
Part 1 Business Conduct

1. Policy and Business conduct overview

Sabina Public Company Limited or Sabina, a manufacturer and distributor of ladies' lingerie, top number one lingerie brand in Thailand. Sabina distributes its products nationwide through all distribution channels as its business is expanding to neighboring countries in the ASEAN Economic Community, especially CLMV (Cambodia, Laos, Myanmar and Vietnam) as well as other parts of the world. It is also a lingerie manufacturer for leading lingerie brands overseas (OEM).

Sabina lingerie products are available for all age groups, at all market prices. It is also top leader in fashion and function, well known for its beautiful exterior design, great for body functions of the wearer, and suitable for the shape of the individual target customer. Thanks to research data and market survey on product development, Sabina is able to manufacture products that meet the needs of customers with both small and large breasts and bring innovation to develop the production of high quality, comfortable and modern lingerie. The company was established on August 17, 1995, formerly known as J&D Apparel Company Limited, with initial registered capital of 1 million baht, engaged in the production and distribution of lingerie for subsidiaries and customers, who are lingerie distributors overseas (OEM - Original Equipment Manufacturer). The subsidiary company, Sabina Far East Company Limited, was established on January 11, 1977.

The Company and its subsidiaries were founded as a joint venture of the 2nd generation members of the "Thanalongkorn" family, led by Mr. Viroj Thanalongkorn, who has special expertise in the lingerie industry inherited from the 1st generation members of the family, beginning with "limited partnership Jintana "(now renamed Jintana Apparel Company Limited) engages in lingerie business under the pioneering of Mr. Chintana and Mr. Adul Thanalongkorn, the mother and father of Mr. Viroj, who is the 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. The head office is located at 177 Moo 8, Wang Kai Thuan Subdistrict, Hankha District, Chai Nat Province. And other 4 branch offices consisting are located at:

1. No. 12, Arun Amarin Road, Arun Amarin, Bangkok Noi, Bangkok
2. No. 30/5, Village No. 12, Phutthamonthon 5 Road, Rai Khing Subdistrict, Sam Phran District, Nakhon Pathom Province

3. No. 236 Village No. 10, Du Thung Subdistrict, Mueang Yasothon District, Yasothon Province

4. Number 81,106, Village No. 6, Nong Bot, Nangrong District, Buriram Province

Originally, the business of manufacturing and distributing OEM products of the company was the production and distribution for subsidiaries which received production orders from another customer. Since the subsidiary has been operating for a long time and is known to foreign customers more than domestic ones. When the company became well-known to foreign customers, it began to sell OEM products directly to customers. So the production for lingerie distributors overseas is the main revenue proportion. However, after the company changed its policies concerning reducing the proportion of OEM production and distribution since 2008, resulting in the company's main revenue proportion coming mainly from the production and distribution of products to the subsidiary under the brand "Sabina".

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 Buriram. There are 2,829 machines in total which divide into 2,766 of sewing machines and 63 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 7.4 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 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 1,430 which can be divide into 1,279 of sewing machines and 151 of other machines. Currently, the subsidiary has a production capacity of 3.0 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.

1. 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.

2. 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.

3. 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.

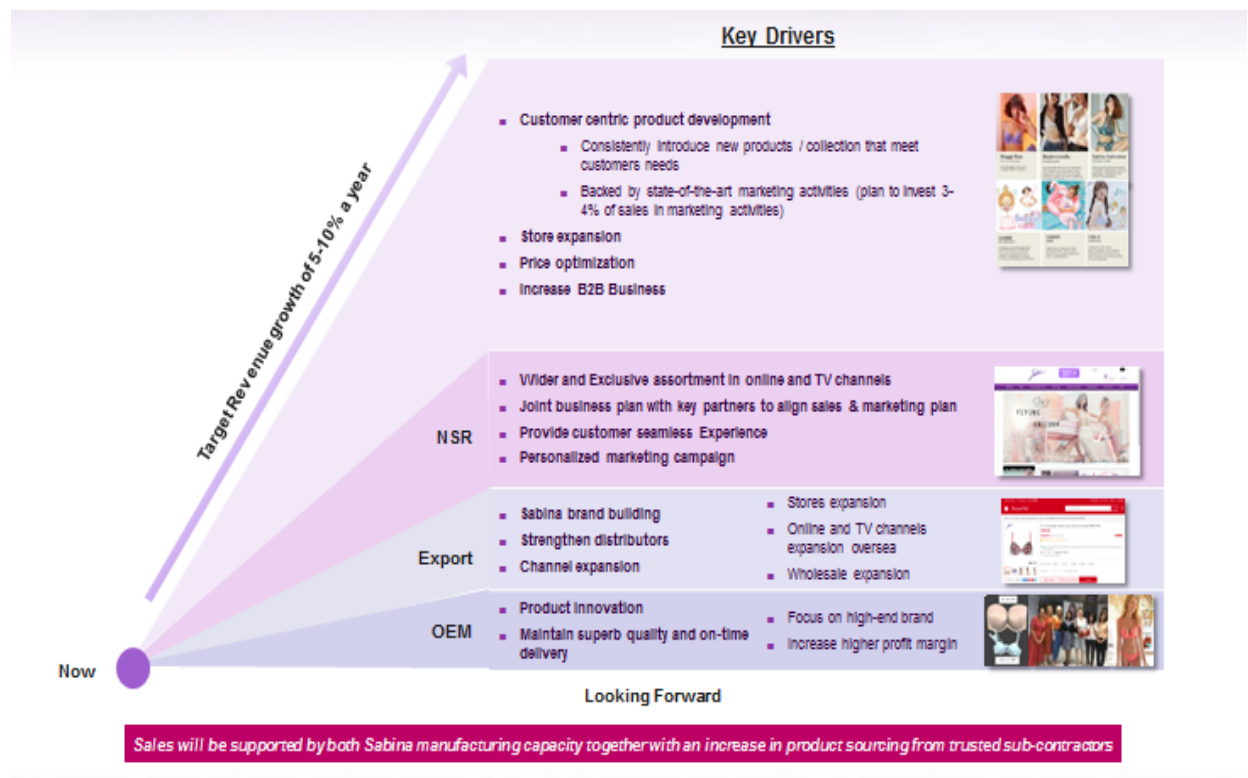
4. Productivity: Innovation through productivity by advance mechanism

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.

5. Planet: Return Benefit to Society and Environment

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

Strategy and long-term goals 2021-2025



For the long-term goals from 2021-2025, the company is expecting its sales revenue to grow by an average of 10% based on the changing circumstances of the economy. The increased sales revenue depends greatly upon revenue structure divided into 4 major structures which are as follows:

With clear goals for growth as follows:

- To lead the Sabina brand to be the number 1 underwear brand in Thailand, stepping ahead to become a regional-level brand in Asia.
- To be the leader in modern manufacturing innovation as well as a leadership in fashion and functional underwear to meet customer needs in all age groups.
- To be a modern brand which understand the customer's needs according to the slogan, "Because we are friends who understand women," focusing on the implementation of technology to meet their needs, and developing communication accessible to different customers of changing life styles.
- To improve production efficiency for maximum effectiveness of both machinery and raw materials in reducing work process towards lower costs.

1. Domestic sales of the Sabina brand

The company believe that the domestic market can continue to grow as the market changes. The following strategies show how to grow the domestic market effectively:

- a. Modify the sales model to serve customers and meet their changing needs and behaviors by focusing on reaching customers rather than waiting for customers to go to the store.
- b. Continually focus on research and development of quality and product formats by focusing on innovation in order to meet the needs of customer of all types and increase product variety by putting customers first.
- c. Storefront cost management by developing a system for convenience, speed, accuracy.
- d. Develop the ability of salespeople to have multi-skill in working to reach more customers and to be able to generate additional income

2. Non-Store Retailing

Another way that the company can use to emphasize on development and accelerate the growth rate is non-store retailing. Despite a few years of implementation, it has generated the highest growth rate. Non-store retailing also covers all sales channels and does not overlap with storefront sales where salespeople stand by to serve customers. The goals and strategy of non-store sales are as follows:

- a. To delivery service channels that normal stores have not been able to reach or that require a high access cost to reach.
- b. Focus on the development and improvement of products for specific sales channels by putting customers first and working towards meeting the needs of each target group.
- c. Use modern technology for service system development, to be fast, accurate and accessible whenever customers want.
- d. Develop quality and service standards for customers' trust according to Sabina's slogan "Because we are friends who understand women".

3. Sabina exports to foreign markets

There has been a continual growth in selling products under the Sabina brand through overseas distributors, especially those in CLMV countries such as Vietnam, Laos, Myanmar, Cambodia and the Philippines. The strategy to develop sales growth in this structure is as follows.

a. Develop personnel working in each country and send Sabina staff to key countries such as Vietnam and the Philippines to help develop the system and empower the staff there with knowledge and skills which are contributable to the success of the company in Thailand, so they can be applied what they learn to each area specifically by emphasizing the understanding of products and services as well as managing stock inventory.

b. Help negotiate sales in order to expand sales channels overseas by bringing the success of sales in Thailand to further develop and negotiate trade in other countries both in-store sales And out-of-store sales.

c. Start sourcing products from production bases in that country to reduce costs and to speed up adding products in the store to meet the needs of customers in each country, all of which still is under quality control to meet Sabina standards equivalent to production in Thailand.

4. Sales of OEM products

Sales of OEM products is a part of revenue structure that contributes to additional income, which has been controlled not to have a proportion of growth than it has at present. However, it will maintain the proportion of sales spending so that it will not decrease. Since selling OEM products is considered a technical development and significantly linked to machinery knowledge, raw materials, and new product formats received from western countries, all which can be applied to product development in our country.

