products in accordance with consumer behavior. Which is now turning to online trading more and shopping in shopping centers is not popular in the department store zone Sabina's shop style in the shopping center Therefore focusing on selling in a stand-alone shop in the shopping center rather than being part of the department store zone.

2.2.2 Distribution and Selling channels

- Distribution of products under the subsidiary's trademark

The company sells lingerie under the trademark of domestic subsidiaries through various channels. In order to thoroughly reach customers through counters in department stores in Bangkok and other provinces Including the counter within the discount store nationwide, in total 580 counters.

Selling channels	Distribution ratio (Quantitative) (%)	Name Distributor	Counter/Store
Department Store	14	Central	23
		Robinson	48
		The Mall	9
Discount Store	53	Big C	130
		Lotus	176
Shop Company	14	Shop Company	83
Other Channel	19	Cooperative,Retail Store , Shop Company	111
Total	100		580

The company will sell at various distribution points. In the form of consignment and regularly transferring products to generate continuous sales in each distribution point, there will be 2-3 sales personnel, who are trained to have the ability to communicate products to the target customers. To advise consumers on how to use the

correct product and various highlights of the product while at the same time able to collect information, needs or suggestions of customers Back to the research and development department to improve the product to meet the needs of customers more. At present, there are a total of 1,100 sales personnel. Due to the growing trend of online shopping, the company does not focus on opening new stores but turned to increase more online sales channels can help reduce costs too.

For overseas sales, the company sells products under the trademark "Sabina" "Sabinie" through distributors in ASEAN countries, 5 countries, namely Myanmar, Vietnam, Cambodia, Laos and the Philippines with more than 100 sales points at various department stores.

- **OEM product sales**

The company has manufactured products according to the pattern designed by the company and subsidiary according to the customer's own pattern, most OEM customers are large customers famous In Europe and England, most customers have a long relationship. There are times of selling by customer orders consisting of customers who are both Swm Stores, Department Stores, Modern Trade, Wholesaler, Trading firm, Importer, as well as customers who do On line business, which has both new initiators and those who have turned themselves from the Direct Catalogs business.

2.2.3 Sales promotion policy

The market of women's lingerie products is very competitive. There are competitors that offer products that are very cheap, low quality, up to very high prices and high quality. Therefore, the company, together with department stores, provides regular sales promotion. Whether it is introducing new products Product promotion Organizing activities that customers could participate in order to increase the sales volume and attract consumers who have never used the company's products to try out Through marketing activities with the mall Both the media advertising of the mall Fashion show and other marketing activities.

In addition, the company also emphasizes the management of sales promotion of the company itself so that the products are widely popular among consumers. Create an attractive, attractive and reliable image. Create Sabina as the top of mind in the minds of Thai consumers by presenting the brand image of high quality products at a cost-effective price from 2015 until the present, the company has focused on using modern advertising media to reach consumers omni-channels by using a variety of media to suit each customer group with maximum efficiency Both using television advertising, billboard media, billboard, radio media, media in shopping centers

Media on the BTS stations and leading office elevators Various publications and online advertising media in popular social media formats and advertising on Youtube makes the brand more recognizable and popular. In addition, Sabina Club is open to recruit consumers with special privileges for members. To strengthen brand loyalty.

2.2.4 Target customers

The company has divided target customers according to age and types of products according to the needs of customers as follows

- **Child and early age customer group**

These two age groups are the main customers of the company because the company produces products that respond well to the needs of this group of customers. Especially the quality of sewing design Modern style, high quality fabric without allergies or irritation. Colors and cuteness are suitable for ages. Making the subsidiary's trademark It is widely known among children and teenagers, with new products being sold throughout the year. The company can generate revenue from this group of products continuously.

Child customer group is from the level of primary school education to junior high school In this group, parents are influential in deciding to buy products. The company has produced children's underwear under the trademark "Sabinie" to support the growth of the body in childhood. By focusing on the design that put knowledge into the pattern of the product, such as Collection AEC, which integrates social and cultural knowledge of each country in the AEC group through cute patterns on the product And also organize Sabinie Camp activities Bring young applicants who are selected to join the activities in each country in the AEC, with native speakers to provide knowledge. And learn to grow rice which is the main food of the people in the region For the children Gain knowledge, impression and remember Sabinie.

- **Teenager customer group**

Is a high school student level to university students It is the age that friends and people who like themselves influence the selection of products. Which often choose to buy products according to popular fashion and functions in use that can make their personality look better in the eyes of others Currently, Sabina brand has been very popular among teenagers with modern styles Have all the required functions help push the body to look beautiful and slim. There are brightly colored patterns that bring fashion. The company continues to emphasize on

continuously launching fashion products in this group and have improved or invented new innovations. In order to meet the needs of this group of customers throughout.

- **Young and adult customers**

Young customers are classified as customers from university students to working people whose friends, salesmen and trademarks influence the buying behavior. This group will focus on the function in use that is consistent with the external fashion apparel want to have a good personality Have confidence in wearing clothes Is a group that is more mature and starts earning money on its own Thus starting to consider the benefits of using more than just beauty. In addition, with high purchasing power and many customers, the company plans to launch products for this group of customers more in the future by starting to design the product to have useful functions in use correct the mistakes and respond to the needs of consumers more There are products for every customer's chest shape. And respond to all the physiological problems that began to change with the increasing age, such as products for young women named Modern V, with the function of pushing the sponge on the side of the V-shaped Suitable for young women who start to burn fat slowly. Causing excess meat to start Which the model can store excess meat on the side of the chest and make the breasts firmly close together with beautiful chest grooves, add more confidence, making products in this model to be popular until now.

- **Overseas customers group (OEM)**

Overseas customers who order underwear under the trademark of the manufacturer. Most of them are long-time partners with the company from the reputation of the company. In the production of products that maintain the quality required by customers and deliver on time Make customers have confidence. Which most customers are famous lingerie companies has its own brand has been operating for a long time in the United States and Europe, such as England, France, Spain, Germany, the Netherlands, etc.

These customers are both lingerie suppliers that emphasize function, functionality, and fashion, which is a collection for the consumer market from the mid to upper levels, but from the economic conditions that consumers Reduce consumption and spend more. In many European countries, the market has started to adjust to the middle to lower levels even more. In addition, the company has accelerated to find more new markets. In order to support the old customers who reduce the order With new customers coming from Eastern European countries, for example, which will focus on big breast products that are difficult to produce In order to have a high gross profit And avoid price competition with foreign factories that have cheaper wages Including the currency is weaker than the baht.

