

## Risk Factors

The Risk Management Committee and related units have jointly analyzed and identified types of risks in order to determine preventive measures and mitigate potential risks. All the risk factors were examined systematically and categorized into 7 types of risks as follows:

### Risks Associated with Overseas Business Operations

The Company undertakes a cosmetic manufacturing business and distributes the products to foreign countries through S & J International (UK) Limited in England and 4WD Vision (HK) Limited in China, with a total sales volume of 59% annually. As the COVID-19 pandemic and the UK BREXIT may induce a decrease in sales volume overseas, the Company has therefore adjusted its business strategies and approaches based on the demand for necessity goods in European markets to ensure timely response to customers. In addition, it has managed to expedite delivery time so as to enable the customers to serve the market with fast sales. As a result, the Company could mitigate risks and enjoy continual growth in sales.

### Risks Associated with Domestic Business Operations

According to preventive measures against the spread of COVID-19, the government has imposed international travel restrictions which led to a contraction of foreign tourists. The situation correspondingly affected the Company's local customers on sales of cosmetics and other related products to foreign tourists. Besides, local consumers have less their spending on cosmetics, as luxury goods, resulting decrease in company's sale. However, the Company has more focus on personal care products, hygienic products and other necessary goods during the COVID situation by producing products for customers to serve and respond to the market and consumer need.

### Risks from Economic Situation

Over the previous year, economic situation changed significantly and influenced the demand of people across the world according to the New Normal, which posed impacts upon many industries in terms of higher costs of raw materials and transportation. The Company has devised thorough cost management in upstream, midstream and downstream supply chain, agile sales strategy to attain continuous revenue, and effective and suitable inventory management. Accordingly, it could keep the production costs less volatile and well respond to ever-changing competition.

### Risks from Foreign Exchange

The Company imports raw materials and packaging as well as distributes cosmetics to overseas markets, with US dollar as the main currency for exchange. It has closely monitored changes in exchange rates and prevented foreign exchange risks by executing currency hedging contracts and adopting a natural hedging method of foreign currency deposit account. Thus, foreign currency risks have been effectively managed and impacts been greatly lessened.

## Risks Associated with Ability to Retain Domestic and Overseas Customer Bases

Aware of the importance of retaining existing customers to maintain revenue, the Company focuses on gaining customer satisfaction with products and services, constantly interacting with customers in the development of new products that meet market and consumer demand, and being highly responsive to existing customers by means of shortened process and fast delivery of goods.

Moreover, the Company conducts a customer satisfaction survey on an annual basis in order to affirm its emphasis on customer satisfaction. It has also carried out a study into ways of boosting customer satisfaction and formulated a joint action plan.

For smooth-running operations, the Company has enhanced its methods for communicating with both local and international customers by setting up communication technology system on such online conference platforms as Zoom, etc in order to assure customers of its ability to serve their demand either for new product development or purchase order placement, including procedural communications required by customers, such as online inspection of products.

## Risks from Government Policies Affecting Businesses

Change of government policies as well as enactment of laws or regulations may affect business undertaking. Consequently, the Company attaches importance to laws or rules that are subject to immediate changes. Upon legislation of the current Personal Data Protection Act, the Company realizes the risk in the unconsented collection, use and disclosure of personal data. Hence, it has prepared a draft Personal Data Protection Policy and a draft Letter of Consent for customers and other related parties, both internally and externally. Relevant operating procedures have been set forth in conformity to the laws and been communicated for enterprise-wide implementation.

## Environmental Risks

As a cosmetic manufacturer with a factory located at Saha Group Industrial Park in Chonburi, the Company's non-potable water supply system and wastewater treatment must meet the Ministry of Industry's standards. Despite having a closed manufacturing system with low environmental risks, the Company remains fully eco-conscious and manages environmental risks by establishing a unit responsible for occupational health and environment. Additionally, it has pursued systematic environmental management and been continually receiving ISO 14001:2015 certification on environmental management system from RW TUV NORD.