For sales promotion and production process development, there are strategies and operations to successfully support the main goals as follows:

1. The pricing policy of the product is divided into 2 parts, including the pricing for products under the subsidiary's trademark (Sabina) and the pricing for products under the manufacturer's trademark (OEM). The factors affecting the pricing of these two types of products comprise characteristics, quantity, and market value. The pricing for products under the subsidiary's trademark (Sabina) depends on the appropriateness for customers by setting prices according to market values that contend at the same level as competitors in the market. The company's product prices are at the middle level of pricing when compared to those of the same

types of products in the market. In particular, the company does not have a policy for pricing competitiveness with other manufacturers. However, the prices of products may be discounted according to the marketing strategy of department stores and points of sales as is appropriate for the OEM products. The company selects the top level of customers and implements a policy for price setting by increasing profits with the cost plus from production. These selling prices partly cover the risk of foreign currency fluctuations, while the gross profits from production of each product vary according to the product types, as well as the quantity of products ordered by customers.

2. The costs of production are reduced by developing raw materials together with trading partners, including negotiations on large quantities of raw materials through the total purchase orders and imports of necessary raw material quantities for Just In Time production, to prevent sunk inventory and work in process costs. This leads to lower expenditures on administration and management, as well as a decrease in production costs.

3. The sewing workers are developed to work in a 'Multi Skill' approach to support 'Quick Change Over' flexibility that allows rapid task changes when compared to the original method. Measurement of the sewing skills of sewing workers (Work Passport) on various types of sewing machines is tested and used to obtain information and guidelines for the planning of skill development. In 2020, the level of Multi Skills among the company's sewing workers increased by 10% from 2019, as shown in the table below.

Year	Line 5	Tha Phra	Chai Nat	Buri Ram	Yasothon	Average
2019	55%	54%	34%	36%	51%	47%
2020	60%	57%	50%	48%	61%	57%
Increase	5%	3%	16%	12%	10%	10%

4. Develop potential leadership through the Small Group Activity Leader project to learn concepts - tools in 8 management courses as follows:

- Kaizen: Continuous job improvement with ECRS, then upgrading as the standard according to a cycle of Plan- Do- Check- Act
- 5S with productivity enhancement: The application of 5S in the area maintenance tool to support 5S in the workflow, such as having only the necessary items in term of amount and time, visual-eye control systems, and detection of malfunctions in tools and machines from daily cleaning
- Lean System: Understanding value-added and non-value added work activities, as well as the non-value added but necessary work activities, and non-acceptance of wastes, which are Overproduction, Inventory, Transportation, Motion, Processing, Delay, Defect, and Non-Utilized

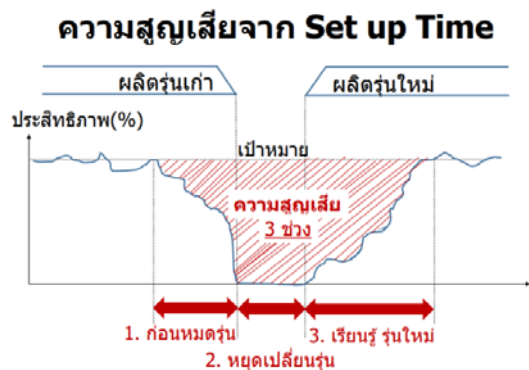
- IE for non IE: Understanding basic management tools, such as standard timing, target setting, production planning, measurement of production capability, and various productivity techniques
- QCC (Quality Control Cycle): Working development or problem solving in a systematic way through group activities in brainstorming with reasons, factual information, and use of various technical tools (7 QC Tools) for problem analysis
- Leadership: Supporting and fostering good relationships, effective assignments, and communication with supervisors / subordinates, as well as persuasion and encouragement to the team
- Work Happiness: Working happily by realizing self-value, living in the present, and having goals in life
- HR for non HR: Understanding how to help and take care of each other, starting from the recruiting process - developing - giving opportunities - keeping in accordance with the corporate culture of “4 Good” of thinking, speaking, doing, being, without thinking that this is an exclusive duty of the HR department

5. The development of working efficiency is implemented through the upgraded application of Lean strategies. The company provides on-site training and workshops by independent speakers to identify and eliminate wastes at work for supervisors, with Quick Win and Long Term revision plans.

Summary of the number of personnel attending the 1st Lean training

	Manager	Senior Head	Head	Officer	Total (person)
Line 5	2	19	8	7	36
Tha Phra	3	11	5	12	31
Chai Nat	5	6	9	9	29
Yasothon	9	26		4	39
Buri Ram	1	3		1	5
Total	20	65	22	33	140
Percentage	14%	46%	16%	24%	100%

In addition, training for the Sewing Production Line supervisor proceeded on the topic of changing designs to accommodate jobs with a small number of choices. This was accomplished by analyzing the causes of problems to increase production efficiency during the work transitions, which was divided into 3 stages of analysis: time before the end of work, transition time into new work, and time used in learning new work.



Before work run-out, Stop to change new work, Learning new work

Summary of the number of personnel attending the 2nd Lean training

	Manager	Senior Head	Head	Officer	Total (person)
Line 5	1	6	3	1	11
Tha Phra	3	10	5	7	25
Chai Nat	6	7	11	9	33
Total	10	23	19	17	69
Percentage	14%	33%	28%	25%	100%

Following the application of the LEAN production system, the company was successful in raw materials inventory management. The quantity of inventory and WIP volume fell from 244 million baht (in 2012) to approximately 66 million baht (in 2020), with the amount of raw materials reduced from the 2019 to 51%. Whereas, the application of timely-fit production management across the company. As a result, it can reduce the lead time for production from 120-180 days to 90-150 days, as well as the product delivery to customers in a timely manner.

The company has set a road map for organizational development as a long-term plan from 2006 to 2025, aimed at sustainability and will continue to improve according to the 7 Steps which are as follows.

		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

Step 1 Basic Tools

Is an improvement by using basic production tools, the Standard Time to determine cost, production planning, production management, and measure the ability of production.

Step 2 Participation

Is to enhance the participation of employees within the organization, promote improvement by using 5S, Kaizen, and adjust incentive payments to Group Incentive to achieve the same goal.

Step 3 Lean Manufacturing

Is an improvement to eliminate various wasteland and non-value work in the process, resulting in the proportion of Indirect employees reduced from 32% to 24% in 2019 and changing the production system from sewing to a standing sewing system in order to create a continuous flow (Continuous Flow), the number of employees / production lines reduced from 30 people to 16-18 people, which is suitable for many types of work conditions and the number / less, including the change of production from a push system (Push System) to a Pull System (Pull System) in accordance with Lean principles, which continually improve productivity.

Step 4 Sabina Productive Management (SPM)

It is the integration of improvement tools that are suitable for the organization, integrated into the company management system, divided into 6 pillars (5S + Kaizen, Lean, AM-PM, QCC, HRD + 4D and energy conservation) and work in the form of Cross Function Team, with working groups from all departments of the company.

Step 5 5S Enhancement

It is to upgrade the 5S operation from 5S to 5S in the process in order to get rid of unnecessary steps or systems, create work methods that are convenient, easy, fast, clean to check for irregularities, standardize the process, and also promote participation through the SGA supervisor, giving sub-group supervisors the power to make decisions and manage at a certain level (5S Empowerment).

Step 6 High Performance Organization

In order to be a highly efficient organization, the company expanded the improvements from Lean Manufacturing to Lean Enterprise, linking suppliers and customers into one chain, strengthened the business, and used QCC tools to manage chronic problems (Problem Solving) as well as develop employee engagement with the organization (Employee Engagement) who are a driving force for continual improvement.

Step 7 Sustainable Business

Bring management improvements to from production processes to all departments of the organization for quality management throughout the organization in accordance with Total Quality Management (TQM) principles Create an organization culture in which members focus and participate in the improvement of operations, making it able to cope with change, building competitiveness, increasing customer satisfaction that impact business opportunities, and taking responsibility towards interested parties and communities, which can create the sustainability for the business in the future.

In the past year, the company modified its sewing process pattern to manufacture of cloth masks instead of underwear, along with the procurement of raw materials according to the production of cloth masks.

- **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 90% of the needed amount by ourselves (Our own production in 2014 is only 30%)

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.

In the past year, the company changed its types of business, including switching from manufacturing underwear to cloth masks, allowing employees to have jobs. The company did not have a policy to terminate the employment of its employees. Also, this helped the company to maintain cash flow, without the need to purchase

raw materials of underwear, and no load of finished products due to the closure of stores following the Emergency Decree Policy.

- **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.

1.2 Important changes and developments

The following are important changes and development of the company and subsidiaries relating to business operation.



1997 - A period of economic recession in Thailand called, Tom Yum Kung, was a period of great change. Due to the sudden weakening of the baht overnight from 26 baht to 45 baht, the company seek an opportunity to change direction of doing business and invest in exporting business under customer brands in England and Europe. The company had started to create a brand for quite a while before that.

2002 - The company expanded its business into Yasothorn and built its 4th factory there, which is the largest factory among its three other factories located in Tha Phra, Chainat and the Phutthamonthon 5, so as to meet the needs of increasing OEM customers.

2006 – Due to the trend of the baht appreciating at 36 baht / USD, forecast of the appreciation of 30-31 baht / USD, the cut off from the GSP privileges from Europe, and wages which are rising and causing the competition in the export of the company's products to decrease, the company changed from manufacturing for OEM to selling more brands. This means that the company will no longer benefit from OEMs, so the company has changed its strategy to focus on building more brands and reach the domestic market first.

2006 - The company started to look into the market from segmentation that no one was really interested and the company's positioning was in the production of Doomm Doomm (extra thick bra) for customers with small

breast or Size A, which turned out to be a really good brand prepositioning. For the past 10 years, most people can still remember the brand Sabina and that it is number one choice for small sized women.

