

## 1. Nature of Corporate Business

I.C.C. International Public Company Limited is the leader in distribution of fashion brands from both imported and also from innovation of the Company and its affiliates. The corporate main industries are cosmetics and perfumeries, hair and skin care products, full line of textile and garment industries including underwear, outerwear, sportswear, apparel for physical exercise, fabric care and leather goods, etc.

The Company also conducts wholesale business through shops and department stores both in domestic and international markets. Most of our company's products are in the line of fashion and beauty as can be described in our slogan "We make people happy and beautiful"

### - Cosmetics and Perfumeries Industry

From the start of its incorporation in 1964, the Company's core business has been involved in the sale of cosmetics under the Japanese brand name PIAS. Since then, the Company has expanded our cosmetic business by continuously introducing various other brands, such as BSC Pure Care, Sheene', Arty Professional, Honei V. In October 2005, the Company introduced a new cosmetic brand - BSC COSMETOLOGY, under Saha Group brand for international marketing. The compact powder is the main product for advertising to create brand awareness within the target group. The celebrity and testimonial marketing approaches have been adopted by using celebrities as its presenter to stimulate trial need. Consumer behaviors have changed considerably in line with technology advancement, especially cloud technology. The introduction of new communication system such as LINE Application enhances more rapid communication and access to consumers immediately, as well as being a new channel of sales.

### - Women's Wear Industry

The Company has been promoting every brand of women product groups which we have dealership on a continuous basis. There are 5 main brands: Wacoal, BSC, BSC Signature, Elle and Kullastrri. By adding variety to products as well as functions, customers can choose to wear them appropriately to suit the occasions. Customers are also aware about our consistent product developments through our outstanding innovations.

### - Men's Wear Industry

The Company is the distributor of men's wear under such brands as Arrow, Excellency, Daks, Guy Laroche, Guy Guy Laroche, Elle Homme, Lacoste, Getaway, BSC Cool Metropolis, Hornbill, Gunze, Mizuno, Le Coq Sportif, Maximus and Felix Buhler. The main distribution channels are department stores in Bangkok and upcountry, with regular sales personnel providing product advice and an after-sales service. A new distribution channel has also been opened in discount stores, as well as in shops that have opened in shopping malls, TV channel and E-COMMERCE.

## 2. Revenue Structure

The Company classified revenue as 3 principal segments are as follow:

(unit : million baht)

| Product lines   | 2017             | %             | 2016             | %             | 2015             | %             |
|---|------------------|---------------|------------------|---------------|------------------|---------------|
| Revenue from sale of goods  |                  |               |                  |               |                  |               |
| Cosmetic, toiletries & perfumeries  | 1,273.62         | 9.44          | 1,299.79         | 9.65          | 1,296.29         | 10.03         |
| Women's apparel   | 4,491.63         | 33.31         | 4,388.00         | 32.59         | 4,130.21         | 31.96         |
| Men's apparel   | 3,211.01         | 23.81         | 3,356.02         | 24.92         | 3,236.10         | 25.04         |
| Other   | 3,470.71         | 25.74         | 3,571.57         | 26.52         | 3,680.22         | 28.48         |
| Other income  |                  |               |                  |               |                  |               |
| Dividend income   | 469.66           | 3.48          | 526.68           | 3.91          | 378.45           | 2.93          |
| Gain on disposal of property, plant and equipment and investment properties | 82.48            | 0.61          | 35.18            | 0.26          | 0.59             | 0.01          |
| Gain on disposal of investments held as available for sale                  | 242.62           | 1.80          | -                | -             | -                | -             |
| Share of profit of investments in associates                                | 28.73            | 0.21          | 51.13            | 0.38          | 44.66            | 0.34          |
| Others  | 215.85           | 1.60          | 237.58           | 1.76          | 157.55           | 1.21          |
| <b>Total Revenue</b>  | <b>13,486.32</b> | <b>100.00</b> | <b>13,465.95</b> | <b>100.00</b> | <b>12,924.07</b> | <b>100.00</b> |

