

# Annual Report 2011



บริษัท ยูเนียนอุตสาหกรรมสิ่งทอ จำกัด (มหาชน)  
UNION TEXTILE INDUSTRIES PUBLIC CO.,LTD.



# Summary of Financial Information

Unit: 1,000 Baht

## Highlights from Financial Statement

|   | 2011      | 2010      | 2009      |
|---|-----------|-----------|-----------|
| Total current assets  | 430,290   | 658,079   | 361,605   |
| Long-term investment  | 125,399   | 112,682   | 94,482    |
| Investments in associated companies   | 182,125   | 196,285   | 154,588   |
| Investment properties   | 52,885    | 58,551    | 0         |
| Property, Plant and equipment   | 352,417   | 340,968   | 413,057   |
| Total assets  | 1,143,474 | 1,366,951 | 1,024,052 |
| Total current liabilities   | 175,490   | 287,625   | 272,453   |
| Total non current liabilities   | 92,823    | 94,458    | 99,227    |
| Total shareholders' equity  | 875,161   | 984,868   | 652,372   |
| Total revenues  | 1,196,728 | 1,675,894 | 668,130   |
| Total cost of sales and services  | 1,065,773 | 971,009   | 559,323   |
| Selling and administrative expenses   | 63,939    | 108,319   | 80,180    |
| Total expenses  | 1,129,712 | 1,079,320 | 639,503   |
| Profit before share of profit (loss) from investments in associated companies, finance costs and corporate income tax | 67,016    | 596,575   | 28,627    |
| Share of profit (loss) from investments in associated companies   | 10,318    | (3,291)   | (46,984)  |
| Finance costs   | (964)     | (1,175)   | (11,157)  |
| Profit before corporate income tax  | 76,370    | 592,109   | (29,515)  |
| Corporate income tax  | (53,554)  | (120,755) | 0         |
| Net income (Loss)   | 22,816    | 471,354   | (29,515)  |

## Financial Ratio

|   | 2011  | 2010  | 2009   |
|---|-------|-------|--------|
| Earnings (Loss) per share (Baht)            | 0.04  | 10.01 | (1.12) |
| Dividends per share (Baht)                  | 0.20  | 2.70  | 0.00   |
| Total Shareholders' equity per share (Baht) | 14.59 | 16.41 | 10.87  |
| Return on sales (%)                         | 1.91  | 28.13 | (4.42) |
| Return on Equity (ROE) (%)                  | 2.45  | 57.58 | (4.49) |
| Return on Assets (%)                        | 1.82  | 39.43 | (2.70) |
| Debt/Equity ratio                           | 0.31  | 0.39  | 0.57   |

The company's performances in the year 2011 experienced certain unexpected events such as the abnormal fluctuations of cotton prices in the world market, The earthquake and tsunami disaster in Japan, the flood disaster in Thailand, and the economic crisis in Europe. These events caused previously high demand of textile goods during the first quarter to unforeseen slowdown since the third quarter of last year. However, the company was able to negotiated sales prices in accordance with current market conditions. Consequently the revenues from sales and services were approximately 8 percent up from 2010. Anyhow in 2011 there was no special other income from the land sale unlike in 2010.

Regarding the operating results of 2011, the company generated a net profit of Baht 22 million according to financial statements in which equity method was applied, Baht 14 million in the separated financial statements. Although the company earned a profit from its core business, the operations in the year 2012 will have to monitor more closely on uncertain situations, both directly relevant to company business and the risks from uncontrollable external events. For example price fluctuations of raw materials that impact on the whole supply chain. Furthermore, the European Union's austerity measures for the financial crisis have caused remarkable shrinkage in demand for textile goods in this main market. Hence the company should alter the plan to enhance the company establishes the business direction and improve its internal processes to cope with the situations effectively.

In addition to compliance with the rules and regulations related to the company business such as adoption of current Thai Accounting Standards (TAS) during the year, and the new TAS that will be effective in the following years, the company also implement good Corporate Governance principles with regard to the rights and equality of all shareholders as well as paying attention to the social and community responsibilities.

Finally, on behalf of the Board of Directors, I would like to express my sincere appreciation to all shareholders, valued customers, and business partners for the continuous support to the company's business. Also I would like to thank the management and all employees for their dedication, expertise and experience to overcome the hardship in order to fulfill the expectations of the customers, shareholders, society and community.