2011 - The company had to deal with the minimum wage that had gone up to 300 baht / day and the major flooding crisis in the country. Two-three years ago in 2011, the company adopted LEAN system that had been used to help improve production efficiency, changed the production process from sitting while sewing to standing while sewing, which could help reduce employees from 2 persons to 1 person. One production line normally needed about 40 employees, but the company currently need only 20 people and the company has this policy that does not find replacement for employees who resign. The number of employees were decreased from 5,100 people down to around 3,900 people, resulting in employees doing less overtime. And as a result, the company was able to overcome the minimum wage crisis.

2016 - The company targeted new large-sized customers and developed products that covered customers of all sizes and was able to increase the customer base formerly focused on small-sized customers only.

2017 - The company built a mold making sponge factory to help reduce the cost of production, speed up product development and keep up with market demand.

2017 - The company received the Top Brand Award from the Faculty of Accounting, Chulalongkorn University, in the category of Fashion, for the 5th consecutive year and won the Hall of Frame, which is regarded as a Brand Award that holds value to the SABINA brand.

2019 - The company received the Outstanding Operating Award in the event the "SET Awards 2019" by the Stock Exchange of Thailand. The award was only given to the listed company that had outstanding performance based on business performance, good corporate governance, action complying with the regulations of the stock exchange Information disclosure and the quality of financial statements

2020 – Although this was year requiring a battle against the COVID-19 epidemic, the company still won various awards during this year, such as the Outstanding Innovative Company Awards from the SET Awards 2020, The Best CFO Award 2020 from the Association of Investment Analysts at the "IAA Awards for Listed Companies 2020", Asia's 200 Best Under A Billion 2020 Award by Forbes Magazine (Forbes), the "EXCELLENT CG SCORE" as an excellent level of corporate governance for the third year from the Thai Institute of Directors Association (IOD) in conjunction with the Stock Exchange of Thailand and the Office of SEC Committee, the ESG 100 for

outstanding performance in environmental, social, and governance from Thaipat Institute, The Consumer Choice Award from the Shopee Brand Conference 2020, etc.

During the past 3 years, the company and its subsidiaries have received various awards which can be summarized as follows:

- 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
- Year 2019**
- Sabina Public Company Limited, Yasothon Factory, received a gold medal certificate for Safety, Occupational Health and Work Environment Management from the Department of Labor Protection and Welfare on 22 April 2019.
 - Sabina Public Company Limited, Yasothon Factory, received a silver medal certificate for its campaign to reduce work related accidents to zero for 2019, for the 4th year, for 19,186,741 hours in total, from the Department of Labor Protection and Welfare on 4 July 2019.
 - Sabina Public Company Limited, Yasothon Factory received the Excellent Establishment for Health and Hygiene Promotion in the Workplace Annual Award 256-

2019 from the Ministry of Public Health, Department of Health, Center 10, on 7th August 2019.

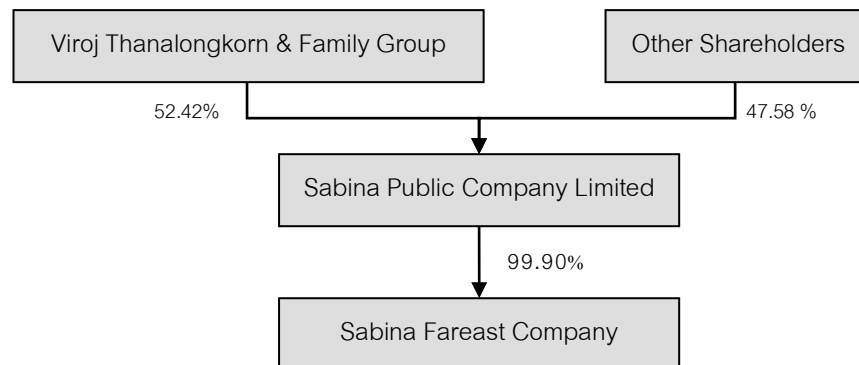
- Sabina Public Company Limited, Yasothon Factory, received the Outstanding Establishment Award for Labor Relations and Labor Welfare (10 years and over) for the 14th year from the Department of Labor Protection and Welfare on 9th September 2019.
- Sabina Public Company Limited, Chai Nat Factory, received the Green Industry Level 2 Award from the Ministry of Industry on 18th August 2019.
- Sabina Public Company Limited, Chai Nat Factory, received an award in the Kaizen Suggestion System contest from Technology Promotion Association (Thailand-Japan) on 30th August 2019
- Sabina Public Company Limited, Chai Nat, Factory, received Bilateral Teaching and Learning Management Reward from Noen Kham Industrial and Community Education College on 19th September 2019.
- Sabina Public Company Limited, Chai Nat Factory, received an honorary award for Promotion and Support for Employment from the Department of Employment Ministry of Labor on 17th October 2019.
- Sabina Public Company Limited, Chai Nat Factory, received the 5th Annual Outstanding Workplace and Social Welfare Award from the Office of Social Development and Human Security in Chainat Province on 24th December 2019
- Sabina Public Company Limited, Buriram Factory, received a certificate of honor for Safety, Occupational Health and Work Environment Management from the Department of Labor Protection and Welfare on 22nd April 2019.
- Sabina Public Company Limited, Buriram Factory, received the Green Industry Level 1 Award from the Ministry of Industry on 28th October 2019.
- Sabina Far East Company Limited, Tha Phra Factory, received the Outstanding Enterprise Award in Labor Relations and Welfare, Outstanding Labor (10 years up), the 12th year from the Department of Labor Protection and Welfare on 31st January 2019.
- Sabina Far East Company Limited, Tha Phra Factory, received the Green Industry Level 2 Award from the Ministry of Industry on 19 August 2019.
- Sabina Far East Company Limited Phutthamonthon Sai 5 Factory, received the Outstanding Establishment Award in Labor Relations and Welfare, and Outstanding

Labor (10 years up), the 10th year from the Department of Labor Protection and Welfare on 9th September 2019.

Year 2020

- The Outstanding Innovative Company Awards from the SET Awards 2020 by the Stock Exchange of Thailand for “SABINA Seamless Fit Innovation-Non Slip Tech Bra”
- The Best CFO Award 2020 from the Association of Investment Analysts at the "IAA Awards for Listed Companies 2020"
- The Asia's 200 Best Under A Billion 2020 by Forbes Magazine - which is 1 of 19 Thai companies in the list this year
- The EXCELLENT CG SCORE for 3 consecutive years from Thai Institute of Directors Association (IOD) in collaboration with the Stock Exchange of Thailand and the Office of the SEC Committee
- The ESG 100 for outstanding performance in environmental, social, and governance from Thaipat Institute
- The Consumer Choice Award from the Shopee Brand Conference 2020
- The Top Brand Award for excellent performance from Lazada
- The 100K FOLLOWERS for a brand with more than 100,000 followers from Lazada
- The FASHION Category Captain from the Lazmall Awards, Lazada
- Sabina Public Company Limited, Yasothon Branch, receiving the Outstanding Establishment Award for Outstanding Labor Relations and Labor Protection Welfare up to 15 years or more, 15th year on September 21, 2020
- Sabina Public Company Limited, Buriram Branch, awarded for the Green Industry Level 1 from the Ministry of Industry on October 28, 2020
- Sabina Public Company Limited, Buriram Branch, awarded for Green Industry Level 2 from the Ministry of Industry on July 29, 2020
- Sabina Fareast Co., Ltd., Tha Phra Factory, receiving the Outstanding Business Enterprise for Outstanding Labor Relations and Labor Welfare (10 years or more), 13th year, from the Department of Labor Protection and Welfare, February 20, 2020
- Sabina Fareast Co., Ltd., Tha Phra Factory, receiving the certificate of Basic TLS8001-2010 from SGS, on September 21, 2020
- Sabina Fareast Co., Ltd., Phutthamonthon Sai 5 Factory, receiving the Outstanding Business Enterprise Award for Outstanding Labor Relations and Labor Welfare (10 years or more), 11th year from the Department of Labor Protection and Welfare on September 28, 2020

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 90.82% and 91.63% of total revenue in 2019 and 2020, respectively, while revenue from OEM products accounted for 8.71% and 6.60 % of total revenue in 2019 and 2020

Product Lines	Operated by	Share-holding ratio %	2018		2019		2020	
			Value	%	Value	%	Value	%
Sale of subsidiary's brandname products	Sabina Fareast Co., Ltd.	99.90%	2,803.04	90.34	2,992.46	90.82	2,669.95	91.63
Sale of OEM products	Sabina Plc.	-	286.80	9.24	287.04	8.71	192.23	6.60
Incomes from provision of service and other sources ^{1, 2}	Sabina Plc.	-	13.06	0.42	15.46	0.47	51.64	1.77
Total			3,102.90	100.00	3,294.96	100.00	2,913.82	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

Products under the Sabina trademark are of high quality and fine fashion designs that are colorful and modern. They provide functions that can meet the needs of customers of all ages, and help create a good personality and boost confidence. The products can be divided into 2 main groups which are as follows:

2.1.1 Products manufactured and sold under the subsidiary company's trademark

Products under the trademark of the subsidiary are divided into 4 categories which are as follows: in each group there will be products with fashion and function products. By still focusing on products that can be worn everyday which can be divided into 2 product groups which are as follows:

(1) Underwear products, consisting of bras, underwear, camisole, revealing underwear, slimming sets, accessories for use with underwear or replace underwear such as transparent arm straps, arm straps, fashion hooks to the body length, and silicone nipple protector

(2) Products in groups other than lingerie, consisting of swimwear, exercise sets, and underwear that can be used as outerwear such as the Mad Moisselle Collection.

The company focuses on designing bra products to enhance the personality and give confidence to the wearer and meet the specific needs of customers. Nowadays, bra styles are more diverse than ever.

2.1.2 Products manufactured under trademark of customers which are distributors of products overseas (OEM)

The company has manufactured and distributed OEM products based on the specifications that customers require. Products that are manufactured and sold partially come from the prototype that the company and the subsidiary design. It is used to improve the design according to customer requirements and take over approximately 30% of the total OEM volume.