### 3. Major changes and activities in 2016

- **BSC Cosmetology**

Established: October 2005

BSC Cosmetology has seen the change in Thai consumers' behavior where they prefer to search information through social media and the Internet more than previously. They take more time in each day to surf the Internet and are more confident to buy goods online or through E-Commerce than ever before. In 2017 Sahapat Group has entered into the trade alliance agreement with Lazada, one of the major online retailers. Not only becoming such trade allies, BSC Cosmetology has also extended its online business to gain access to more diverse target groups including sale in talad.com, Bento Website, Seven-Eleven Online Catalogue, OKBEE.COM, O-Shopping, etc. including www.eThailandBEST.com which are the new online business channels of the Company. In that connection, BSC Brand gets good feedback from customers. It is the first achievement of the Company in this sales channel. BSC Cosmetology, consequently, shifted its marketing strategy to satisfy the requirements of target groups by proportionately increasing its marketing communication via online digital media. Additionally, viral VDOs have been produced to enhance the image and the product brands to be widely known, as well as reviews of the products are done by the media influencers whom consumers trust because in the cosmetics market, the reliability of the products is significant. With respect to the upgrading of quality of the products, BSC Cosmetology continues to develop innovations. In 2017, BSC Cosmetology has released BSC Expert White Anti-Pollution Plus in the whitening and skincare products category, the products to enhance 'Beautifully White' skin and protect and nourish skin from the first use. Such collection of products can protect skin from pollution of all condition of weather whether sunlight, heat or UV rays. This collection of products is produced with the application of an innovative nutrient which is now popular. 'Pollustop' serves as a genius mask in taking care of and protecting skin from pollution, making skin look beautifully white, reducing wrinkles, eliminating toxicity in order to strengthen skin.

- **Arty Professional by BSC:** introducing the Concept "Arty Professional Broad Spectrum" to provide natural beauty from make-up, invented especially for tropical countries such as Thailand for protection of skin from the dangers of sunlight, UVA and UVB rays with 2 latest products namely, Arty Second Skin Serum Foundation Broad Spectrum SPF15/ Arty UV Protective Powder Foundation Broad Spectrum SPF50+ and were simultaneously introduced the new membership card 'His & Her Plus Point', with the design of this card in the form of Arty Professional cosmetics. Darken skin, melasma, freckles, you can be sure that no H.D. camera can harm the beauty of your skin.
- **Sheene': Presents "Sheene' Mobile Beauty" Concept.** With Mobile beauty station, customers can select cosmetics products in a new way which has been provided with easy and direct access rather than waiting for customers to come for service. This really meets women's rapid lifestyle in this digital age which they prefer more outdoor lifestyle. Last year, after this concept was launched in Saha Group Event and received well feedback from customers, trading partners and shops owners during the Event, Sheene' Brand then expands Sheene' Mobile Beauty nationwide and have received good response beyond expectation under the concept : "Beautiful, Modern, and Easy Access". Nowadays, shopping behavior has changed, while the Brand is well aware and has adjusted distribution method to meet customers' lifestyle.
- **Pure Care: Presents "Royal Rice Series" Product :** Rice bran oil innovation has been inspired by participation in using rice bran oil extract under the Suan Jitladda Royal Patronage Project, to encourage products of local farmers, supporting them to attain sustainable lifestyle, self-reliance coupled with reduction of imported raw-materials. The Riceberry Bran Oil is rich with natural Vitamin-E and gamma oryzanol, which is acceptable worldwide with its properties of skin nourishment and anti-aging with firm and smooth skin effects.
- **Wacoal Lingerie**