2.2.5 Industry conditions and competitive conditions

- **Demand and supply condition of underwear in Thailand**

Demand condition the ratio of the population in Thailand in 2018 has a female population close to that of a male, which is estimated to be 33.86 million women from 66.41 million people, accounting for 50.99 percent of the total population of Thailand.

The important factors that affect the decision to buy lingerie will vary in each age range, ie, underwear for most children and parents will be more influential in making purchasing decisions.

During teen period, purchasing decisions are based on fashion design and usage.

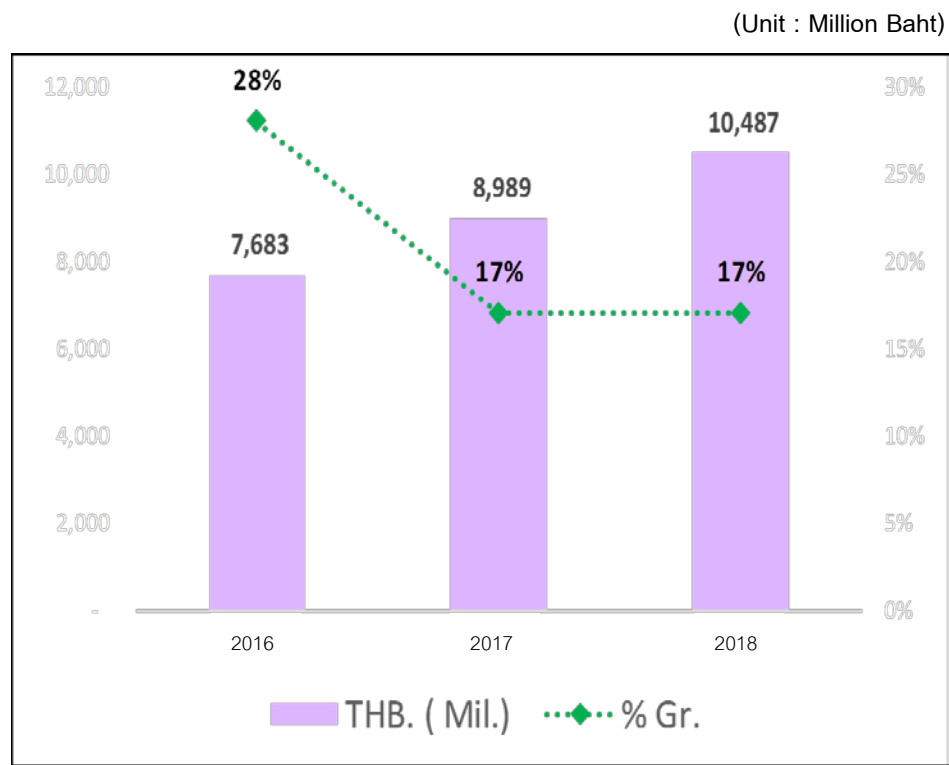
Young and adult will decide to buy from function, usage and design style which being beautiful must also be suitable for the outfits that are worn outside because the underwear is a necessary product and has a limited lifetime in the past year, the trend of lingerie is a basic product that is comfortable to wear and has higher demand. Which is considered as a supporting factor for the quantity of lingerie consumption continuously.

In 2018, the demand for overall lingerie in the country is growing in line with the flow of social media purchases.

Supply Condition Domestic women's lingerie has many manufacturers, both large, medium and small, from the sale through the system. E-Commerce and the expansion of many branches of mass brands from leading international brands that sell lingerie to bring fashion at a cheap price. From production and import from China and underdeveloped countries with low production costs. The expansion of cheap products that are sold through hypermarket & discounted stores, both imported from countries with low production costs. And increasing the proportion of house brands of the mall itself.

- Importing lingerie products

The value imports of Thai women's lingerie from 2016 to 2018 is as follows.



Ref. : Ministry of commerce HS:6108/6109/6208/6212

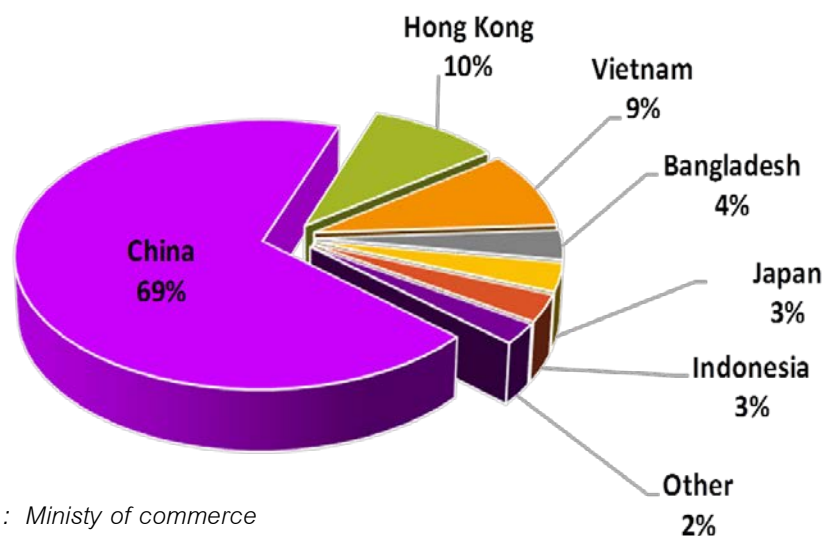
From tables and graphs Can be seen that the import of products in the lingerie group Is still likely to increase in 2018, with a growth of 17 percent per year. The value of imports is higher than 10,000 million baht and is likely to rise further in Thailand Is a potential market There is a high amount of underwear consumption. Both from domestic consumption itself and from tourists who travel and spend more in Thailand Since Thailand is a hub or hub for tourism in ASEAN, many brands from overseas come to market in Thailand more. Both brands from Europe And the United States On the other side, expect Due to the cost of lingerie production in Thailand Is likely to increase as well, causing many brands to start producing overseas in order to reduce costs.