Customers' designers and the company's designers work closely together. Customers' designers from time to time join the company's designers, introducing the trend, color, mood and tone for each season, before starting to develop as a sample product. There is also a joint development with lace fabric vendors and also various patterns and colors with Raw Materials Suppliers as well.

Product Grouping

The company divides the products into groups based on the target audience and place suitable pricing for each product group. There are 4 main group which are as the following.

1. Children's products
2. Teen products
3. Adult products
4. Other products

	Medium (<THB700)	Medium-High(THB700- 1,000)	High(>THB1,000)
Children (4-15 years)			
Teens (15-25 years)			
Young women (25-45 years)			
Women (> 45 years)			

Products of each group have different strengths such as childhood products, (starting from the age of 6 years old to 12 years old), which are focused on the quality of raw materials that must not cause irritation to the soft skin of children and using the Sabinie cartoon to communicate with children. CoolTeen products are for the age group that starts going to school, coming after Sabinie Collection, focused on using raw materials that is close to baby underwear but will begin to change fabric to be comfortable, easy to maintain with modern beautiful patterns and also began to use the function of underwear to prepare the style for the children that grew up.

Teen products are suitable for young women who grow from childhood to teenagers, those starting from high school age to entering university and starting work, at the age of 15-25 years, when they are becoming girls and paying more attention to how they look. The product model is colorful, indicating happiness and joyful life

Young to adult products - This group of products suits working women aged 25 years and over, who have their own incomes and are reasonably interested in shopping for products in term of both their usefulness and their fashionable, beautiful, and modern styles that meet different daily needs. These products focus on personality enhancement according to current lifestyles that continue to change. In 2020, the products were grouped in order to improve communication with customers in matters of uniqueness and in sponge details, which are the heart of decision making for underwear purchases, under the company's new communicate of the "Level Bra," with 4 Bra levels that allow customers to enjoy an experience of buying a new type of bra. The product uses the gimmick for the selection of 4 levels of pearl milk tea sweetness, from 0% to 100%, linked to the sponge thickness of Sabina's bra collection. The thickness ranges from 0%, 25%, 50% to 100%, according to the needs of women, following a survey that most women tend to choose bras with different thicknesses of the sponge depending on various uses.

The sponge % level selection resembles choosing to put a topping on the underwear. This gives customers a new shopping experience that is more enjoyable. At the same time, Sabina's underwear can meet the needs of all groups of customers in a variety of collections. Regardless of their sponge thickness preference, from 0% to 100%, customers can choose underwear with their desired sponge thickness at every distribution channel, including Sabina Shops or Sabina counters in general department stores, as well as the Sabina's online channels.

For the level of underwear, it is divided into **Level 1: 0% bubbles: "Not filled, but with a beautiful shape"** -a group of underwear products with a sponge thickness from 0.5 - 1.0 cm, as a thin level sponge. However, with Sabina's sewing techniques, the breast will look beautiful and natural even without extra sponge. These levels include products from the Pretty Perfect, Mad Moisselle, Maggie Mae, Perfect Bra, and Function Bra collections.

Level 2: 25% bubbles: *"Lightly filled, but stable"* is a group of underwear products with a sponge thickness ranging from 1.5-2.0 cm for shaping the breast to look beautiful, including the Signature and Soft collections.

Level 3: 50% bubbles: *"Moderately filled, with just enough push"* is a group of underwear products that contains sponge thickness from 2.3-3.0 cm, a medium level sponge to push the shape for a more dimensional look, including the Modern V and Soft Doomm collections.

Level 4: 100% bubbles: *"Accentuated fill for prominent slopes"* is a group of underwear products with a sponge thickness of 3.5 cm and up, to help clearly increase the cup size of the breast and the visibility of its slopes, for which its products will be in the Doomm Doomm collection.

Communicating the subject of sponge levels under the 'Bra Level' campaign makes it easier for customers to shop and meet their needs in different occasions, either during a vacation, a work day, or a day with special activities. Sabina has used various channels of communication to re-create a viral phenomenon in the online world by choosing "Bai Fern - Pimchanok. Luewisetphaibun" to represent a woman with a variety of activities. The company has launched the clip, **"How many milk bubbles will you select?"** that links with the selection of sweetness of milk tea to directly reach target customers.

Other product groups

1. Everyday Wear group or products that can be worn daily consist of the following products:

- Sbn Sport products are sports underwear especially for women who need agility, they are comfortable and semi-sporty, perfect for playing sports.

- Soft Collection products are products to which the innovation of Seamless Fit production is applied. They are smooth, comfortable, in beautiful shape, focused especially on seamless comfort.

2. Specific products such as maternity products for breastfeeding mothers consist of bra and panty, belly support and fill up bra which are bras mostly used by patients who have their breasts cut. We also provide bras with a bag for breast implants.

3. Happy Price products are cheap products produced specifically For Modern Trade stores.

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 continuously sell products with new innovations in order to meet customer needs that change according to the new era. For instance, the Soft collection focuses on woven fabrics and seamless bags, while giving high flexibility and texture for a soft and comfortable feel to the skin. Also, the company brings well-known copyrighted products to present as products that customers desire, such as various foreign and domestic copyrighted products that are popular at each time. In particular, the company designs products according to the target groups of those patterns. In 2020, the company collaborated with a famous Thai designer, Juli Baker and Summer, for the Thai Fruit collection last April.



During the school term that was postponed to June, the company has launched a collection under the design of Khun Tin Saeng Tawee in the Daddy and Muscle Academy Collection, which was well received by the target group of adolescents



At the end of the year 2020, the company launched a timeless copyrighted pattern designed by Charles M. Schulz under the Peanuts Collection name to drive sales at the end of the year according to the company's goals.



- Maintaining sales levels of current customers and find new customers

The company is committed to maintain the satisfaction of current customers. We recognize the importance of maintaining a good relationship with every customer. This helps to maintain the level of sales and support of current customers in order to repeatedly purchase and suggest further. The company can take advice and feedback from current customers to adjust for increased efficiency, with an emphasis on producing quality

products that meet the needs of customers, with beautiful product styles of standard quality and punctual services to maintain production orders and sales targets of Sabina's product brand. In addition, the company also emphasizes acquiring new customers by contracting production to expand customer bases from the European region towards Russia, who prefer products with modern designs, good quality, and high prices, to avoid competing with manufacturers in other countries that focus mainly on price competition for the appropriate level of profit margin. For customers within the Sabina brand, the company emphasizes encouraging customers to try the products without worry, and further expands its communication channels for quicker, easier suggestion receipt for implementation towards continuous improvement.

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 underwear under the trademark of local subsidiaries, which is divided into 2 types as follows:

1. The type of over-the-counter sales in department stores, and shops, including the company's own stores, totaling 597 locations nationwide. By selling in this form, most are the consignment sales. Sales staff of the company at the points of sale recommend products and services to customers for mobility and accessibility. Moreover, the company has other points of sale under the company's trademarks in 5 countries: Myanmar, Vietnam, Cambodia, Laos, and the Philippines through distributors with more than 100 points in various department stores.
2. The no-store type includes online selling, catalogs, TV shopping, and automated kiosks to increase sales flexibility, by being able to serve customers anywhere, every day, and at all time, focusing on service, clarity, and variety for customers to choose according to their needs.



- OEM product sales

The company also produces products according to the patterns designed by the company and its subsidiaries, or the customer's own patterns. Most of these customers are major customer groups who are famous for their own brands, including department stores, retail stores, wholesalers or importers, trade representatives, as well as online and catalog owners, both newcomers and self-employment through Direct Catalogs businesses in Europe and the UK. The vast majority of these customers have fostered a long relationship by ordering customized production orders.

Sales promotion policy

The company focuses on providing products and services to suit each group of customers who have different needs, without focusing on all kinds of products in every shop, but the insights to tailored product varies for customers who obtain services in the stores, as well as through various marketing communications directly to target groups, with lower mass media.

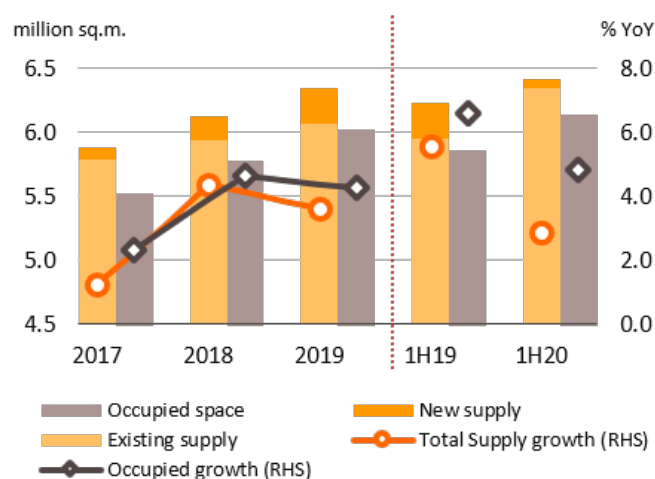
With marketing communication plans, the company has a set of customer groups, starting from product development. This is so that products and media can be easily and appropriately accessible to customer groups. Also, the company adapts current events to the marketing communication through up-to-date means to reach customers easily and promptly. It emphasizes the principles to plan on providing services through omni-channel or multiple communication and customer service channels that can be linked to one another, both offline and

online. This helps in collecting all customer information for easy and quick access to customer information, and grants the ability to correctly design the Customer Journey or route of the customer decision-making process for further product and service improvement.

