

3. Risk Factors

In year 2017, the Company's core business were (i) television program producer and distributor, (ii) English language school business under the trade name of "Wall Street English", (iii) restaurant business under the trade name of "Jeffer Steak & Seafood", and (iv) service business for creation and management of integrated marketing communications

Risk factors of the year 2017 can be summarized as follows:

1. Financial stability and ability to borrow and comply with conditions of loan agreement

Apart from expansion of existing business, Wave Group may want additional funding to invest in new projects or acquire other businesses. Therefore, it has to maintain liquidity and reserve sufficient fund as working capital. Long-term financing must be obtained and source of financing should be diversified for highest benefits to the Company although Wave Group has outstanding long-term and short-term loans however, the well operating result and financial management, Wave Group can continue to comply with the conditions of loan agreements.

2. Business Risks

2.1 Creation and management of integrated marketing communications business

From the intense competition in the market whether by small, medium and large entrepreneurs including interested persons who wish to target this business, it results in sharing of market shares and it is more complicated together with the budget is controlled and limited which are not in line with the demand of customers which are variety and quite different and focusing on creatives to create the uniqueness of products and services by way of more sustainability and it shall respond the lifestyle and trend of consumers at the same time. The influences of technology is a part of life which create changes at any times therefore, the marketing for responding the basis needs may not be necessary but it needs to input the creative idea into it. "Creativity-Added" is the strategy that Wave Group use for proceeding of which it is the strategy of equity creation that challenges of marketing in year 2017 consisting of the add-on, create and pay attention in every details for creating of value due to every industrial sectors need creative to fulfil to make the different and remarkable and attractive to the target to continue create works by way of events which is the core business that Wave Group has strength and acknowledged by the domestic market and international market including other businesses for creating of opportunity to businessman, international investors and focusing on new markets. It can continue to have new models of businesses for continue and substantial growth in domestic market and in ASEAN region.

2.2 Restaurant business

Recently, customers' preferences have shifted. Thai people prefers convenience, tends to dine out more and the city has rapidly expanded. As a result, the number of restaurants substantially increases providing more options to consumers, including operators of western cuisine and local small and medium restaurant operators. As such, there is a high level of competition among restaurant business in Thailand. However, Wave Group plans to maintain its reputation as a leading restaurant with quality steak and reasonable prices. In addition, it differentiates itself from competitors by creates new menus, providing variety of menu selection, fast service, and being adaptive to changing needs of consumers. Consequently, the Company maintains its leadership within the industry and gain ever-increasing market share.

Wave Group places great importance on quality of food and standard of service as it directly relates to consumer's health. Therefore, raw materials must be fresh and of good quality since its raw materials consist of meat, seafood, vegetables, and bread which have short shelf-life. Therefore, Wave Group has set policy on purchasing and management of inventory by ordering and stocking enough raw materials on a day-to-day basis. Certain raw materials are directly sent from suppliers to branches. Areas are designated for storage of raw materials in both cool storage and freezer to retain freshness and full original conditions of the raw materials and purchase raw materials from the manufacturing factory that has international standard.

2.3 English language school business

English language school business is highly competitive due to the low barrier to entry. However, the Company provides unique English courses which are acceptable worldwide. The Company aims to become a leading private school which offers English language courses and training by having the right personnel with suitable qualifications, having good and appropriate locations, building a strong sales team, organizing up-to-date campaigns which are suitable for target customers and adaptive to current circumstances. Moreover, the Company uses innovative marketing to publicize the brand and to promote the sale through marketing strategy and to continue to focus on the existing customers by providing campaign that has attractive to the target and for encourage the sale volume.

2.4 Television program production business

As the Company produces and distributes television drama series only to Bangkok Entertainment Public Co., Ltd., it must carefully source high quality contents that match the audience's needs in order to ensure that the productions presented will receive the approval to be broadcasted.

The growth in digital TV has resulted in an increase in the number of television channels, each of which attempt to produce more drama series causing the lack of personnel in TV production. To avoid business disruptions from such risk, the Company has changed methods from hiring on a freelance basis to hiring on a Long Term Contract basis.

3. Risks relating to procurement of the right locations for conducting businesses

Selecting the right location, whether in department stores or other lease areas, is a critical factor to success of Wave Group's business. In this respect, the Company faces risks such as lease term of any center not being extended or changes to conditions of lease agreement. However, Wave Group conducts various business and is well known among teenagers, people who just starts working, and other consumers, which attracts consumers to use other services in department stores or lease areas. In addition, Wave Group is expanding its restaurant business by opening new stores in leading department stores every year. Therefore, it has a bargaining power with department stores and/or owners of lease areas in reserving suitable locations over other competitors and is able to enter into long-term lease agreements at reasonable expenses.

4. Risks from shortage of personnel

Human resources are important factor for sustainable growth of Wave Group. Wave Group has continuously given importance to risk in this area by promoting its staffs to have passion and bond with the organization. Wave Group also ensure that its staffs develop understanding and knowledge in business through continuous training and skill development. There is regular assessment of staffs. In addition, Wave Group also ensures appropriate employee compensation and provides other benefits such as medical expenses, group insurance, and provident funds.

5. Risk from economic and political instability, natural disasters, and force majeure on the business

Wave Group's revenues and profits rely on consumers' spending, and therefore may be negatively affected by external factors beyond the control of Wave Group such as economic slowdown, political instability or natural disaster (e.g. flood and earthquake). Such risks are faced by all companies and the Company has risk management measures to lower the negative impact on the business and manage force majeure events. Such measures include taking out insurances over assets to cover for events such as flood and fire etc.

6. Risk of business interruption due to malfunction of information technology system

Wave Group, including its back office and business units, uses information technology system in conducting its business. Wave Group understands importance of maintaining business continuity in the event that any unexpected circumstance or disaster arises and causes failure of the computer system.

To lower such risk which may affect business continuity, Wave Group has back-up its information including accounting system and customer information by storing information and keeping them up-to-date within designated area.