Value of imported underwear products from the main trading partners 2016 - 2018 (million baht)

Country	2016	2017	2018
 China	3,983	4,824	5,619
 Hong Kong	774	806	776
 Vietnam	503	575	753
 Bangladesh	269	285	288
 Japan	284	191	276
 Indonesia	143	168	266
 Portugal	132	141	158
 Malaysia	36	33	44

Ref. : Ministry of commerce HS:6108/6109/6208/6212

Ratio of imported underwear in 2018

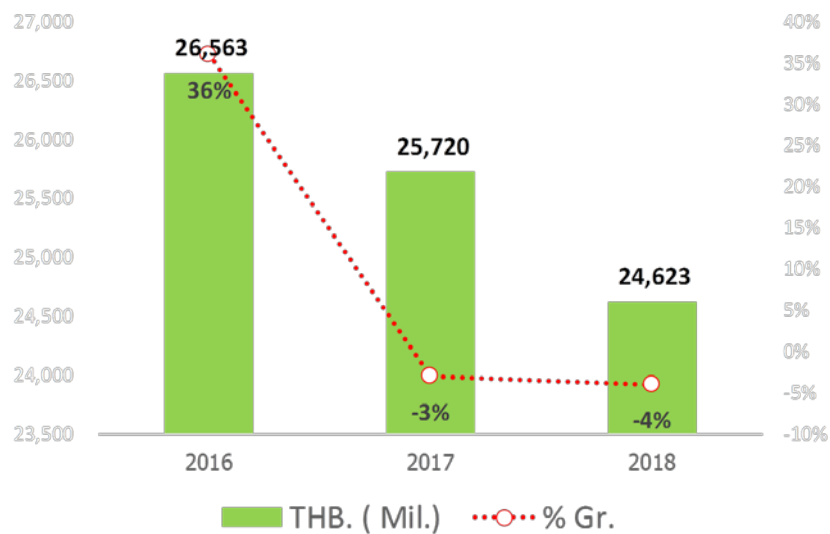


Ref. : Ministry of commerce

When considering imports Both in terms of import value and the proportion of imports Can be seen that Thailand is imported from China in value and the highest proportion has always been Which has a ratio of 69 percent of the imports. It is expected that imports from China Still at a high rate Because the production cost in China is still at a low rate Compared to other countries In addition, products from China have improved quality and more modern design However, the proportion of imports from ASEAN countries Will tend to rise Due to the integration of the ASEAN Economic Community or the AEC, the import tax is at the rate of 0%. Expected to import underwear in this country will increase in the future.

- Exporting lingerie products






The value of lingerie exports from Thailand from 2016 until 2018 are as follows.



Ref. : Ministry of commerce

From tables and graphs of exports of underwear to foreign countries, the value of exports declined in 2018 to -4%, partly due to the policy of setting up the US import tariffs. Which affects the economic conditions of many countries around the world. However, exports to the United States Which has the highest export value from Thailand still growing Due to the strong growth in the United States of America.

Export value of underwear products to major trading partners 2016 - 2018 (million baht)

Country		2016	2017	2018
	USA	8,787	8,307	8,749
	Japan	5,255	5,329	4,637
	Belgium	2,138	2,265	2,488
	France	1,024	1,079	926
	Germany	788	768	497
	UK	783	691	571

Ref. : Ministry of commerce

- **Domestic competition**

Domestic lingerie market is a highly competitive market at all price levels. With many entrepreneurs in the lingerie industry, such as Thai Wacoal Public Company Limited, lingerie manufacturer, "Wacoal" brand, Triumph International (Thailand) Co., Ltd., manufacturer of "Triumph" brand underwear. The company manufactures lingerie under the brand "Sabina". In addition, there are many small manufacturers that do not have a trademark to support the consumer market with regard to price as an important issue in the purchase. Repeat If the proportion of the market is estimated, Thai Wacoal Public Company Limited will have the largest market share. Followed by a company Under the brand "Sabina" and Triumph International (Thailand) Company Limited under the brand "Triumph"

In 2018, due to the economic conditions of Thailand that remain stable. The overall market of lingerie will grow less due to the increasing purchasing power of consumers and slowing spending. Moreover, consumers have the option to buy products at a more affordable price. And will decide to buy when there is a promotion or interesting sales promotion Especially the price reduction or special price Causing the price competition of the lingerie market in the country to intensify.

Apart from competition between domestic manufacturers There is also competition from leading lingerie manufacturers from abroad, such as France, the United States, etc., which came to compete for the top-level consumer market share. For the consumer market, the price is the main issue. There is competition from cheap imported underwear from manufacturers from neighboring countries such as the People's Republic of China. Which has low production cost etc.

- **Competition potential**

In a freely competitive market environment both domestic and oversea. Underwear manufacturers and distributors need to always maintain their competitiveness. However, the company's competitive potential when compared to competitors both inside and outside the country can be describes as follows.

(1) Product quality

The company produces equal quality lingerie with the competitors from major countries. The company has produced lingerie by the orders from top distributors in foreign countries, this made us expert in high sewing skill production. The company considering on the quality of product and has been granted with quality certificate from many institutions such as certification on using cancer-free material substances, no child labor and received

ISO 9001: 2000 etc. The company has a product quality inspection system from the beginning to ready-to-sell. There are tools to check the quality of materials with standards that are accepted by customers from abroad. The production has cutting quality control system and every step of inside sewing all the way to packing. In addition, there is also a product design service for customers to provide comprehensive services as well, which is an advantage compared to OEM manufacturers from neighboring countries such as most operators in China that have lower production costs but produce inferior quality products. Even if there's a product designed for customers but still not much acceptable by customers. Therefore, the top customers who are lingerie suppliers in foreign countries trust and continuously order the products with the company for a long time.

(2) Product design and merchandise innovation

The company has a lingerie designing team that specializes in designing patterns to fit with all generations and ages. Designers have been sent abroad on to study trip to learn about the design trend and use them to adapt design for domestic products. Especially teen products with cute patterns which is different from other brands often do not focus on design patterns to please young customers. Therefore, the company's products became acceptable and can dominate the market share of young buyers. In addition, there is a product research and development unit which they analyze the needs of consumers in each age group. So new products can be released to respond with the needs of customers continuously.