2.2.3 Industry conditions and competitive conditions

The large proportion of sales of the company according to the structure still comes from storefront sales, which is directly and mainly affected by the situation of the retail areas. In the first half of 2020, the number of new retail areas barely grew when compared to the same periods over the past several years, which resulted from the COVID-19 pandemic. Meanwhile, sales areas were closed during the period announced by the government to restrict domestic travel, with schedules for opening-closing time of business enterprises, and closing areas for non-essential goods and some shopping centers in the second half of 2020. The situations improved when compared to the first half of the year. This was driven by the government's spending stimulus measures, including (1) measures to help low-income people by increasing purchasing power for government welfare card holders, and (2) tax relief measures, so called "Shop Good – Have Return". In addition, the growth of online commerce and the festive shopping seasons at the end of the year helped to support the retail sector, though in some areas during the 4th quarter, problems of unrest caused the closed-down and re-opened situations on some areas for certain periods of time. Customers in big department stores have noticeably decreased in numbers. Meanwhile, some customers changed their purchase behaviors for products towards other options and focused on making purchases in areas near to them.

Figure 1: Existing and New Supply



Source: CBRE

Source: <https://www.krungsri.com/th/research/industry/Industry-Horizon/industry-summary-outlook-2021-2023>

The growth trends for each type of business are as follows:

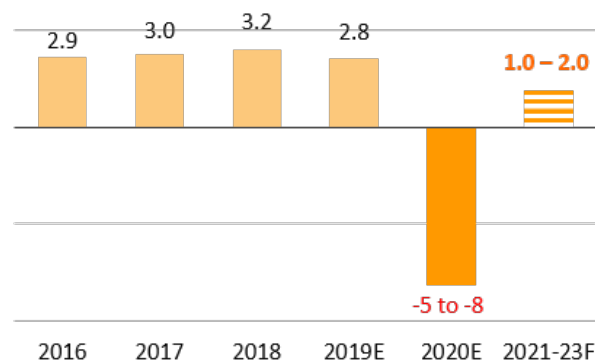
Department stores are expected to grow annually by 1.3-2.6% from a decrease of 8.5% in 2020. The main factor was an improvement in country purchasing power, in which entrepreneurs focused on investing in provinces and foreign countries with potential.

Discount stores are expected to grow annually by 1.0-2.0% from a decrease of 6.6% in 2020. Most customers are middle-income groups or less, and focus on daily life consumer products. However, the price competition among the businesses is still fierce, following the competition with other retailers, such as convenience stores.

Supermarkets are expected for an average annual growth of 1.9-3.8% from a decrease of 6.5% in 2020, driven by the purchasing power of target customers, including middle- to high-income earners.

Convenience stores are expected for an average annual growth of 1.1-2.1% from a decrease of 6.9% in 2020, driven by the branch expansion to cover most areas, with challenging factors that include high competition from e-commerce businesses and high household debts.

Figure 2: Retail Business Growth (% YoY)



Source: Thai Retailer Association
Note: Forecast by Krungsri Research

According to the overview of Thai textile and garment industry during the early year of 2020, many manufacturers and distributors had to temporarily halt their operations, or reduce production capacity, or even close their businesses due to the COVID-19 outbreak. The pandemic has occurred not only in Thailand but also in foreign countries, and it tends to increase steadily. As a result, the export value of textile and garment industry throughout the world decreased by an average of 16.9 percent because the manufacturers canceled of their orders from brands that had to close down their storefronts or department stores. Meanwhile, shipping could not

be delivered within the specified periods, which affected the supply chains in the entire system of textile industry worldwide. This was reflected by the decrease of export-import values of Thai textile and garment industry in the first half of 2020, from January to June, as follows:

- Exports were valued at US\$ 2,856.8 million, down 16.9%, divided into:
 - 1) The textile group (fibers, yarns, fabrics) valued at US\$ 1,780.9 million, down by 18.9%
 - 2) The garment group valued at US\$ 1,075.9 million, down by 13.3%
- Imports were valued at US\$ 2,206.0 million, down 18.6 percent, divided into:
 - 1) The textile group (fibers, yarns, fabrics) valued at US\$ 1,455.2 million, down 21.9%
 - 2) The garment group valued at US\$ 750.8 million, down by 11.5%

Competition in the country

The domestic underwear market is a highly competitive market at all price levels. Many entrepreneurs in the underwear industry are mostly purchase copyrighted brands from abroad. In addition, many small entrepreneurs lacking trademarks produce locally and import from abroad to support the consumer market that considers price to be an important product purchase selection factor.

Since 2020, the Thai economy has been sluggish. The overall underwear market from the view of general storefronts and modern retail stores has recorded less growth due to the COVID-19 epidemic, which limited and decelerated consumers purchasing power due to the economic crisis. For the online, there is more and more bustling trading. Therefore, the overall underwear market is still expected for the growth, such as in general shops, modern retail stores, and the company's own shops, including the sales through online and other new channels.

In addition to the competition between domestic manufacturers, there is also a competition among the leading underwear manufacturers from abroad, such as France, the United States, etc. that came into the top-level consumer market share. For the consumer market that mainly considers price, there is more competition from the non-branded underwear with economical prices, especially from the online channel. However, the quality is still inferior to the branded products. Early 2020, due to the epidemic of COVID-19 outbreak, could be the opportunity for the company to expand the customer base, since small entrepreneurs with imported products are unable to continue importing activities following the closure of international routes, and the cautious practice of purchase investments in readymade products. Since the past year, this has become the opportunity for the

company to have more special sales channels and expand more customer bases for product distribution to end customers.

- **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 focuses on product quality control to meet the standards, starting from selecting high quality raw materials according to OEKO-TEX Standard 100 by using the same standards for products under both the company's own brand, and for contracted producers, known as OEMs, to create customer confidence in the overall products. This is due to the fact that underwear is a product with direct skin contact. Also, the company takes into account the needs of customers as the main consideration for product design and improvement to always meet the needs of customers. The company brings feedback from customers to continually improve and develop products towards new innovations into the market every year.

(2) Skilled worker with high sewing skill

The company has continuously developed skilled workers, especially sewing workers, through 2 types of training as follows:

Re Skill is a training to learn new skills of the same routine to increase efficiency or reduce costs in the working process through more than 10 years of Kaizen activities.

Up Skill is to develop existing skills to for more proficiency. This is so that workers can have greater ability in multiple skills, especially in the production line, in which the Working Passport visualizes the ability of the sewing workers for supervisors. Also, it aims to continuously make production planning for workers and improve their skills in using all types of industrial machines, etc.

(3) 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.

(4) Learning Organization

The company promotes itself to be a learning organization, with mergers and acquisitions of working together as a single unit to make the best use of resources while reducing the amount of work transfer, as well as ensuring the accuracy in the work process. The company also increases the speed of work, focusing on the use of agile management principles, a process that enhances working speed by reducing processes and paperwork. Additionally, there is a more focus on team communication to speed up the joint development of products for testing and feedbacks to return for improvement. This enables faster product development to meet the needs of more customers through the idea of Design Thinking, which is applied in every work process.

2.3 Product sourcing

2.3.1 Procurement of raw materials

Raw materials used in the production can be divided into 3 main types: main raw materials, decorative products, and packaging materials. The main raw materials consist of cloth, rubber, and sponge. Decorative accessories depend on the product styles and OEM's customer requirements, such as hooks, embellishments, loops, straps, thread, string, etc. Packaging materials include hangers, boxes, straps, plastic bags, etc. The proportion of main raw materials is shown in the table below:

Year	Percentage of main raw materials
2018	81.3
2019	82.0
2020	88.0

The company and its subsidiaries do not have a policy to purchase raw materials to stock in advance, which affects the cost of storing raw materials. Therefore, to prevent raw materials shortages and price fluctuations, including control of raw materials to meet quality standards and schedule on-time delivery, especially for fabric which is the main raw material for all types of products with a high quantity of use in production, the company therefore makes long-term future purchase contracts to reserve the capacity of raw material production with suppliers and make plans for usual purchase orders through long-term relationships.

For a variety of rubber, which is another main raw material as a component of all types of products, the company thus collaborates with suppliers to design raw materials that suit each customer and reduces production costs.

In addition, sponge is the other main raw material. There are two types of sponges, including unmolded sponges that are ordered from domestic manufacturers, and molded sponges (bubble mold) as key materials in any designs of underwear, both without bubble filling (0% bubble level), light filling (25% bubble level), perfect filling (50% bubble level), and highly filling (100% bubble level). The molded sponges are designed from the company's research and development female body. Therefore, to prevent the disclosure of design information, the company then installed a machine for bubble pumping for the production by itself, which afterwards results in a reduction of production costs. In 2020, the proportion of molded sponge production was 87% of all products with sponges.

Value of purchase of raw materials classified by types of the company and subsidiaries










Unit: Million Baht	2018		2019		2020	
	Value	%	Value	%	Value	%
Main raw material	604.76	81.34	623.05	82.02	364.70	79.74
Decorative products	88.51	11.90	83.69	11.02	48.68	10.64
Packaging materials	50.24	6.76	52.93	6.97	44.01	9.62
Total	743.51	100.00	759.66	100.00	457.39	100.00

The company and its subsidiaries purchase various types of raw materials from more than 200 suppliers, with the proportion of purchase with the top 10 suppliers as shown in the table below.

Year	Percentage of purchase with the top 10 suppliers
2018	62.27
2019	59.25
2020	56.36

There is no supplier of raw materials that accounts for more than 15% of the total raw material purchase. In the event that the company and its subsidiaries need new raw materials that have never been used in production, a tender shall be arranged by the procurement department, with considerations from the urgency of the assembly line in the procurement of raw material suppliers.