**Miss Sriwarin Jirapakkana**

Chairman



Miss Sriwarin Jirapakkana  
Chairman



Mrs. Achara Chandrachai  
Independent Director and  
Chairman of the Audit Committee



Mr. Vichai Chaitaneeyachat  
Managing Director



Mrs. Suthinee Khunwongsa  
Independent Director/ Audit Committee /  
Nominating and Remuneration Committee



Mr. Pilastpong Subsermsri  
Independent Director/ Audit Committee/  
Chairman of Nominating and Remuneration  
Committee



Mr. Thitivat Suebsaeng  
Director



Miss Dalad Saphavichaiikul  
Director



Mr. Bovornrat Darakananda  
Director



Capt. Supich Sankhagowit RTN  
Director

## 1. Miss Sriwarin Jirapakkana

Chairman / Nominating and Remuneration Committee

Age: 64 years

Years of Directorship: 18 years

Shareholding: 27,010 shares

### Education :

Master's Degree (Management), Sasin Graduate Institute of Business Administration of Chulalongkorn University.

Bachelor's Degree ( Accounting), Faculty of Commerce and Accountancy, Chulalongkorn University

Management Information System, International Labour Organization  
Dynamic Management for International Executives Program, International Management Development Department of Syracuse University, U.S.A.

### Training:

Director Accreditation Program (DAP) 18/2004

### Experiences:

|             |   |
|-------------|---|
| 1999 - 2004 | Chairman, Union Thai-Nichiban Co., Ltd.   |
| 1999 - 2004 | Chairman, Union Zojirushi Co., Ltd.       |
| 1999 - 2006 | Chairman, Union Plastic Plc.              |
| 1999 - 2007 | President, Saha-Union Plc.                |
| 2002 - 2006 | President, Union Textiles Industries Plc. |
| 2007 - 2011 | Vice Chairman, Union Plastic Plc.         |

### Current Positions:

|                |  |
|----------------|--|
| 1999 - Present | Chairman, Union Pioneer Plc.                     |
| 1999 - Present | Chairman, Union Nifco Co., Ltd                   |
| 1999 - Present | Director, Union Industries Corp., Ltd.           |
| 1999 - Present | Director, Union Thread Industries Co., Ltd.      |
| 2007 - Present | Chairman, Union Textiles Industries Plc.         |
| 2007 - Present | Chairman, Thai Rubber Enterprise Co., Ltd.       |
| 2007 - Present | Chairman, Union Rubber Product Corporation, Ltd. |
| 2008 - Present | Vice Chairman, Saha-Union Plc.                   |
| 2011 - Present | Chairman, Union Plastic Plc.                     |
| 2011 - Present | Chairman, Computer Union Co.,Ltd.                |
| 2011 - Present | Chairman, Saha-Union Holding Co.,Ltd.            |
| 2011 - Present | Chairman, Union Spinning Mill Co.,Ltd.           |
| 2011 - Present | Chairman, Union Zip Co.,Ltd.                     |
| 2011 - Present | Chairman, Venus Thread Co.,Ltd.                  |
| Present        | Director, Companies in Saha-Union Group          |

## 2. Emeritus Professor Dr. Achara Chandrachai

Chairman of Audit Committee / Independent Director

Age: 63 years

Years of Directorship: 2 years

Shareholding: 0 shares

### Education:

Ph.D. (Quantitative Business Analysis), Arizona State University, USA.

Master of Development Administration (Finance), Second class honor, National Institute of Development Administration

CPA, Chulalongkorn University

Bachelor Degree in Accountancy, Chulalongkorn University

### Training:

Director Accreditation Program (DAP) 45/2004

Audit Committee Program (ACP) 27/2009

### Experience:

Lecturer, Technopreneurship & Innovation Management Program, Chulalongkorn University

2007 - 2011 Independent Director and Chairman of Audit Committee, Krung Thai Asset Management Plc  
Independent Director and Chairman of Audit Committee, Union Textiles Industries Plc..  
Independent Director and Chairman of Audit Committee, Internet Thailand Co., Ltd.  
Independent Director and Chairman of Audit Committee, Dimet (Siam) Plc.  
Independent Director and Audit Committee, Panrajatawee Group Co., Ltd.

## 3. Mr. Vichai Chaitaneeyachai

Managing Director

Age: 67 Years

Years of Directorship: 7 Years

Shareholding: 0 Shares

### Education:

Master's Degree in Business Administration, Chulalongkorn University

Bachelor Degree in Business Administration, Ramkhamhaeng University.