(3) Skilled worker with high sewing skill

The company has high skill workers who can make complex lingerie. There's a learning center in the factory which provide education to employees both in general education and vocational education. It is an extension for the company to able to select sewing workers with talent.

(4) Factory management system and staff preparation

After successfully applying Lean Manufacturing Systems to improve the management system in the factory until receiving the award from the Thai-Nichi Institute of Technology. The company also bring in the KAIZEN system of Japan to manage as well and still find management tools to help manage the factory such as QCC system or Quality Circle Control, TPM system or Total Productive Maintenance (productive maintenance that everyone participates) etc. These help strengthen the management in the factory in order to increase production efficiency and reduce loss.

(5) Learning Organization

The company has a policy to increase business competitiveness by being “Learning Organization” because various improvements require knowledge and learning of people in the organization with searching for new ideas and using direct experiences. Resulting in the production of new products or services and be able to meet the needs of customers. If an organization has a lot of knowledgeable personnel, it will have an advantage over other organizations. If the members of the organization are constantly learning, there is an exchange of knowledge that may come from trial and error and transfer knowledge to other members in the organization, in order to achieve continuous learning as well as members can use experience and specialization to create value for products and services creatively. Which lead to the creation of processes and management in the organization for maximum benefits to the business.

2.3 Product sourcing

- Production capacity and policy

At present, the company has 3 factories located in Chainart, Yasothon and Buriram. There are total of 2,860 machines, divided into 2,773 sewing machines and 87 other machines. In addition to these main machines, there are also sewing machine accessories that can help adjust the machines to work efficiently and more suitable for the product style. There will be many different types according to the product style. At present, the company has actual production volume of 8.8 million pieces per year.

The subsidiary has 2 factories located in Bangkok and Nakhon Pathom. There are total of 1,570 machines, divided into 1,377 sewing machines and 193 other machines. Moreover, there are machine maintenance for efficiency production and safety for employees as well. Currently, the subsidiary has actual production of 3.4 million pieces per year.

The production capacity of each factory is as follows:

Unit: Million pcs./year *	2016	2017	2018
Phuttamonthon Sai5 Factory			
Maximum Capacity **	1.56	1.06	1.42
Actual Production Volume	1.25	1.03	1.40
Effective Capacity(%)	80.13	97.17	98.59
Thapra Factory			
Maximum Capacity **	2.79	1.84	2.04
Actual Production Volume	1.94	1.79	1.95
Effective Capacity(%)	69.53	97.28	95.59
Chainat Factory			
Maximum Capacity **	2.64	2.36	2.71
Actual Production Volume	2.13	2.15	2.74
Effective Capacity(%)	80.68	91.10	101.11
Yasothon Factory			
Maximum Capacity **	4.60	4.44	5.26
Actual Production Volume	4.10	4.09	4.73
Effective Capacity(%)	89.13	92.12	89.92
Buriram Factory			
Maximum Capacity **	0.69	0.61	1.40
Actual Production Volume	0.51	0.70	1.35
Effective Capacity(%)	73.91	114.75	96.43
Total			
Maximum Capacity **	12.28	10.31	12.83
Actual Production Volume	9.93	9.76	12.17
Effective Capacity(%)	80.86	94.67	94.86

** The maximum capacity is equal to the number of products that are the ultimate goal. Not the highest capacity that can be achieved

- Improving production efficiency

		2562-2565	Total Quality Management	Sustainable Business
		2559-2561	Lean Enhancement, Problem Solving, Employee Engagement	High Performance Organization
		2556-2558	5S In process & 5S Empowerment	5S Enhancement
		2554-2556	Integration (5S, Kaizen, Lean, AM-PM, QCC, HRD+4D, อนุรักษ์พลังงาน)	SPM
		2551-2553	Lean System, Standing Sewing	Lean Manufacturing
		2550-2551	5S, Kaizen, Group Incentive	Participation
		2549-2550	Standard time, Benchmark, Flow Process, SOP, Balance line	Basic Tools

The company has defined Road Map for improving the organization as a long-term plan from 2006 to 2022 with the goal of sustainability business, the development of 7 steps as follows:

Step 1 Basic Tools

An improvement by bringing basic production tools to specify standard time, determine cost, plan production, manage production line and measure production capacity.

Step 2 Participation

Enhancing the participation of employees within the organization, to support improvement through the 5S tool, Kaizen and adjusting the incentive payment model to Group Incentive and aiming for the same goal.

Step 3 Lean Manufacturing

An improvement to eliminate loss including non-value work (Non Value Added: NVA) in the process by bringing the Lean system to manage in the production process and adjust the production system from sew sitting to sew standing to achieve continuous work flow (Continuous Flow) Which uses less than 50% of employees but increase efficiency more than 30% and change from push system to pull system according to Lean principle.

Step 4 Sabina Productive Management (SPM)

The integration of various improvement tools suitable for the organization to be a management system of a company called SPM, divided into 6 pillars (5S + Kaizen, Lean, AM-PM, QCC, HRD + 4D and energy conservation) each of which has a working group from all departments to drive and working in the Cross-Function Team.

Step 5 5S Enhancement

An upgrade 5S operation from 5S area to 5S in the process (5S In Process) in order to clear the steps or work systems that are more than necessary. Design a convenient way to work easy, quickly, cleanly to check for irregularities. Establish standards of operational processes and also promoting participation through the SGA chief, allowing the sub-group supervisors the power to make decisions and manage at a certain level (5S Empowerment)