In the meantime, the company and its subsidiaries purchase raw materials from abroad. The proportion is approximately 20% when compared to the total purchase value of main raw materials each year. The purchase orders are from Hong Kong, Korea, China, Taiwan, etc

Value Purchase of Raw Materials		2018		2019		2020	
Unit : Million Baht		Value	%	Value	%	Value	%
Domestic		482.34	79.8%	494.43	79.4%	294.36	80.7%
Foreign							
Hongkong		21.98	3.6%	22.94	3.7%	10.94	3.0%
Korea		14.05	2.3%	13.12	2.1%	4.74	1.3%
China		44.34	7.3%	49.49	7.9%	32.84	9.0%
Taiwan		24.74	4.1%	23.65	3.8%	11.51	3.2%
Italy		4.46	0.7%	5.11	0.8%	1.04	0.3%
Switzerland		0.02	0.1%	0.01	0.0%		
France		0.39	0.1%				
Indonesia		5.02	0.8%	3.73	0.6%	3.66	1.0%
Other		7.42	1.2%	10.56	1.6%	5.60	1.5%
Total foreign		122.42	20.2%	128.61	20.6%	70.34	19.3%
Total Value Purchase of Raw Materials		604.76	100.0%	623.05	100.0%	364.70	100.0%

2.3.2 Product procurement

The marketing operations to spread the company's brand lead to the widely known and highly appreciated by customers. This forces the company to provide products in supporting the significant sales growth. The company has then changed the policy to supply all products from its own manufacturing and hired manufacturing.

- Procurement of products from its own manufacturing

Currently, the company has 3 factories located in the provinces of Chai Nat, Yasothon, and Buri Ram. The company has a production capacity of 7.4 million pieces per year. Meanwhile, the subsidiaries have 2 factories located in Bangkok and Nakhon Pathom province, with a production capacity of 3.0 million pieces per year. The total production capacity is 10.4 million pieces per year. This production capacity can be increased by approximately 20% from overtime work.

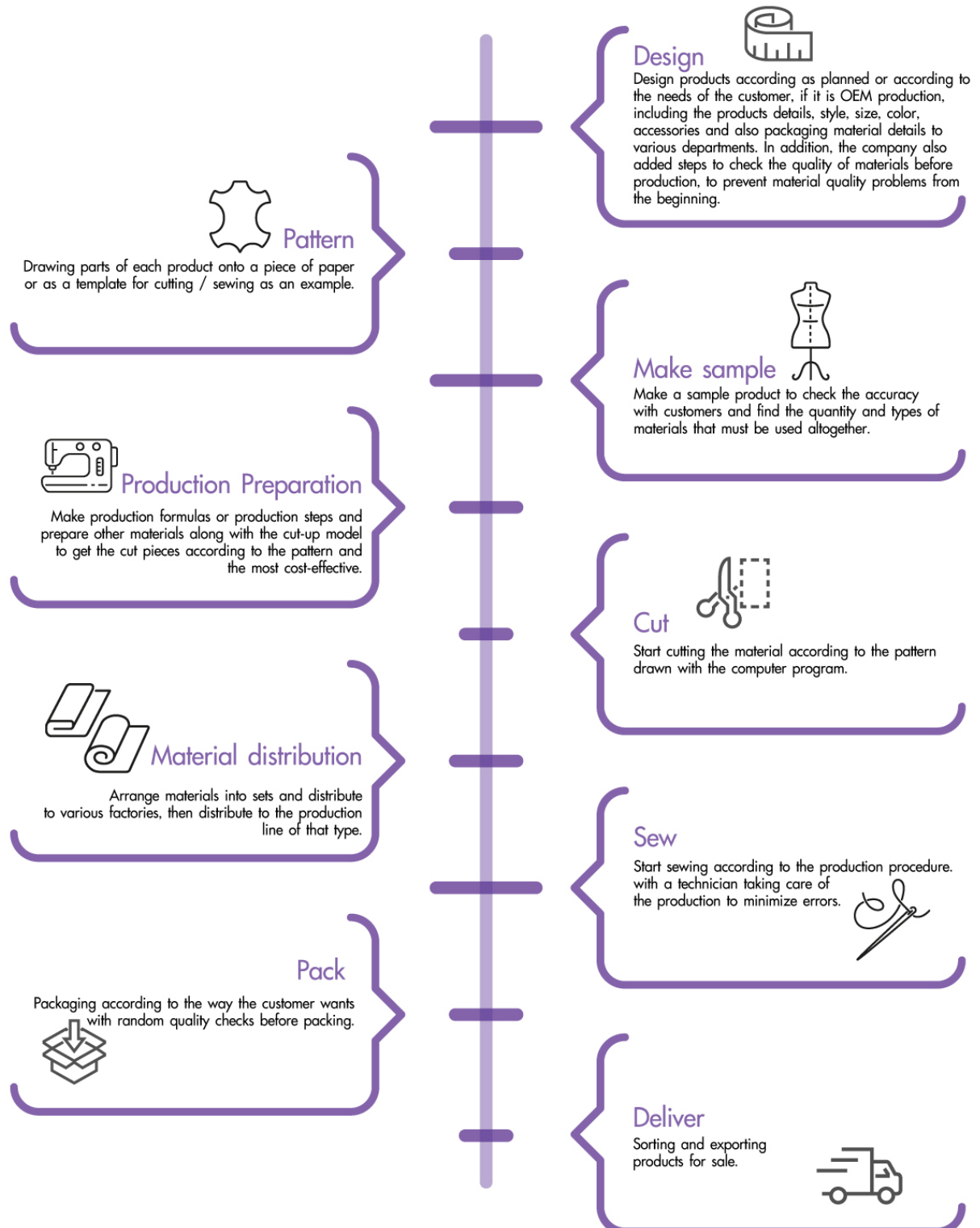
The production capacity of each factory is as follows:

Unit: Million pcs./year *	2018	2019	2020
Phuttamonthon Sai5 Factory			
Maximum Capacity **	1.42	1.67	1.91
Actual Production Volume	1.40	1.54	1.93
Effective Capacity(%)	98.59	92.49	100.95
Thapra Factory			
Maximum Capacity **	2.04	1.76	1.90
Actual Production Volume	1.95	1.77	1.82
Effective Capacity(%)	95.59	100.38	96.10
Chainat Factory			
Maximum Capacity **	2.71	2.61	2.29
Actual Production Volume	2.74	2.45	2.29
Effective Capacity(%)	101.11	93.96	99.88
Yasothon Factory			
Maximum Capacity **	5.26	4.60	6.78
Actual Production Volume	4.73	4.27	6.61
Effective Capacity(%)	89.92	93.00	97.49
Buriram Factory			
Maximum Capacity **	1.40	1.84	1.95
Actual Production Volume	1.35	1.71	1.84
Effective Capacity(%)	96.43	92.84	94.50
Total			
Maximum Capacity **	12.83	12.47	14.83
Actual Production Volume	12.17	11.74	14.49
Effective Capacity(%)	94.86	94.15	97.71

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

The company production process, starting from design process to delivery, is as follows:

Manufacturing Processes



The company has strict control measures for production by establishing a quality control system which starts from creating preparedness before production (pre-production meeting), providing an initial example to verify understanding, quality control during production to prevent production errors (QC In Line), and post-production QC (End Control 100%) before delivering to customers. Also, random inspections are carried out to assure the quality that meets standards and in accordance with production orders. Additionally, the quality inspection agency from the head office has been assigned to randomly inspect the products after production (as a representative of customers).

The company also has quality control measures by promoting the sewing skill and training for sewing workers on quality standards and basic machinery care skills to reduce the rate of production errors. Following the previous inspection, it was found that the non-standard products before packing and distributing to customers equal only 0.5 percent of all products.

- **Procurement of products from hired manufacturing**

Following the types of products that change according to popularity, especially the underwear that is smooth, seamless, and stitch mark-free, by using the technology for weaving, bonding, and free-cut techniques, as well as a variety of products and cost reduction, has caused the company to have a procurement policy for more products from hired manufacturing. In this regard, the company has recruited manufacturers with modern machines and systems for good operations, and then inspected their factories and systems before making production orders. In the meantime, those manufacturers have to follow the procedures according to quality standards during production. They are also required to periodically send the production sample, inline sample, and final sample for inspection by the assigned company before delivering the products with quality and confidence.

In order to ensure the appropriate procurement of products from its own manufacturing and hired manufacturing, the company determines the proportion based on the suitable level of finished products and sales figures, with periodic verification.

3. Risk factors

Sabina Public Company Limited, "The Company", and Sabina Far East Company Limited, the "Subsidiary", have established a system for comprehensive risk management throughout the organization and appointed the Risk Management Committee to determine the framework of risk management, supervision, support, consideration of risk management plan, and follow-up on risk management towards an acceptable level. This shall be in compliance with business strategies and goals, with periodical reports on the progress to the Board of Directors according to the corporate governance principles, which considered as an administrative tool that helps to increase the chances of success following the objectives of the company. The directors, executives, and all staff employees are parts of the risks and must be responsible for identifying events, analyzing, evaluating opportunities and the severity of impacts to business operations of the company and its subsidiaries, as well as defining limited measures for the protection and control of risk as a framework in the risk management process throughout the organization. All of these are in accordance with the objectives, goals, and strategic plans, this includes risk assessment against corruption of the company and its subsidiaries, together with the evaluating risk management efficacy, monitoring situations and risk factors that may be changed at all the time. Therefore, the company determines overall objectives as follows:

1. To allow the Risk Management Committee, the Board of Directors, and executives to be aware of important risks and overall risks, including the effective and efficient risk control and protection.
2. To encourage all executives and staff to bring the risk management system for practice in the same way throughout the organization and determine the risk management as part of decisions to establish strategies, plans, and operations of the organization.
3. To be able to search, specify, limit, and prevent risks throughout the organization towards lower losses or damages with appropriateness.
4. To determine the risk management guidelines at an acceptable level by considering measures to reduce opportunities and / or impacts of potential risks with efficiency in accordance the objectives set by the company.

The scope of risk management is enforced to all operations, including directors, executives, and staff of the company and its subsidiaries. In this regard, the company defines the risk management policy as follows:

1. The Company and its subsidiaries operate under acceptable risks to achieve the objectives, goals, strategic plans, as well as to respond to the expectations of stakeholders by determining risk management as part of the annual business plan, routine management and decisions, Including various processes of project management.