Certificate in Computer Science, Graduate School, Chulalongkorn University

Fulbright Certificate Award, Industrial Management, University of Texas/Dallas, U.S.A.

### Training:

Director Accreditation Program (DAP) 55/2006

### Experience:

|                   |                                       |
|-------------------|---------------------------------------|
| 2006 - Apr., 2011 | Director, Union Garment Co., Ltd.     |
| 2006 - Apr., 2011 | Director, Union Micronclean Co., Ltd. |

### Current Positions:

|                |  |
|----------------|--|
| 2005 - Present | Managing Director, Union Textiles Industries Plc.      |
| 2008 - Present | Director, Ten Cate - Union Protective Fabrics Asia Co. |

**4. Mrs. Suthinee Khunwongsa**

Nominating and Remuneration Committee / Audit Committee / Independent Director

Age: 66 years

Years of Directorship: 2 years

Shareholding: 0 shares

**Education:**

Bachelor Degree's ( International trade Studies), School of Business,  
University of the Thai Chamber of Commerce

**Training:**

Director Accreditation Program (DAP) 79/2009

**Experiences:**

2005 Director and Manager Saving CO-OP of Saha-Union Plc.

**Current Positions:**

2010 - Present Independent Director/ Audit Committee, and Nominating and  
Remuneration Committee, Union Textiles Industries Plc

**5. Dr.Pilastpong Subsermsri**

Audit Committee / Independent Director / Chairman of Nominating and  
Remuneration Committee

Age: 61 years

Years of Directorship: 1 years

Shareholding: 0 shares

**Education:**

Ph.D. in Computer Engineering, University of Houston, USA  
MS.EE. in Electrical Engineer , University Of Houston, USA  
BS. EE, Bachelor degree in Electrical engineer, Khonkaen University

**Experiences/ Current Positions:**

2000 - Present Chairman of Thai E-Communication Co., Ltd  
2002 - Present Director of Computer Information System department,  
Graduate school Sripatum University  
2009 - Present Private Enterprise Efficiency enhancement sub committee  
member under the Science and Telecommunication  
Technology Committee, Senator office, Royal Thailand  
Parliament  
2009 - Present Advisor and secretary to Pataya City tourist development  
Committee  
2010 - Present Director of the Center for Agricultural Information,  
Lecturer Institute of Technology, Sripatum University  
2010 - Present Vice Chairman, Subcommittee of Business Management  
Training, Gem and Jewelry Business Development  
Committee of Thailand, , Ministry of Commerce  
2010 - Present Audit Committee / Independent Director /  
Chairman of Nomination and Remuneration Committee,  
Union Textile Industries Public Co., Ltd.

**6. Dr. Thitivat Suebsaeng**

Director

Age: 58 years

Years of Directorship: 4 years

Shareholding: 0 shares

**Education:**

Ph.D. in Chemistry from Marquette University, U.S.A.  
M.Sc. (Chemistry), Chiangmai University  
B.Sc. (Chemistry), Chiangmai University

**Training:**

Director Accreditation Program (DAP) 21/2004

**Experiences:**

1990 - 1991 Head of Department of Chemistry, Faculty of Science  
Ramkhamhaeng University  
2003 - 2007 Director and General Manager,  
Saha-Union Investment (China) Co.,Ltd  
2004 - 2009 Director, 7 Power Plants in China.  
2008 - 2009 Chairman, Union Plastic Plc.

**Current Positions:**

2002 - Present Director, Union Energy (China) Co., Ltd.  
2007 - Present Chairman, Union Zojirushi Co., Ltd.  
2007 - Present Chairman, Union Stainless Steel Products Co., Ltd.  
2007 - Present Chairman, Union Thai-Nichiban Co., Ltd.  
2007 - Present Director, Union Nifco Co., Ltd.  
2008 - Present President, Saha-Union Public Plc.  
2008 - Present Chairman, Union Garment Co., Ltd.  
2008 - Present Chairman, Union Micronclean Co., Ltd.  
2008 - Present Director, Union Pioneer Plc.  
2008 - Present Chairman, Union Universe Co., Ltd.  
2008 - Present Director, Union Textile Industries Plc.  
2008 - Present Director, Union Technology (2008) Plc.  
2008 - Present Director, Ten Cate - Union Protective Fabrics Asia Ltd.  
2010 - Present Managing Director, Union Plastic Plc.