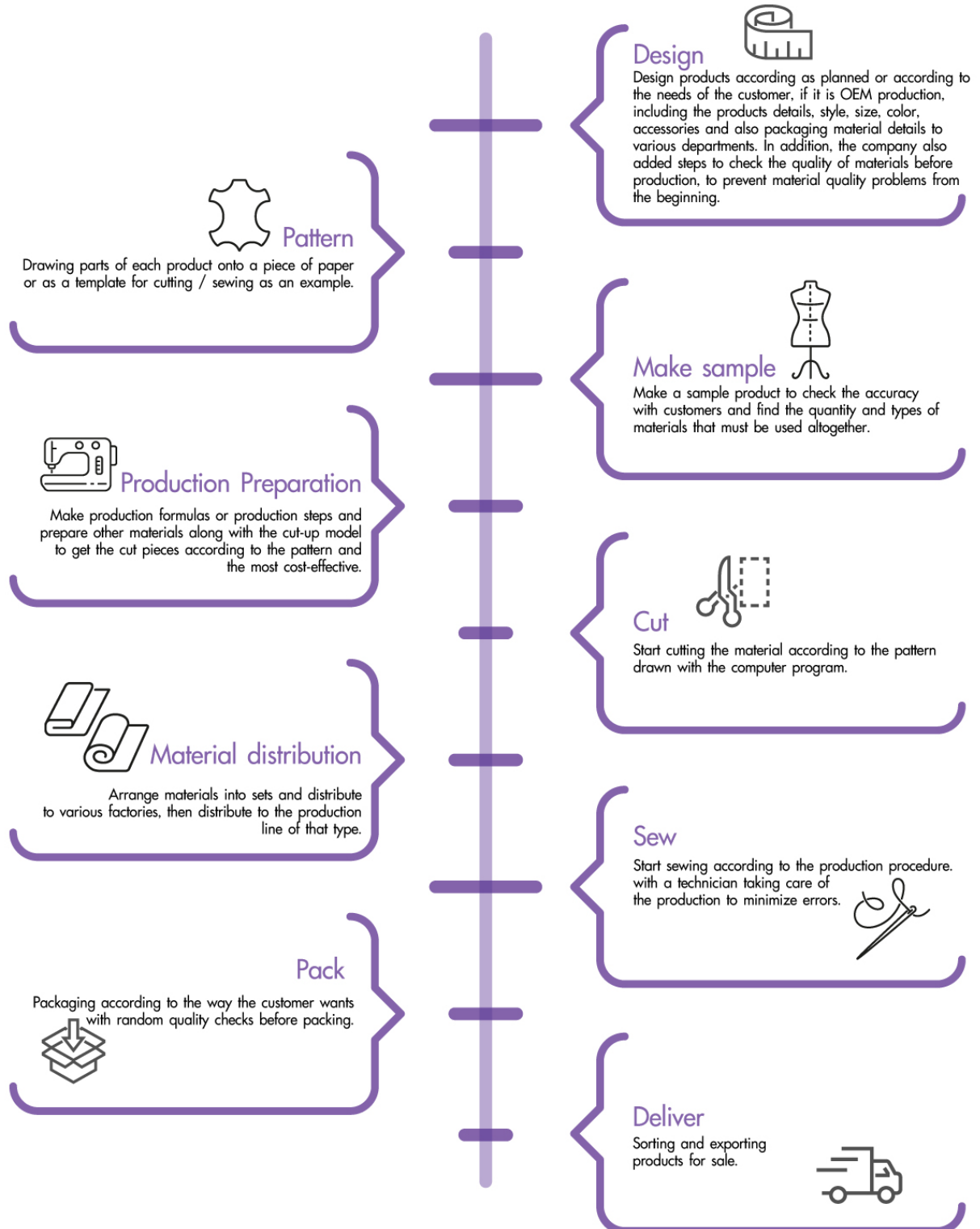
Step 6 High Performance Organization

The whole organization upgrade for a highly efficient organization. The company has extended the results from Lean Manufacturing to Lean Enterprise. Linking to suppliers and customers to be in the same chain, strengthen the business and bringing QCC tools to manage chronic problems (Problem Solving) as well as developing employee engagement with the organization (Employee Engagement) to be a driving force for continuous improvement.

Step 7 Sustainable Business

With the Total Quality Management (TQM) principle, resulting in quality management throughout the organization and in the same direction, creating an organizational culture that members value and participate in the operations improvement. Enabling ability to handle with changes, create competitive capability to be able to satisfy customer which will be good for business opportunities, as well as operating responsibly with stakeholders and communities which will affect to sustainability in the business.

Manufacturing Processes



Product quality control, in addition to the quality inspection procedures during the production process. The company also has product quality control measures by encouraging employees to maintain quality standards and teach other skills that help reduce the error rate in production. From the previous random inspection which found non-standard products before packing and selling to customers, only 0.5 percent of all manufactured products.

- **The main material used in production**

Fabric is the main component of all types of products. There is a high amount of fabrics in the production, causing the company and subsidiary to purchase in large quantities and have to control the quality and quantity. The company order from the few material suppliers regularly. However, there are many operators that produce this type of materials, then there is no problem in the procurement if there is a problem with the agreement with the supplier of the material that is currently trading.

Rubber is a component of all types of products. There are many types and with limited lifetime, causing the need to always buy this type of material but quality checking is easy. Therefore, easy to manage and procure. The other main material is sponge. There are 2 main types, which are unprocessed sponges, can be ordered from domestic manufacturers and finished sponge is a unique special material, different in each brand, with few domestic manufacturers, mostly import from abroad such as China, where the sponge is limited lifetime and cannot keep for a long time. The company then use the JIT (Just In Time) purchase policy to solve the material quality problem and reduce the cost of storing materials as well. In addition, the company currently installed the bubble mold machine itself, to reduce production costs and reduce dependence on suppliers because the mold bubble is considered an important material and it is the secret of each brand. Currently, there are 50 mold pumps machines.

- **Material procurement**

Materials used in the production can be divided into 3 main types as follows: Main raw materials, decorative products and packaging materials. The main raw materials consist of rubber and sponge, accounted for 82.42% of total raw material purchase in 2017 and 81.34% in 2018, with few major distributors. For quick contact and control the quality of raw materials for the decoration of products, there are a variety of products depending on the type of product and the needs of the OEM customers, such as hooks, hooks, rings, sleeves and thread, etc. The packaging materials include hangers, boxes, plastic bags and others.










Materials value of purchase classified by type of company and subsidiary

Unit: Million Baht	2016		2017		2018	
	Value	%	Value	%	Value	%
Main raw material	488.43	82.55	456.02	82.42	604.76	81.34
Decorative products	65.78	11.11	60.66	10.96	88.51	11.90
Packaging materials	37.50	6.34	36.57	6.62	50.24	6.76
Total	591.71	100.00	553.25	100.00	743.51	100.00

*The Company and its subsidiaries do not have a policy to purchase raw materials in advance. Because they want to reduce the cost of storing raw materials and most raw materials will have a short life. If stored for a long time, the quality will be reduced. Therefore, to prevent the shortage of raw materials and help prevent price fluctuations, the company will enter into a long-term purchase contract instead. That is to have a futures contract to reserve the capacity of the raw material supplier and to deliver the raw materials according to the agreed schedule for the main raw materials, such as fabric and rubber, are essential to the production of all kinds of products. Will use only a few regular suppliers and have been trading for a long time. Decorative parts and the packaging materials are very detailed, causing no regular suppliers.