In 2017, the Company modified its marketing strategy in response to changing consumer lifestyles. Increasing popularity of digital media has allowed consumers to pick and choose a multitude of products both online and offline. Wacoal, as the leader in ladies' lingerie market, has developed various media to effectively reach out to consumers via all channels as well as focusing on product development to enhance their outstanding characteristics whether in terms of texture of material, design and functionality by continuing to develop new innovations to capture the interest of consumers and respond to their needs. Examples of such innovations include Cool Innovation, a product design that renders lingerie products that breathe; the Travel Bra that can be rolled up into a spool by using innovative material made from rubber to replace metallic rods-the first in Thailand,

thus allowing the bra to be rolled up without distorting the form and retain all the qualities of underwire bras; Smooth Bra which uses Bonding 3D innovation instead of sewing by rolling with heat to create the desired shape and a smooth and seamless bra. Wacoal products have much success in marketing, with sales continuing to climb every year. The Company believes the quality of products is most significant in promoting confidence in the brand among consumers and, therefore, attaches importance to research and development for the purpose of creating products of beauty, comfort and perfect fit for women's anatomy.

- **Arrow: Fabric-Design Innovation**

**Arrow Fresh Shirts: The antiseptic shirt that allow wearers to feel fresh and free of stuffy odor.**

The shirts are made of raw material from research and special development by using nano zinc technology with the following characteristics:-

- Antibacterial properties which help to deodorize when wearing;
- Protection from UV rays;
- Dries rapidly and breathes well;
- Durability from the innovative fabric rendering the shirts to last long throughout their use; and
- Eco-friendly manufacturing process

**Arrow Flex Shirts: Comfort wearing...freedom with every movement**

Shirts with an admixture of Spandex texture

- With high elasticity, allowing 15-20% more comfort in wearing;
- Light, comfortable and cool; and
- Breathes well.

**Arrow Slack "Freedom for Every Movement"**

- **Easy Move: Working pants, adjustable to individual body shape, size and time period (Adjustable Waist)**

- **LACOSTE : Exotic Look**

Lacoste introduces novelty with its Leather Goods Shop in Shop; it is the first and only one in South East Asia. A Mood & Tone Lacoste Shop has been created as a department store counter, decorated in an exclusive and premium style offering high quality leather goods for ladies, in all new collections of every color and style responsive to all requirements at Central Pinklao Shopping Center, the popular shopping mall of people of all lifestyles.

- **LACOSTE : Creative Innovation**

Lacoste comes with the idea of perfection of the Lacoste Flagship Store, Central World Branch, 2<sup>nd</sup> Floor, the first and only in Thailand as well as the largest in the Asian Region with over 500 square meters in the heart of Bangkok fitted with large Polo bar and carrying the most range in terms of colors and designs in Thailand. It meets customers' demand for product variety and designs from head to toe, for ladies, gentlemen and children and considered to be one stop service for Lacoste Thailand which also provides custom monogram embroidery service on Lacoste polo shirts during special festive occasions in addition to its Surprise Delivery service to deliver those specially monogrammed Polo shirts to their special recipients.

- **Lacoste: Technological Innovation**

Lacoste joined hands with Orthorite to produce shoe soles with 5 outstanding qualities: antibacterial properties, better air flow, comfort, durability and reusability.

## Industries and Competition State

### 1. Cosmetics and Perfumeries Industry

- **State of Competition**

State of Competition can be considered in accordance with following distribution channels :

**1. Counter sale** The cosmetic market is highly competitive, due to the continuing entries of new brands in the market. The market posts continuing growth every year and intense market competition continues to rise, resulting from the higher number of players in the market while brand loyalty tended to decline. Despite adverse economic and political problems, cosmetics and beauty care products still show promise for sales growth given the fact that most Thai women still care about looking after themselves. In 2017, cosmetic products at counter sales chose to utilize television and online media to a greater extent, including to introduce and continually promote new products. Moreover, it was found that digital advertising spots at movie theatres, internet media and electric train systems also clearly have growth potential. BSC Cosmetology and Sheene' have also increased their use of advertising media at movie theatres and department stores as these have been proven to be interesting and more receptive to consumer groups. Moreover, these media also serve to maintain sales