**7. Miss Dalad Saphavichaikul**

Director

Age: 55 years

Years of Directorship : 17 years

Shareholding: 45,000 shares

**Education:**

Master's Degree in Computer Science,  
University of Illinois at Urbana - Champaign, USA.

Bachelor's Degree (First class honor) in Economics,  
Chulalongkorn University

**Training:**

Awarded Diploma by passing the Examination of Australian IOD 2001

Director Certification Program (DCP) 9/2001

Finance For Non-Finance Director (FN) 1/2003

Audit Committee Program (ACP) 10/2005

**Experience:**

1999 - 2007 Executive Director and Assistant Managing Director, Saha-Union Plc.

**Current Positions:**

1993 - Present Managing Director, Uni-Fibre Co., Ltd.  
1995 - Present Director, Union Textile Industries Plc.  
1999 - Present Director, Saha-Union Plc.  
2004 - Present Managing Director, Computer Union Co., Ltd.  
2007 - Present Managing Director, Saha Union Holding Co., Ltd.  
1996 - Present Director, Thai Rubber Enterprise Co., Ltd.  
2005 - Present Risk Management Committee, Saha-Union Plc.  
2008 - Present Director, Union Thread Industries Co., Ltd.  
2008 - Present Director, Union Industries Corp., Ltd.  
2009 - Present Director, Union Zojirushi Co., Ltd.  
2009 - Present Director, Venus Thread Co., Ltd.  
2009 - Present Director, Union Spinning Mills Co., Ltd.  
2009 - Present Chairman, Union Zipped Co., Ltd.  
2010 - Present Director, Union Nifco Co., Ltd.  
2011 - Present Director, Union Plastic Plc.  
2011 - Present Director, Union Technology (2008) Plc.  
2011 - Present Director, Union Thai-Nichiban Co., Ltd.  
2011 - Present Director, Union Micronclean Co., Ltd.  
2011 - Present Director, Ten Cate - Union Protective Fabrics Asia Ltd.  
Present Director, companies in Saha-Union group

**Other Company**

1989 - Present Director, Processing Center Co., Ltd.

**8. Mr. Bovornrat Darakananda**

Director

Age: 48 years

Years of Directorship: 1 years

Shareholding: 0 shares

**Education:**

Master's Degree in Electrical and Management Engineering,  
Massachusetts Institute of Technology, U.S.A.

Bachelor's Degree in Electrical and Management Engineering,  
Massachusetts Institute of Technology, U.S.A.

**Training:**

Director Accreditation Program (DAP) Class 18/2004

**Experiences:**

1993 - 2006 Director, Union Textile Industries Plc.  
1993 - 2006 Director, Union Pioneer Plc.  
1994 - 2006 Director and Executive Director, Union Energy Co., Ltd.  
1996 - 2009 Director, Union Energy (China) Co., Ltd.  
Vice President, Saha-Union International (Georgia) Inc  
General Manager, Saha-Union Investment (China) Co., Ltd.

**Current Positions**

1994 - Present Director, Saha-Union Plc.  
1997 - Present Director, Union Thread Industries Co., Ltd.  
1997 - Present Director, Union Industries Corp., Ltd.  
2001 - Present Managing Director, Union Spinning Mills Co., Ltd.  
2001 - Present Director, Venus Thread Co., Ltd.  
2001 - Present Director, Union Zip Co., Ltd.  
2011 - Present Director, Union Micronclean Co., Ltd.  
2011 - Present Director, Saha Union Holding Co., Ltd.  
Present Director, Other Companies in Saha-Union Group

**9. Capt. Supich Sankhagowit RTN**

Assistant Managing Director

Age: 62 years

Years of Directorship: 5 years

Shareholding : 0 shares

**Education:**

MS in Industrial Engineering, University of Pittsburgh, U.S.A.

Certificate in Naval Staff Course, Naval Staff College BSC,  
Royal Thai Naval Academy

**Training:**

Director Accreditation Program (DAP) 63/2007

**Experience:**

1994 - 2005 Internal Audit Manager, Union Textile Industries Plc.  
2006 Managing Director, Union Stainless Steel Products Co., Ltd.

**Current Positions:**

2007 - Present Assistant Managing Director, Union Textile Industries Plc.