*The Company and its subsidiary purchase various types of materials from over 200 materials suppliers, which are 2-3 major materials suppliers. The proportion of trading with the first 10 major materials suppliers representing 52.67 percent and 62.27 percent of the estimated total purchases in the year 2017 and 2018, respectively. There is no materials supplier that accounts for more than 15% of the total material purchase from regular suppliers, when in need of new materials that have never been used in production. There will be an arrangement for pitching sales, which the purchasing department will consider with the urgency of the assembly production as well.

In addition, the company and its subsidiary purchase materials from foreign countries in the proportion of 16.62% compared to the value of all major materials purchased in 2017 and 20.24% in 2018. They are orders from Hong Kong, Korea, China and Taiwan etc.

Value Purchase of Raw Materials Unit : Million Baht		2016		2017		2018	
		Value	%	Value	%	Value	%
Domestic		398.61	81.6%	380.21	83.4%	482.34	79.8%
Foreign							
Hongkong		17.07	3.5%	15.57	3.4%	21.98	3.6%
Korea		19.98	4.1%	12.99	2.8%	14.05	2.3%
China		23.64	4.8%	19.19	4.2%	44.34	7.3%
Taiwan		17.31	3.5%	17.97	3.9%	24.74	4.1%
Italy		0.50	0.1%	1.87	0.4%	4.46	0.7%
Switzerland		1.30	0.3%	0.68	0.1%	0.02	0.0%
France		0.05	0.0%	0.32	0.1%	0.39	0.1%
Indonesia		5.62	1.2%	4.42	1.0%	5.02	0.8%
Other		4.35	0.9%	2.79	0.6%	7.42	1.2%
Total Foreign		89.82	18.4%	75.80	16.6%	122.42	20.2%
Total Value Purchase of Raw Materials		488.43	100.0%	456.01	100.0%	604.76	100.0%

- Production quality control

The company has strict production control measures. In every factory, there will be a quality control system before production as preparation before production - Pre-Production Meeting, quality control during production. In order to prevent production errors (QC In Line) and quality control after production For final inspection after the production is finished before delivering to customers To ensure that products manufactured through international standards And according to the production order (100% End Control and random inspection). There is also a quality inspection department from the head office. Check the factory quality system or randomly check the product after production. (As a representative of the customer)

3. Risk factors

- **Business risks**

Many factors have been reduced and changed in business operations and changes in real-life conditions in modern times such as

- **Risk from relying on large distributors**

Currently, sales channels have increased. According to the changing trend of consumers, the company has expanded distribution channels in many ways such as sales via social media, TV sales, direct sales of cells. Not only relying on the original distribution channels.

- **The risk of opening the company's own shop**

At present, the company has reduced its stores by not renewing the lease in stores that do not generate profits and be more careful when opening new stores but can still maintain sales by growing in the old selling point and expanding to online markets with lower costs.

- **Risk from obsolete products**

At present, the company has a way to reduce the products that do not respond to the needs of consumers closely. Errors that have occurred are therefore reduced. In predicting the volume of products, especially in the fashion that has always changed according to the trend of the market, the company has reduced the amount per model and only sold at the top-level stores Including creating exclusive products for each distribution channel.

The company also reduced the burden of storage and distribution of products. In order to reduce costs by Sabina @ home system, customers can order products through all sales points (offline) to be delivered to home or work as well.

- **exchange rate**

At present, the company has a lower proportion of export business than in the past. And the trend of the baht in this year is in a more solid direction. The company has made risk insurance by making Forward Exchange Currency in advance. Exported items While importing raw materials from foreign countries and ordering ready-to-sell products (Sourcing) is positive for foreign exchange gains However, the risks remain with the business.

Because the exchange rate forecast may always turn back in the opposite direction Therefore, the business plan of the company does not expect profit from the exchange rate category at all.

- **Risk from domestic consumption**

Due to the 80% sales of the company come from domestic, which if the economic conditions in the country grow low or considering the gross domestic product (GDP) rate, which in the year 2019 was approximately 3-4 percent. Domestic consumption that started to stabilize Consumer spending is getting better. This year, the company has tried to conduct more marketing activities in all aspects Both advertising and public relations promotion, in order to increase the more market share and find a replacement market by expanding the brand to foreign markets. Especially in ASEAN or AEC in order to expand the market and sales Including accelerating orders from foreign customers who use their own brands more.

- **Risk of accepting orders from foreign customers using their own brands (OEM)**

The Company and its subsidiary have major customers who are top lingerie supplier in foreign countries, which are mainly European customers. They hired to design and manufacture lingerie under the trademark of the manufacturer (OEM), which the production contract for foreign customers using their own brand. Even though the company tried to reduce the cost of production to be very competitive but due to the global economy began to slow down in 2019. At the same time, many competing manufacturers in each country were Whether from China, Indonesia, India, Sri Lanka and others, must compete in receiving heavy orders. Especially in China that has the remaining production capacity because of the trade war with the United States However, OEM trading is not a big target of the company from the year 2007 that we focus on creating "Sabina" brand more. Therefore, the company therefore uses the strengths of manufacturing quality products in offering OEM customers. More top markets and on-time deliveries are important issues.

- **Technology risk**

Technology risks with rapid development causing consumers to change the way they consume media and change the style of purchase as well as technology. Enabling customers to access information that can compare on their own and with more consumption options, the company must have continuous development to meet the needs of customers, from product design to modern requirements, product manufacturing, to get quality as advertised and must be able to serve customers as needed fast and accurate.

- **Production risks**
- **Shortages of skilled workers and rising wages every year**

At present, although Thailand has a fairly high level of wages Compared to manufacturers in ASEAN But the labor that is to be used in the underwear industry is still hard to find Because they have to be skilled workers in high sewing Trained to a certain extent Unlike workers in other textile industries, workers turn to work in factories that do not require much skill. Especially the machinery industry and modern technology Which has equal or greater returns Causing this industry to remain in a labor shortage But the adjustment of the company in the direction of Lean Manufacturing Adjust the seat to sew as a sewing stand. Which has a positive effect on productivity as well as increased employee income. At present, the Company's Turn Over is less than 1.5%.