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targets as well as expanding the products' customer base. Counter sales brands have adopted different marketing strategies and organized more activities to promote sales, as seen in higher frequencies and provision of product gift sets at reasonable prices to stimulate sales. Each brand has launched Value Sets for trial usage and attracting new buyers. Modern technology plays a greater role in sales promotions in order to attract more attention from buyers. Most counter brands increasingly use modern technology to promote sales especially skin testing devices. It takes approximately 3-5 minutes for the skin diagnosis. New technology enhances reliability of each brand, which will justify if it is worthwhile to purchase.

**2. Discount Store** Presently, discount stores implement intensive and tough strategies in terms of pricing and expanding branches into large communities either Bangkok or the surrounding areas or the major provinces in all regions nationwide. This widely impacts on manufacturers, original market intermediaries or traditional trade, both wholesalers and retailers as well as smaller community stores, not to mention the impacts on consumption behavior of consumers in the markets.

BSC Cosmetology, therefore, modifies its strategies to seize opportunities in advantageous geographical areas before its competitors by means of widely extending branches into communities or various areas aiming to create 'Economy of Scale', including trade positioning and releasing new products especially suited to the discount stores, as well as vetting and selecting products in which it is confident are quality products that can be rapidly sold and highly competitive compared with its rivals, including house brands of those discount stores.

#### - **Product Acquisition**

In terms of production, currently 90% of all of the Company's cosmetic products are manufactured in the country, mostly by International Laboratories Corp. Ltd., and S & J International Enterprise Plc., both of which belong to the Saha Group and are under the quality management of ISO 9001. Another 10% of the Company's products are imported.

In terms of product development, global sourcing involves the search for ingredients and packaging from all over the world.

#### - **Industrial Trend and Future Competition**

Cosmetics still are the fifth requisite of women especially skin nourishing products which account for almost half the value of the market, particularly anti-aging products which are presently more popular. In addition, the market trend focuses on online sales. As it is apparent that such sales channel has dramatically grown in leaps and bounds both in terms of sales and capital expended in their promotion, in the future, this channel is likely to become another major distribution channels.

## **2. Women's Wear Industry**

### - **State of Competition**

#### **1. Competitive Situation**

Competitive strategies in 2017 included the followings:

#### - **R&D for Women's Lingerie**

The Company places great emphasis on creating innovation so as to satisfy ever changing customers' needs in accordance with the digital lifestyle. New technologies from Japan are introduced to improve product designs for best selection and to help women to look after their body shape, choose products which fit their physiology at each age group, and always feel more confident about their looks and posture everyday on every occasion regardless of time or activity.

Due to rapidly changing consumers behavior, it is important that the Company focus on consumer behavior research and analysis to improve and develop products as well as communicate with consumers to promote better understanding of product benefits. An internal working procedure has also been developed for smooth and flexible operation so as to be better able to respond to consumers' needs. In the past year, the Company has improved working procedure of both factory and sales department by taking consumers' needs into account as a guideline for the launch of new products. The factory, merchandiser and sales department have worked together as One Body, starting from brainstorming to design products to meet consumers' needs in every age group, size, cup and lifestyle in terms of functionality and fashion based on good quality products.

Store-front management of products has been a key focus for the Company of which emphasis is still placed on improvement and development of an integrated product management system on product distribution planning and Auto Replenishment by introducing the Quick Response Management System (QRMS). The application of this System results in more effective product management in shops as goods are sufficiently available and coincide with customers' demand. It reduces loss opportunity for sales, speed up transportation and distribution to shops, as well as promotes more efficient and effective inventory management. As a result, the lead time for delivery and loss opportunity for sales decreased, hence product management is more effective.