## General information of the Company

Union Textile Industries Public Company Limited

### Type of Business Operations:

The Company operates the businesses of textile, yarn spinning, and fabric weaving.

### Paid-up Capital:

The Company has its registered paid-up capital of Baht 600 million, divided into:

- 45,000,000 ordinary shares of 10 Baht each
- 15,000,000 preferred shares of 10 Baht each

### Location:

#### Head Office:

No.1828 Sukhumvit Road, Bang Chak, Phra Khanong,  
Bangkok 10260

Tel.: 0-2311-5111-9, 0-2323-5600

Fax.: 0-2323-3123

### Branch 1:

No.205 Moo 4 Sukhumvit Road (km.39.5),  
Bangpumai, Muang Samut Prakarn,  
Samut Prakarn Province 10280

Tel.: 0-2323-1085-87

Fax.: 0-2323-9216

### Other references

| Registrar :  | Auditor :   |
|--|---|
| Thailand Securitier Depository Co., Ltd.<br>Address : 62 The Stock Exchange of Thailand<br>Building 4,7 Floor Ratchadapisek Road,<br>Klongtoey, Bangkok 10110 Thailand<br>Telephone : (662) 359-1200-1<br>Fax : (662) 359-1259 | Mr.Narong Puntawong<br>Mr. Supachai Phanyawattano<br>Miss Siraporn Ouaanunkun<br>Ernst & Young 33rd Floor, Lake Rajada Office Complex<br>193/136-137 Rajada Road, Bangkok 10110<br>Telephone: (662) 264-0777<br>Fax: (662) 264-0789 -90 |



### Persons holding shares of the Company at 10% or more of paid up capital

| Company Name  | Type of Business  | Type of Shares | No. of Shares Issued | No. of Shares Held | % of Shares holding |
|---|---|----------------|----------------------|--------------------|---------------------|
| <b>1. Uni-Fibre Co., Ltd.</b><br>1828 Sukhumvit Road, Bang Chak,<br>Phra Khanong, Bangkok 10260<br>Tel. 0-2311-5111-9<br>Fax. 0-2311-5668, 0-2332-5615  | Dealer  | Ordinary       | 1,200,000            | 250,001            | 20.83 %             |
| <b>2. Union Business Management Co., Ltd.</b><br>1828 Sukhumvit Road, Bang Chak,<br>Phra Khanong, Bangkok 10260<br>Tel. 0-2311-5111-9, 0-2322-5600<br>Fax. 0-2311-5616                                | Investment in services and consulting in other services | Ordinary       | 5,000,000            | 949,993            | 19.00%              |
| <b>3. Union Micron Clean Co., Ltd.</b><br>1828 Sukhumvit Road, Bang Chak,<br>Phra Khanong, Bangkok 10260<br>Tel. 0-2311-5111-9, 0-2322-5600<br>Fax. 0-2741-6145                                       | Manufacturing   | Ordinary       | 500,000              | 65,000             | 13.00%              |
| <b>4. Ten Cate-Union Protective Fabrics Asia Ltd.</b><br>205/1 Sukhumvit Road (km.39.5)<br>Moo 4, Bangpumai, Muang District,<br>Samut Prakarn Province 10280<br>Tel. 0-2323-1088<br>Fax : 0-2323-1089 | Manufacturing of workwear                               | Ordinary       | 3,850,000            | 1,900,000          | 49.35%              |

The Company was established on March 21st, 1977, to operate its integrated business in the textile industry, including thread spinning, weaving, dyeing/bleaching, and fabric finishing; and on March 30th, 1994, the Company was registered as a limited public company according to the Thai law. At present, Saha-Union (Public) Co., Ltd., and Union Business Management Co., Ltd., are major shareholders, with the proportion of shareholding of 49.882% and 17.100% respectively.

On August 16th, 2008, the Company ceased its dyeing / bleaching and fabric finishing business operation and invested its buildings, machinery and equipment of the dyeing/bleaching plant in TenCate-Union Protective Fabrics Asia Co., Ltd.

At present, the Company is operating its main business of manufacturing and distribution of unbleached cloth at No.205 Moo 4, Sukhumvit Road (km.39-40), Bangpu Mai, Muang District, Samut Prakarn Province 10280.