2. All executives and staff are owners of the risks, with their responsibilities to identify events and assess the risks, as well as determine appropriate measures to manage risks up to the acceptable levels.
3. It is important to encourage risk management as part of the corporate culture by allowing all executives and staff to realize the importance of risk management.
4. Risks that may affect the achieving of objectives and strategies of the company and its subsidiaries must be managed immediately and continuously as follows:
 - Specify the risks fully and punctually.
 - Evaluate the opportunity of risks and impacts in case of any events.
 - Manage risks to be at an acceptable level, with consideration to the appropriateness of overall costs and returns.
 - Follow and regularly make a report on risks to ensure that the risks of the company and its subsidiaries get properly managed.

The Risk Management Committee must review this policy every year and propose to the Audit Committee as well as the Board of Directors for approval if changed.

Enterprise Risk Management (ERM)

The company's risk management process is linked with its policy, strategic plan, and business goals by analyzing and evaluating risk factors that affect the likelihood of risks and the severity of impacts. The Enterprise Risk Management (ERM) is divided into 7 parts, which are: Strategic risk, Operational risk, Financial risk, IT Risk, Corruption risk, and Social&environmental risks, which may affect the operating results, staff, customers, partners, fame, organization, society, environment and Regulatory risk. The emerging risks and severe damages need to be considered in businesses. The company creates a risk management plan and determines the risk indicators to track and report on the results to the Corporate Risk Management Committee and the Audit Committee as specified.

Enterprise Risk Assessment

The company reviews every transaction from its operations to find the main risks and determine the risk assessment criteria for the likelihood of risks and the severity of the impacts for the assessment of corporate risks, Including the Key Risk Indicator (KRI), Risk Appetite, and the deviation level from the criteria of Risk Tolerance, to track the 7 parts of risks and report the results to the Corporate Risk Management Committee and the Audit Committee as follows:

1. Strategic Risk

Contents/Risks	KRI / Control	Likelihood	Impact	L x I
1. Inappropriate dependence on income sources	The proportion of income for each channel of sales	4	3	12
2. Inappropriate dependence on product sources	The proportion of self-manufacturing and hired manufacturing	3	2	6
3. Business performance not in accordance with the goals	Sales figures and expenses	4	4	16

2. Operational Risk

Contents/Risks	KRI / Control	Likelihood	Impact	L x I
4. Operations of partners	- Number of partners per raw materials of each type and the ranking of the company's partners	3	3	9
5. Shortage of skilled workers	- Level of multi-skills	3	3	9
6. Inappropriate amounts of products for sales	- Days Stock	3	2	6

3. Financial Risk

Contents/Risks	KRI / Control	Likelihood	Impact	L x I
7. Risk from delayed payment of debtors	- Value of debtors exceeded the total value	1	4	4
8. Risk from exchange rate	- Real exchange rate compared to the specified rate	2	2	4

4. IT Risk

Contents/Risks	KRI / Control	Likelihood	Impact	L x I
9. System interruptions during operations	- Frequency of system interruption from every cause	3	2	6
10. Camouflage / spoofing information access by outsiders	- Fire wall Risk Factor	1	3	3

5. Corruption Risk

Contents/Risks	KRI / Control	Likelihood	Impact	L x I
11. Payment of bribes for the convenience of releasing raw materials from the pier	- No bribe payments	1	2	2
12. Use of authorities and duties to demand gifts, benefits, and rewards	- No benefits in purchasing or procurement	1	2	2

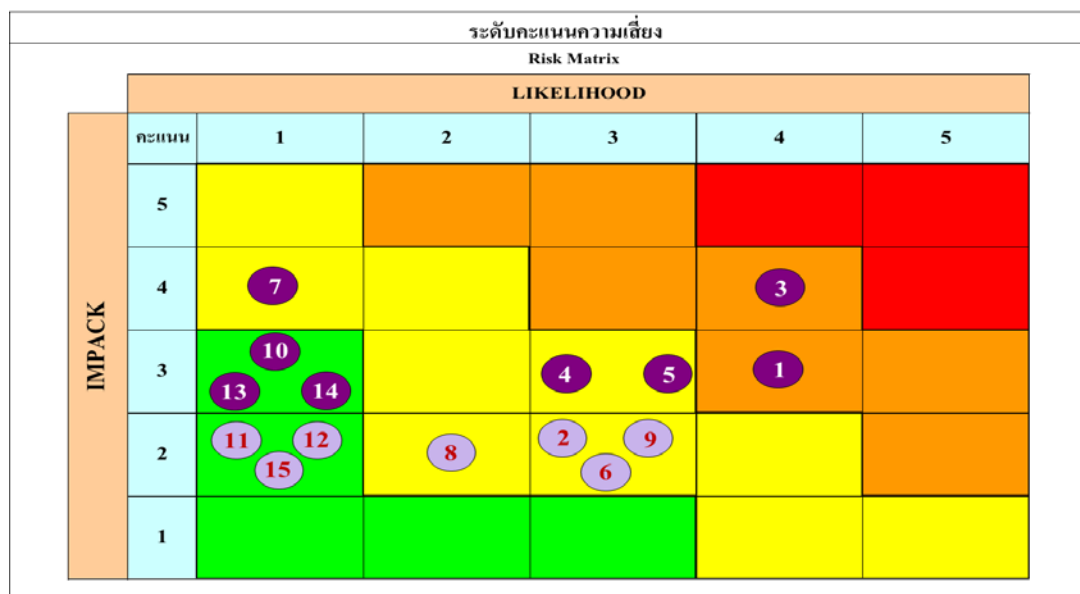
6. Social & Environmental Risk

Contents/Risks	KRI / Control	Likelihood	Impact	L x I
13. Negative impacts on society	- No complaints from the surrounding community	1	3	3
14. Negative effects on the environment	- Sewage according to international standards - Ventilation according to international standards	1	3	3

7. Compliance Risk

Issues/Risk	KRI / Control	Likelihood	Impact	L x I
15. Leakage of employee / customer information	- Access control - Data encryption	1	2	2

From the assessment of those risks, the company could identify the level of corporate risk as shown in the table.



From the level of scores for each corporate risk, the company could ensure its implementation of appropriate risk management by reviewing all important risks to determine measures for the control and alleviation of various risks, especially the risks with moderate level of impacts (level 3) as follows:

Inappropriate dependence on income sources

The company has its revenue from 4 sources, including Retail Business, Non-store Retailing, Sabina Export, and OEM (Original Equipment Manufacturer). The COVID-19 outbreak has affected the sales through the Retail Business and Sabina Export. Nonetheless, this pandemic has led the company to have an opportunity to expand Non-store Retailing, as well as make the production of cloth masks through OEM channel following the crisis of sanitary mask shortage, which can replace the normal production for nearly 3 months. This has been due to the company's risk management, with the distribution of revenue in 2020 according to the policy, strategy, and goals of business.

Business performance not in accordance with the goals

This risk is a very high priority. The company therefore reviews the risk indicators in sales and expenditure costs periodically as appropriate to achieve the results according to business goals, as well as adjust from Cost Center to Profit Center and separate various units into Profit & Loss, which lead business operations towards the goals and dividend payment at a rate of not less than 40 percent of the net profit. In the meantime, the company has approved to pay dividends to shareholders at the rate of 100 percent since the year 2017 up to present. In addition, there has been a ratio of debts to the shareholders less than 1.0 all along. In the year 2019, the company reported a DE ratio of 0.62.

Partner Operations

The company determines the guidelines for regulating this risk by recruiting the source of raw materials from both domestic and international partners to ensure that there are enough raw materials for production. Also, the company verifies its operations from indicators on the number of partners per each type of raw material, as well as the selection of partners with social and environmental management, respect for human rights, and legal compliance. In the meantime, a summary of raw material delivery of each partner is performed for ranking the company's partners in order to reduce the risks arising from the partner's operations, which may affect the delivery of raw materials.

Shortage of skilled workers

It is difficult to recruit workers in the underwear industry due to a requirement for highly sewing skills and training to a sufficient level, unlike workers in other textile industries. Most workers interested in working in factories that do not require a lot of skills and abilities, especially the industries that use modern machinery and technology, which provide equal or greater incomes. Thus, there is a shortage of skilled workers. The company

therefore provides training to develop sewing workers to have a variety of abilities, machinery proficiencies, and work procedures and also determines indicators for this risk as the Multi Skill level. In 2020, Multi Skill increased by 10% from 2019.

Risk from delayed payment of debtors

The company requires staff to take care of each debtor by interacting and building a good relationship between the company and the debtors to know their possibility and ability to pay debts, as well as the trend of the debtors that may have problems in debt repayment. The company sets measures to jointly solve those problems. At present, the company has a ratio of overdue debt payment among customers debt at the rate of below 5%, including no customers who are bad debts.

Camouflage / spoofing information access by outsiders

The advancement of technology and the COVID-19 pandemic are causing the e-commerce business to grow more quickly. This is also an opportunity for the company, and at the same time, leads to a risk of camouflage / spoofing information access by outsiders, which may cause serious damages from such access into the important information of the company, or by scams on financial transactions. The company therefore determines measures to supervise and control this risk by defining the mail name and level of data access of related staff. In addition, all staff must have a password and change it according to the specified period, including checking the mail name and level of data access every year.