At present, the company also reduces the risk of rising labor costs in some years from now. By reducing the investment to expand the new factory by ordering finished products to be sold at a lower cost from the side announcement in 2018, the proportion of orders to be sold is 18% of all prepared products sold.

- **Environmental impact consideration**

Risks in response to global warming and is part of the environment. The company is aware of environmental issues. Due to the production process Until distributing products There are products that are not yet environmentally friendly, such as plastic bags. There are policies in all departments to make projects to reduce use. Materials that damage the environment to be part of reducing the current environmental problems.

4. Asset used in business operations

4.1 The main fixed assets of the company and subsidiary

The Company and its subsidiary have main fixed assets used in business operations as follows

Asset type	Proprietary characteristics	Net book value (THB Mil.) as of			Obligation
		Dec 31,2016	Dec 31,2017	Dec 31,2018	
Land					
<u>Company</u>					
- 2 plots of land title deeds, located at Wang Kai Thuean Subdistrict, Hankha District, Chainart. Total area of 7 rai, 2 ngan, 28 square wa is the factory location.	Possess	1.00	1.00	1.00	Land and buildings on the land are mortgaged as collateral for loans from Bank of Ayudhya, amount of 100 million baht.
- 1 plot of land title deeds, located at Wang Kai Thuean Subdistrict, Hankha District, Chainat, land size 8 rai, 1 ngan 56 square wa is a factory and office location.	Possess	6.13	6.13	6.13	
- 2 plots of land title deeds, located at Du Thung Subdistrict, Muang District, Yasothon. Total area of 53 rai 2 ngan, 98 square wa is a factory and office location.	Possess	10.29	10.29	10.29	Land and buildings on the land are mortgaged as collateral for loans from Kasikorn Bank, amount 129.78 million baht.
<u>Subsidiary</u>					
- 2 plots of land title deed number, located at 93/23, Soi Rom Sai, Petchkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok. Total area of 138 square wa is the factory location.	Possess	1.72	1.72	1.72	None
- 3 plots of land title deed number No. 7611,7612,7613 Located at 93/8 Soi Petchkasem 7 Phetkasem Road, Wat Tha Phra Subdistrict,	Possess	9.95	9.95	9.95	None

Asset type	Proprietary characteristics	Net book value (THB Mil.) as of			Obligation
		Dec 31,2016	Dec 31,2017	Dec 31,2018	
Bangkok Yai District, Bangkok. Total area of 2 ngan, 37 square wa is the factory location. - 2 plots of land title deed No. 12037,12778 located at 93/47 Soi Petchkasem 7, Phetkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok, total area of 1, 89 square wa is the factory location.	Possess	7.94	7.94	7.94	None
- T2 plots of land title deed number 12, Arun Amarin Road, Arun Amarin Subdistrict, Bangkok Noi District, Bangkok, total area of 2 ngan, 17 square wa is the office location.	Possess	7.96	7.96	7.96	Land and buildings on the land are mortgaged as collateral with Bank of Ayudhya, amount of 200 million baht.
- 1 plot of land title deed, no. 9378 Located at 30/11 Moo 12, Putthamonthon Sai 5 Road, Rai Khing Subdistrict, Sam Phran District, Nakhon Pathom, total area of 11 rai, 2 ngan, 35 square wa is the office and factory location.	Possess	52.10	52.10	52.10	Land and buildings on the land are mortgaged as collateral for loans from Kasikorn Bank, amount 191.86 million baht.
- 1 plot of land title deed, no. 20329, located at 30/5 Moo 12, Putthamonthon Sai 5 Road, Rai Khing Subdistrict, Sam Phran District, Nakhon Pathom, total area 4 rai, 1 ngan, 87 square wa is the office and factory location.	Possess	21.40	21.40	21.92	

Asset type	Proprietary characteristics	Net book value (THB Mil.) as of			Obligation
		Dec 31,2016	Dec 31,2017	Dec 31,2018	
Building					
<u>Company</u>					
- Factory location, Du Thung Subdistrict, Muang District, Yasothon.	Possess	42.72	36.71	30.70	Mortgage with land as collateral for the loan with Kasikorn Bank, amount 129.78 million baht.
- Factory location, Wang Kai Thuean Subdistrict, Hankha District, Chainart.	Possess	2.51	1.92	2.00	Mortgage with the land as collateral for the loan with Bank of Ayudhya, amount of 100 million baht.
- Factory location Nong Bot Subdistrict, Nang Rong District, Buriram		1.52	1.41	1.31	None
<u>Subsidiary</u>					
- 2 storey warehouse building and sewing building and 4 storey office at Phutthamonthon Sai 5 Road, Rai Khing Subdistrict, Sam Phran District, Nakhon Pathom	Possess	23.94	20.96	21.95	Mortgage with land as collateral with Kasikorn Bank, amount of 191.86 million baht.
- Office Location, Arun Amarin Road Arun Amarin Subdistrict, Bangkok Noi District, Bangkok.	Possess	12.23	11.51	10.80	Mortgage with the land as collateral with Bank of Ayudhya, amount of 200 million baht.
- Building 93/23, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok.	Possess	2.09	1.81	7.29	None
- Building 93/8 Soi Phetkasem 7, Petchkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok	Possess	1.08	0.98	0.87	None

Asset type	Proprietary characteristics	Net book value (THB Mil.) as of			Obligation
		Dec 31,2016	Dec 31,2017	Dec 31,2018	
- Building 93/47, Petchkasem Soi 7, Petchkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok	Possess	2.20	1.98	1.77	None
Machinery and equipment					
<u>Company</u>					
Office equipment	Possess	0.43	0.27	0.82	None
Decoration and installation	Possess	0.37	0.39	1.04	None
Cutting, sewing, textile Machines and other assets.	Possess	14.30	12.75	27.97	None
<u>Subsidiary</u>					
Office equipment	Possess	8.85	7.64	6.40	None
Decoration and installation	Possess	49.03	35.30	29.67	None
Mold stamping machines, cutting, sewing, fabric inspection machines and other assets.	Possess	19.89	27.29	31.63	None
Construction in progress, assets under installation					
<u>Company</u>					
Construction in progress	Possess	-	-	-	None
Assets under installation	Possess	-	-	-	None
<u>Subsidiary</u>					
Assets under installation ^{1 *}	Possess	5.97	3.99	0.39	None
Intangible assets					
<u>Company</u>					
Computer programs and software	Possess	-	-	-	None
Program during installation	Possess	-	-	1.00	None

Asset type	Proprietary characteristics	Net book value (THB Mil.) as of			Obligation
		Dec 31,2016	Dec 31,2017	Dec 31,2018	
<u>Subsidiary</u>					
Computer programs	Possess	4.56	3.55	6.61	None
Program during installation	Possess	-	-	1.00	None
Deferred leasehold rights	Possess	21.78	17.61	13.14	None

The book value of the main fixed assets used in the business of the company and subsidiary, details are as follows

Unit : THB Mil.