In addition to its main business operations, the Company has invested in Uni Fiber Co., Ltd., a dealer of cotton and synthetic fibre products at the rate of 20.83%, and has also invested in TenCate-Union Protective Fabrics Asia Co., Ltd., a manufacturer and distributor of colour clothes at the rate of 49.35%; however, the Company has received its profit shares from investments in affiliated companies by the equity method. Regarding the business operation policy, the Company and its affiliated companies have separate and independent business management represented by their directors.

Incomes from each type of business operation of the group companies during the past 3 years:

|   |   |                                    |               |        |               |        | Unit: Million Baht |        |
|---|---|------------------------------------|---------------|--------|---------------|--------|--------------------|--------|
| Product Line / Business Group   | Operated by                                     | % of Share holding of the Company% | Income (2011) | %      | Income (2010) | %      | Income (2009)      | %      |
| Company: Manufacturer and distributor of unbleached cloth, thread and services; | Union Textile Industries PLC.                   |                                    | 1,089.13      | 99.06  | 1,009.56      | 100.42 | 579.55             | 108.82 |
| *Affiliates: Dealer of cotton and synthetic fibre products                      | Uni Fiber Co., Ltd.                             | 20.83                              | 5.16          | 0.47   | 4.84          | 0.48   | 3.04               | 0.57   |
| Manufacturer and distributor of colour clothes;                                 | TenCate-Union Protective Fabrics Asia Co., Ltd. | 49.35                              | 5.16          | 0.47   | (8.13)        | (0.9)  | (50.02)            | (9.39) |
| Total:  |   |                                    | 1,099.45      | 100.00 | 1,006.27      | 100.00 | 532.57             | 100.00 |

Note: \* Profit shares are recognized from investments in affiliates by the equity method.

## Business Operation of Each Product Line:

The Company has one product line, i.e., manufacturing and distribution of unbleached cloth from the production process that the Company has the thread spinning plant that produces thread to be supplied to the weaving factory for its production of unbleached cloth. The Company may have its incomes from byproducts or provision of textile services in case of having the surplus production capacity from the production of unbleached cloth. Regarding the investment in affiliates, the Company has received its profit shares under the equity method:

### (1) Types of Products and Services:

The Company's main product is the unbleached cloth manufactured according to the customers' requirements. A variety of products includes 100% cotton, polyester-cotton mix and/or other nonwoven used for production of work ware, technical work ware and protective ware cloth, and cloth used in the industry.

Main factors affecting the opportunities or restrictions of business operation include the Memorandum of Agreement on Business Operations and the Code of Conduct required by customers for compliance by all sellers.

### (2) Marketing and Competition:

#### A. Marketing Policy and Characteristics:

1. The competition strategies including response to the customers' requirements in terms of quality, quantity and delivery schedule;

2. Types of customers. The Company's customers include companies/manufacturing factories that use the Company's products as raw materials for production to the target groups of customers including domestic and overseas companies/manufacturing factories that have their world-class brands/trademarks;
  3. Distribution and Channels of Distribution: The Company has directly distributed its products to manufacturing companies and local and overseas wholesalers with 37% domestic sale volume and 63% overseas sale volume.
- B. Competition:
1. Competition within the industry. In 2011, the competition within the textile industry was less severe than those in the previous years because the huge market demand in the 1st Quarter of 2011 had started to slow down and decrease since the 3rd Quarter of 2011, resulting from fluctuations of cotton prices during March-May 2011; and the cotton prices at the end of 2011 were still lower than 1 US dollar per pound; moreover, EU countries have prescribed the code of conduct relating to labour protection and social responsibilities to be complied by manufacturers;
  2. Competitors. The Company has approximately 10 local and overseas competitors;
  3. The Company's status and competitiveness is trusted by customers in terms of quality and delivery of products;
  4. Trends of the Industry and Competition in 2012:  
It was expected that the manufacturing and distribution of products would be decreasing when compared to those in the same period of the previous year due to decreasing purchase orders from customers and their failure to predict the demand for 3-6 months in advance unlike during the normal situations.

## ***Risk Factors***

### **Risks from Raw Materials Price Fluctuation:**

In 2011, the Company has encountered a more severe fluctuation of the supply of cotton and polyester, which are main raw materials for its manufacturing of products, when compared to those in the previous years, in terms of pricing and delivery of products, which were limited quantitatively and in a timely manner, resulting from external factors including changing weather conditions, economic crisis in European Union and proposition of demands of main importers such as China, which caused the risks to the fixing of cost of raw materials, as well as impacts from the fluctuating purchase orders of customers based on the cotton prices, i.e., there were dramatic demands for cotton when the cotton prices were still increasing and the purchase orders were decreased when the cotton prices were decreased in the latter half of the year.