Negative impact on the society

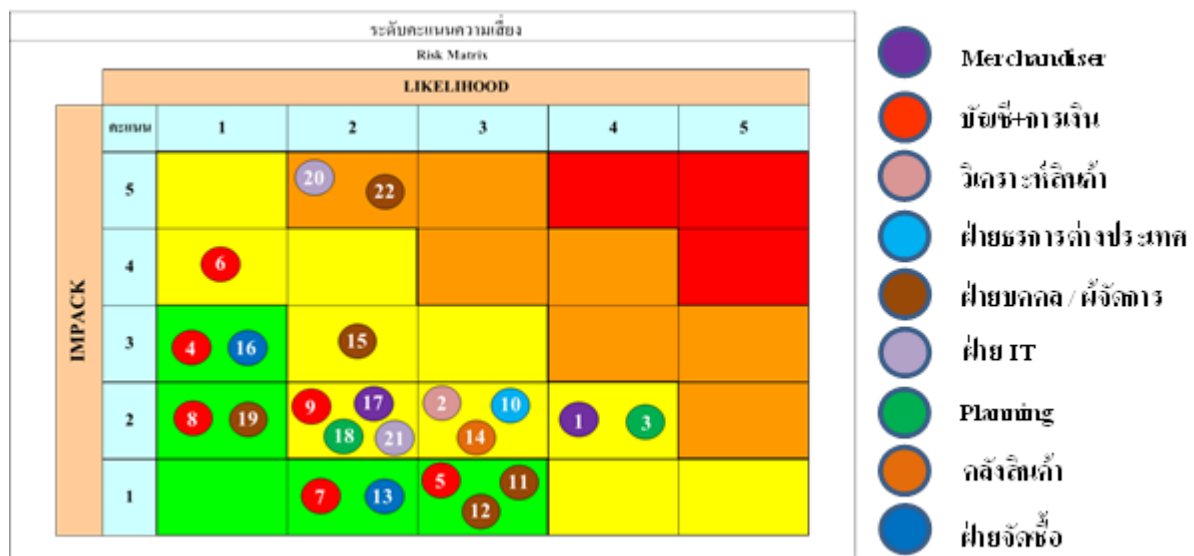
The company determines measures to take care of the surrounding communities that may receive negative effects from the company's operations, such as garbage, traffic, sound, waste water, air, etc. The company explores negative impacts on the community through evaluation survey in order to know and define measures for protection. In 2020, the company received no complaints on those matters from the community.

Negative effect on the environment

To prevent negative effects on the environment, such as air, water, etc., the company uses a treatment system and requests a certified agency under international standards to measure the value of air and waste water according to the specified time for confirmation of the company's protection system. In 2020, the value of air and waste water was in accordance with the standards as required by law.

Risk management helps to reduce losses from unexpected situations that do not meet goals, which may also affect the personnel and image of the organization, and at the same time, increases opportunity for the company. In addition to risk management measures, the company is aware of risk management within the organization, which needs cooperation from staff by training on risk management to those that involved to raise

awareness and create risk management culture, specified as 22 internal risk items under the management of the Audit Committee, who provide reports to the Corporate Risk Management Committee.



Emerging Risk

The risk of business disruption is resulted from emergencies or uncertainties in the economy, politics, natural disasters, epidemics, and serious events. These uncertainties caused the income and profits, which are dependent on consumer expenditures, various operations, and the company's development plan, to be negatively affected by these external factors that were beyond the company's control. As a result, the company has set a policy and a risk management measure by defining the KRI, Risk Appetite, and Risk Tolerance to monitor and follow the risk periodically, with minimizing the negative impacts on business operations and the company's operating performance from the unexpected events as follows:

1. **Shortage of goods** - It may cause business interruption from the lack of products for sales to consumers. The company takes into account the negative impacts of product shortages by managing multiple channels of product acquisition, either manufacturing its own products or sourcing the products from many countries, while maintaining the standards of products that meet the needs of consumers.

2. **Disruption of sales channels through stores due to various emergencies** - This may result in business disruption from the company's lack of income which then affects business operations. The company manages various sources of income across 4 channels, including Retail Business (in-store sales), Non-Store Retailing (Online sales), Sabina Export, and OEM (Original Equipment Manufacturer). In particular, with online selling channels, the company does not rely too much on a source of income through the storefront sales channel. As a

result, the company is able to overcome the lock down crisis and the closure of department stores, which affected all the storefront sales for 2 months (22 March - 17 May 2020). Also, the good management of risk allowed the company to double the growth through online sales.

3. Disrupted production by various emergencies – This may cause a shortage of products and inability to deliver products on time in the OEM sales channel. As a result, the company has prepared a plan and simulate the situations in dealing with various emergencies or unexpected crises effectively, including a plan for the rapid business recovery of the company. Thus, the company was able to go through the disruption of the production at the Sabina plant, Phutthamonthon Sai 5 Branch due to natural disasters ,such as flooding in 2011 for a period of 3-4 months by distributing production to 4 factories that are not affected. The Sabina Factory in Phutthamonthon Sai 5 branch was able to afterwards resume normal production immediately after the water has receded.

New Risk

1. Risk caused by technological changes

Current technological advances affect changing of consumer behaviors, as well as the methods of purchasing products and services, in which impacts retail business operations, such as sales management and warehousing systems, transportation systems, and marketing communication with stakeholders of the company. These risks may affect the traditional business. Therefore, the company determines several measures for risk management, starting with the big data technology for analyzing the behaviors and needs of customers to foresee their needs and prepare new products and services that are beneficial to them, leading to an increasing revenue. Furthermore, the company must define measures to improve warehouse management and transportation systems to reduce the delivery time of products, in responding to the rushing lifestyle and customers' needs more easily and quickly.

The marketing media is also expected to receive effects from more technological advances. Consumers change the channels of media reception to new ways that can be reached quickly and at all time. In addition, the new media channels are also easy to increasingly support consumer decisions. Thus, the company needs to transform their marketing media in accordance with those changes.

2. Risk from higher wages

Higher wages affect the production costs and reflect the product prices that are significant for customer purchasing decisions. The company therefore begins to define measures in the development of skilled workers With the Muti Skill method, by switching to machines that use new and highly effective technology, and including the application of management tools such as 5s, Lean, and Kaizen to make higher product quality and lower costs for customer benefit and increased company income.

3. Risk from the adjustment of workers with new technologies

From technological advances that have changed rapidly and continuously, the company has developed working systems and brought various technologies to be applied in the organization. Therefore, this is a problem and challenge for the company's workers to adapt to the new work and technological systems. The company has thus begun measures to develop the potential of personnel in all areas by allowing them to reskill and upskill their knowledge, so they can work differently in the midst of technological changes and advances.

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 31,2018	Dec 31,2019	Dec 31,2020	
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 31,2018	Dec 31,2019	Dec 31,2020	
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	21.92	21.92	21.92	

Asset type	Proprietary characteristics	Net book value (THB Mil.) as of			Obligation
		Dec 31,2018	Dec 31,2019	Dec 31,2020	
Building					
<u>Company</u>					
- Factory location, Du Thung Subdistrict, Muang District, Yasothon.	Possess	30.70	24.70	18.78	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	2.00	2.14	1.92	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		1.31	1.20	1.09	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	21.95	25.21	22.11	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	10.80	9.64	8.48	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	7.29	6.86	6.28	None
- Building 93/8 Soi Phetkasem 7, Petchkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok	Possess	0.87	0.76	0.65	None

Asset type	Proprietary characteristics	Net book value (THB Mil.) as of			Obligation
		Dec 31,2018	Dec 31,2019	Dec 31,2020	
- Building 93/47, Petchkasem Soi 7, Petchkasem Road, Wat Tha Phra Subdistrict, Bangkok Yai District, Bangkok	Possess	1.77	1.55	1.33	None
Machinery and equipment					
<u>Company</u>					
Office equipment	Possess	0.82	0.85	0.64	None
Decoration and installation	Possess	1.04	1.02	0.77	None
Cutting, sewing, textile Machines and other assets.	Possess	27.97	24.14	19.35	None
<u>Subsidiary</u>					
Office equipment	Possess	6.40	5.98	11.99	None
Decoration and installation	Possess	29.67	27.12	28.77	None
Mold stamping machines, cutting, sewing, fabric inspection machines and other assets.	Possess	31.63	28.64	21.00	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	0.39	3.24	2.35	None
Intangible assets					
<u>Company</u>					
Computer programs and software	Possess	-	-	-	None
Program during installation	Possess	1.00	1.04	2.32	None

Asset type	Proprietary characteristics	Net book value (THB Mil.) as of			Obligation
		Dec 31,2018	Dec 31,2019	Dec 31,2020	
<u>Subsidiary</u>					
Computer programs	Possess	6.61	6.65	7.21	None
Program during installation	Possess	1.00	1.05	4.00	None
Deferred leasehold rights	Possess	13.14	8.67	5.14	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, 18	Dec 31, 19	Dec 31, 20		Dec 31, 18	Dec 31, 19	Dec 31, 20
Land	119.01	119.01	119.01	-	119.01	119.01	119.01
Buildings and improvements	328.22	335.08	335.16	20	76.70	72.06	60.64
Machines	302.68	302.56	302.89	10	46.85	39.59	31.90
Tools and equipment	15.57	16.46	16.77	5	2.86	2.96	2.30
Decoration and installation	158.11	167.92	181.41	5	30.72	28.15	29.54
office supplies	56.49	58.92	67.38	5	7.22	6.83	12.63
vehicle	34.18	26.13	21.69	5	1.16	0.82	0.48
Program installation fee and computer programs	34.27	35.50	41.46	3	8.61	8.69	13.53
Other assets	0.96	0.96	0.96	5	0.05	0.03	0.02
Computers and devices	51.87	54.95	57.74	3	8.70	9.40	8.64
Construction in progress	-	-	-	-	-	-	-
Assets under installation	0.39	3.24	2.35	-	0.39	3.24	2.35
Deferred leasehold rights	73.97	73.97	74.28	-	13.14	8.67	5.14
Total	1,175.72	1,194.70	1,221.10		315.41	299.45	286.18

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 or Ms.Daranee Somkumnerd or Ms.Jarunee Naummea CPA License No. 4563,3885,5007 and 5596
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