Asset type	Cost according to financial statements as of			Lifetime (year)	Net book value as of		
	Dec 31, 16	Dec 31, 17	Dec 31, 18		Dec 31, 16	Dec 31, 17	Dec 31, 18
Land	118.49	118.49	119.01	-	118.49	118.49	119.01
Buildings and improvements	314.79	317.75	328.22	20	88.30	77.28	76.70
Machines	272.82	279.06	302.68	10	26.56	30.77	46.85
Tools and equipment	12.76	13.69	15.57	5	1.23	1.76	2.86
Decoration and installation	139.45	146.54	158.11	5	49.40	35.69	30.72
office supplies	55.27	55.09	56.49	5	9.28	7.91	7.22
vehicle	43.83	40.91	34.18	5	0.01	1.50	1.16
Program installation fee and computer programs	27.53	27.91	34.27	3	4.57	3.55	8.61
Other assets	0.95	0.95	0.96	5	0.08	0.06	0.05
Computers and devices	45.45	47.07	51.87	3	6.38	6.01	8.70
Construction in progress	-	-	-	-	-	-	-
Assets under installation	5.97	3.99	0.39	-	5.97	3.99	0.39
Deferred leasehold rights	73.67	73.97	73.97	-	21.78	17.61	13.14
Total	1,110.98	1,125.42	1,175.72		332.05	304.62	315.41

Intangible assets

The Company and its subsidiary have intangible assets that are important in business operations but did not record the accounting value, i.e., various trademarks which owned by Sabina Far East Company Limited, registered trademarks both domestic and international, namely Sabina, Sabinie, SBN, Moldern Soft by Sabina, Moldern Curve by Sabina and Doomm Doomm, etc. Anyhow, the subsidiary will renew the all trademark both registered domestic and international upon renewal because these trademarks are still important for future trade. The company expects new design products under these trademarks. If the product has a significant different shape and strength, the subsidiary will request to register the new trademark as appropriate. In addition to various trademarks, the subsidiary has applied for a patent for product design and an additional invention patent as well.

At present, the subsidiary rented areas in various commercial buildings, such as Department store, Market Village Shopping Center, Hua Hin and Laemthong Shopping Shopping Plaza, Chonburi and Fashion Island Bangkok Shopping Center, in order to do distribute women's underwear products.

Moreover, the Company recognizes the importance of preventing risks that may occur to the Company's assets. Therefore, the insurance contract has been prepared from all kinds of risks that may occur. Which covers most of the company's fixed assets, with property insurance for every factory, including office property such as buildings and structures, inventory, furniture, machinery and equipment etc.

Investment policy in subsidiaries

The company has a policy to invest in related businesses that are similar or beneficial and support the business of the company to strengthen and develop the company's performance, such as increasing production efficiency or reduce production costs, etc. In terms of management policies in such associated companies or subsidiaries, the company will send representatives who are persons with no conflict of interest in business with the company and its subsidiaries, join as a director in that company in the proportion of not less than half of all directors of the subsidiaries in order to closely control the financial policy and operations of subsidiaries.

As of March 16, 2007, the Company invested in Sabina Far East Company Limited by purchasing ordinary shares of Sabina Fareast Company Limited in the proportion of 99.90% of the registered capital.

5. Legal dispute

- None –

6. General information and other important information

important information

Name:	: Sabina Public Company Limited
Nature of Business	: Manufacture and sale of ladies lingerie
Head Office	: 177, Moo 8, Wang Kai Tuen Sub-District, Han Ka District, Chainat Province
Registration No.	:0107550000068
Home Page	: www.sabina.co.th
Telephone	:056-437156-8, 02-4229400
Fax	:056-437159, 02-4345911
- First Branch	: 12 Arun Amarin Road, Arun Amarin Sub-District , Bangkok Noi District, Bangkok 10700
Telephone	:02-4229400
Fax	:02-4345911
- Second Branch	: 30/5 Moo 12, Phutmonthon V, Rai King Sub-District, Samphran District, Nakhonpathom Province
Telephone	: 02-8118220-31
Fax	:02-8118081
- Third Branch	: 236 Moo 10, Du Thung Sub-District, Muang District, Yasothon Province
Telephone	:045-737351-3
Fax	: 045-737356
- Fourth Branch	: 81, 106 Moo 6, Nong Bot Sub District, Nangrong District, Buriram Province
Telephone	: 044-657107, 044-657210
Fax	: 044-657207
Investor Relations	: ir@sabina.co.th
Registered Capital	: 347,500,000 baht
Paid Up Capital	: 347,500,000 baht
Ordinary Shares	: 347,500,000 Shares
Par Value	: 1baht
Securities Registrar	: The Thailand Securities Depository Co., Ltd. (TSD)
Address	: 93 Ratchadaphisek Road, Dindaeng,Dindaeng Bangkok 10400
Telephone	: 02-009-9999

Auditor	: Mrs. Natsarak Sarojpanjin or Mr. Chaityuth Aunsuwittya CPA License No.4563 and 3885
Address	: A.M.T. Associate Office 491/27Silom Plaza, Silom Road, Bang Rak, Bangkok 10500
Telephone	: 02-2341676, 02-2341678, 02-2372132
Fax	: 02-2372133

For more information Investors can find additional information about issued asset of the companies from List of Annual Report (56-1) from the website www.set.or.th or www.sabina.co.th