### **Risks from Fluctuation of Exchange Rates:**

In 2011, the Company has exported its products equal to 63% of the gross sales; therefore, the fluctuation of exchange rates may affect its operating results; however, the Company has closely monitored the movement of exchange rates and has already entered into futures contracts covering the purchase orders of customers in terms of quantity and period of time.

### **Risks from Investment:**

The Company has held its shares in TenCate-Union Protective Fabrics Asia Co., Ltd. (TCUA), of which changes in the investment value were reserved at the rate of 60% of the total investment value; however, the operating results of TCUA in 2011 tended to improve when compared to those in the past 3 years; and the Board of Directors has monitored the operating results regularly



## Structure of Shareholding and Management

The list of 10 major shareholders of the Company:

(As of the last closing date of shareholders' registration book on April 7th, 2011)

| No. | Shareholder's Name                             | No. of Ordinary Shares | No. of Preferred Shares | Total      | % of Total Shares |
|-----|--|------------------------|-------------------------|------------|-------------------|
| 1.  | Saha-Union Group of Companies                  |                        |                         |            |                   |
| 1.1 | Saha-Union Public Company Limited              | 15,580,540             | 14,348,660              | 29,929,200 | 49.88             |
| 1.2 | Union Business Management Company Limited      | 10,260,200             |                         | 10,260,200 | 17.10             |
| 1.3 | Union Thread Industries Company Limited        | 3,668,280              |                         | 3,668,280  | 6.11              |
| 2.  | Bangkok Bank Public Company Limited            | 3,497,400              | 400,000                 | 3,897,400  | 6.50              |
| 3.  | Mr. Charn Sophonpanich                         | 1,152,600              |                         | 1,152,600  | 1.92              |
| 4.  | Mr. Pisith Preukpaiboon                        | 1,046,900              |                         | 1,046,900  | 1.74              |
| 5.  | Bangkok Insurance Public Company Limited       | 672,900                | 233,000                 | 905,900    | 1.51              |
| 6.  | Mr. Kasem Sirirungsuntkul                      | 775,500                |                         | 775,500    | 1.29              |
| 7.  | Mr. Surachai Ratithong                         | 500,000                |                         | 500,000    | 0.83              |
| 8.  | BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH | 478,000                |                         | 478,000    | 0.80              |
| 9.  | Mr. Chutindhorn Darakananda                    | 380,500                |                         | 380,500    | 0.63              |
| 10. | Dr. Khunying Kalaya Sophonpanich               | 237,300                |                         | 237,300    | 0.40              |
|     | Total  | 38,250,120             | 14,981,660              | 53,231,780 | 88.72             |

### Dividend Payment Policy

" Depending on the performance of the Company, at a rate not less than 1/3 of the annual net profit, after accumulated loss (if any), from the Separate Financial Statement of the Company. "

### Director's Shareholding

| Name   | Shareholding 2011 | Shareholding 2010 | Increase (Decrease) |
|--|-------------------|-------------------|---------------------|
| 1. Miss Sriwarin Jirapakkana                 | 27,010            | 27,010            | 0                   |
| 2. Emeritus Professor Dr. Achara Chandrachai |                   | -                 | -                   |
| 3. Mrs. Sutinee Khunwongsa                   |                   | -                 | -                   |
| 4. Dr. Pilastpong Subsermsri                 |                   | -                 | -                   |
| 5. Mr. Vichai Chaitaneeyachat                |                   | -                 | -                   |
| 6. Dr. Thitivat Suebsaeng                    |                   | -                 | -                   |
| 7. Miss Dalad Saphavichaikul                 | 45,000            | 45,000            | 0                   |
| 8. Mr. Bovornrat Darakananda                 |                   | -                 | -                   |
| 9. Capt. Supich Sankhagowit RTN.             |                   | -                 | -                   |

Structure of corporate management comprises 3 committees as follows; 1) the Board of Directors, 2) the Audit Committee, and 3) the Remuneration and Nominating Committee.