### - **New Consumer Expansion and Maintain existing Consumer**

To retain existing customer base systematically, the Company focuses on giving customers continuing satisfaction through a variety of activities ranging from counter sales promotion activities or giving special privileges through His & Her Plus Point card, in order to build up good relationships with customers. Moreover, interesting activities are created so as to encourage participation of customers and render good impressions of the brand as well as introduction of good service standard system in Customer Relationship Management (CRM).

**New Customer Acquisition Strategies** have been mapped out in 3 parts:

- New Customer Groups : The Company emphasizes building Brand Awareness through appropriate media advertising and creating sales promotion activities which appeal to the target customers to make their purchase.
  - General customers, having never used the Company's products : The Company continues to focus on building Brand Awareness to new customer groups by employing a variety of marketing strategies to meet people's modern lifestyles through offline-online media such as advertisements on television, newspapers and magazines. In addition, out-of-home media, media in movie theatres, social media channels such as Facebook Fanpage, Line, Email have also been used, which can save more time, expenses and provide ready access to targeted customers. This also includes building up relationships with TV Shopping channels for digital and cable TV advertisements. Giving special privileges to targeted customers for brand experience through physiological expertise and good services in order to create customers' satisfaction and impression (Brand Preference) and brand loyalty respectively.
  - Consumers with Cross Product Experience : The Company has offered special prices for some recommended items for buyers in order to create brand awareness and trials of other products of the Company.
- **Omni Channel Marketing**

Nowadays, fierce competition in ladies lingerie has been found in various distribution channels, starting from traditional channels such as department stores, discount stores, the Company shops as well as new online channels (E-Commerce) or TV Shopping. Growth in these new channels is expected to increase yearly due to its easy access and ability to meet customers' demand more rapidly and perfectly. Building up partners with famous online sales websites, TV shopping channels or catalogue sales are the channels whereby producers can communicate their product innovations completely and totally while allowing consumers to be familiarized about the innovation of products before connecting them to visit the points of sale at Department Stores to see the real products. Such are components of Omni Channel marketing which is expected to post further growth in line with the changing consumers' behavior in this modern age.

### **2. Number and Size of Competitors**

Only integrated business can survive in the various industries. However, women's lingerie is a specific industry, which has many challenges in entering the market, starting from importing raw materials, local production of some raw materials, sewing technique and distribution method that requires agents such as department stores or discount stores. The Company continues to place significance on all trading partners whether old channels or new, allowing it to retain and develop its potential to expand its customer base to all consumer groups and effectively respond to customer needs, as evident from more than 60% market share through main distribution channels.

### **3. Status and Potential for Corporate Competition**

The Company pays attention to new distribution channels, purchase behavior of customers that is different in each channel. During the past year, the Company has adjusted its approach to proposing contents that are more appealing to the target groups, especially online customers who are likely to grow rapidly. In that connection, the Company uses integrated communication tools via 360° of online channels such as employing influencers of its business alliance media to assist in disseminating contents, adapting online communication methods to gain access to target consumers, resulting in the Company getting good feedback as evident from growing sales, both in number of pieces and amount of monetary gain. To this end, the Company additionally aims at further extending its market base for the future. In the past year, the Company collaborated with Lazada, the major E-Commerce organization in South East Asia, by fully taking products to sell in this online channel in order to widen the distribution base of the Company to rapidly increasing online customers.

#### - Product Acquisition

ICC is currently carrying five lingerie brands, produced by two major manufacturers:

- 1) Thai Wacoal Plc., manufacturer of Wacoal.
- 2) Pattaya Manufacturing Co., Ltd., manufacturer of Kullastri, BSC, BSC Signature, Elle

Suppliers of raw materials for both these companies are Textile Prestige Plc., Thai Takeda Lace Co. Ltd., and Thai Sakae Lace Co. Ltd., all three of which belong to the Saha Group with manufacturing standard accreditation ISO 9001. Research and development of new materials have consistently been undertaken resulting in an advantage over their competitors in terms of having a wide and diverse range of raw materials and also lower production costs.

#### - Industrial Trend and Future Competition

The overview of overall trends for the textiles and garment industry shows possible growth in both production and export sectors. Most of the production is for ASEAN market, due to the advent of the ASEAN Economic Community since the end of 2015, rendering increasing opportunity to expand production capacity, not to mention the increasing size of consumers' market from a population of 60 million to 600 million, which is a huge market with high potential.

In 2017, the Company still focused on research and development of new innovations and technology in designing lingerie that suit Thai women's physiology and coincide with consumers' behavior for every age group, lifestyle and fashion. This is based on creating good and quality products at worthwhile prices, using integrated product management systems to retain reasonable level in terms of inventory to balance with sales volume not too much nor too little, while also increasing transportation channels to distribute products to shops more rapidly instead of retaining large amounts of inventory at shops, as well as implementing strategies to create effective production to meet consumers' lifestyles in this Digital Age as much as possible.

### 3. Men's Wear Industry

#### - State of Competition

In 2017, men's wear sales have decreased by about 10% in comparison with the previous year as Thailand lost His Majesty the Beloved Late King Bhumibol Adulyadej. The consumers, therefore, significantly suspended their purchase of colorful clothes and most of the consumers were more careful of their expenditure. Consumers were deliberately more selective to choose good quality products than previously, and continued taking into account the ongoing innovation of goods.

In addition, most producers emphasized pricing methods whether offering discounts, redemptions, giveaways and distribution of premium goods to stimulate sales and minimize products in their stocks, but rarely conducted new marketing campaigns. Many of them had to develop their production efficiency to achieve lower costs, and to ensure flexibility in management for higher competitiveness.

In addition, they have to set aside budget for marketing activities for competitive advantages in the long run.

As far as the state of competition is concerned, some advantages still prevailed, namely:

1. The Company's men's wear has created a wide range of product lines (portfolio) which can cover the whole target market in many various segments, resulting in wide distribution and a strong market share as well as the balance of negotiating power in distribution.
2. The Company's products are well-known and well-accepted for their high reputation and quality.
3. The Company's products have undergone development and it had successfully and consistently launched innovations into the market owing to support from major suppliers (belonging to the Group). There is an expansion of factories to cater for this growth, from the thread-spinning factory, dyeing factory, cloth decoration factory to ready-made shirts manufacturing factories, to support the Company in its potential to create a constantly growing market share.
4. The Company has strong personnel with good habits of thought and the determination to achieve corporate targets and they are consistently ready to learn and improve.
5. The Company has a Big Data policy to analyze relevant data and customer behavior 'Descriptive Analysis' and to make projections into future trends of customer demand 'Predictive Analysis' in order to be able to better respond to consumers' needs.

### - **Product Acquisition**

The Company has acquired products from 3 major suppliers, namely:

1. Thanulux Plc., manufacturer of shirts, T-shirts, suits, bags and leather goods.
2. People's Garment Plc., manufacturer of T-shirts and trousers.
3. Bangkok Tokyo Socks Co.Ltd., manufacturer of socks.

Manufacturing technology used is medium-ranged, with a fair number of workers and the modern use of automated machinery for higher production efficiency.

Moreover, the manufacturing group has established factories within a BOI-promoted Industrial area (Zone 3), resulting in a decisive advantage in production costs.

### - **Industrial Trend and Future Competition**

Although the market remains sluggish, the industry at large tends to remain stable and continue growing because consumers still continue to pay more attention to their dress. Meanwhile, fierce market competition will tend to rise due to foreign rivals including influx of cheap products from the People's Republic of China. Local producers will have to analyze the market and consumer behavior in each area, create innovations in various forms in terms of products, marketing channels and develop strengths of each product for each target group of buyers in order to survive in the market amid the more intense competition.

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