### **Nomination of Directors and the Management:**

The Remuneration and Nominating Committee shall select the qualified persons, having knowledge, competence and experience in business management. In addition, they are able to dedicate adequate time to the Company and must meet certain legal requirement. The Remuneration and Nominating Committee will propose them to the Board of Directors' meeting for the Board's opinion before proposing to shareholders in the directors' agenda of the Shareholders' Annual General Meeting. Thus, the election of directors will be proceeded in accordance with the criteria and procedures, as follows:

1. One shareholder shall have one vote per one share;
2. In the election of directors, one or several directors may be elected at one time, according to the number of directors to be elected in that occasion, as the shareholders' meeting may deem expedient; provided that, in each passing of resolution, shareholders must cast their total votes as specified in Clause 1; and the votes may not be divided to any person or a group of persons;
3. Directors shall be elected by the majority votes; in case of equal votes, the chairman of the meeting shall have a casting vote;

In each AGM, one-third of directors must be released from office. In case, the number of directors cannot be divided into three portions, the most approximate number to one-third of the directors shall be released from office.

Directors to be released from office in the first year and in the second year after the Company's registration shall be selected by drawing lots; meanwhile, in the following years, directors who have longest been in office will be released from office. Retiring directors may be reelected.

Apart from the retirement by rotation, a director may be released from office in cases of:

- (1) Death;
- (2) Resignation;
- (3) Disqualification or having any forbidden characteristics according to the law;
- (4) The shareholders' meeting has passed its resolution with at least three-fourth of the total shareholders attending the meeting and having the voting rights, and holding at least one half of the total shares held by shareholders attending the meeting and having the voting rights;
- (5) The court has given an order relating to the release from office of such director;

## **Scope of authorities and responsibilities; and lists of committees**

### **The Board of Directors**

#### **Scope of authorities and responsibilities of the Board of Directors:**

- (1) Appoint and remove the Company's employees; with such powers, the Board of Directors may assign any one or several director(s) of the Company to act on its behalf;
- (2) Authorize incentive pays and rewards for the Company's staff or employees or any other person performing a task for the Company, either on a regular or irregular basis;
- (3) Determine interim dividends for the Company's shareholders;
- (4) Implement the objectives, regulations, and resolutions of the shareholder's meeting in accordance with the law;

Regarding the performance of works under its powers and responsibilities, the Board of Directors may appoint any one or several director(s) or other person to act on its behalf;

The Board of Directors shall appoint any director as the President, with powers and responsibilities as the Board of Director may think fit.

The Board of Directors may appoint the specific number of directors as it may think fit, as the executive board, with powers and duties to supervise the Company's businesses as it may think fit; and among these directors, one director shall be appointed as the executive chairman; and the President shall be an executive director by virtue of an office.

Two directors shall affix their signatures together and affix the Company's seal. The Board of Directors shall have its powers to determine the authorized director(s) of the Company.

## Members of the Board of Directors

As of December 31st, 2011, the Board of Directors consisted of 9 members, as follows:

| Name               |                            | Position  |
|--------------------|----------------------------|---|
| 1. Miss Sriwarin   | Jirapakkana                | Chairman /<br>Remuneration and Nominating Committee   |
| 2. Mrs. Achara     | Chandrachai <sup>(1)</sup> | Independent Director /<br>Chairman of Audit Committee   |
| 3. Mrs. Sutinee    | Khunwongsa                 | Independent Director / Audit Committee /<br>Remuneration and Nominating Committee             |
| 4. Mr. Pilastpong  | Subsermsri <sup>(2)</sup>  | Independent Director / Audit Committee /<br>Chairman of Remuneration and Nominating Committee |
| 5. Mr. Vichai      | Chaitaneeyachat            | Managing Director   |
| 6. Mr. Thitivat    | Suebsaeng                  | Director  |
| 7. Miss Dalad      | Sapthavichaikul            | Director  |
| 8. Mr. Bovornrat   | Darakananda <sup>(3)</sup> | Director  |
| 9. Capt. Supich    | Sankhagowit RTN            | Director  |
| 10. Mrs. Chadaporn | Jiemsakultip               | Secretary of the Company  |
| 11. Mr. Pruttipan  | Chayakul                   | Assistant Secretary of the Company  |

### Notes:

- (1) Mrs. Achara Chandrachai, Chairman of Audit Committee, who possesses knowledge and experience in financial statement review. Her educations and experience are shown on page 4
- (2) Mr. Pilastpong Subsermsri became Independent Director / Audit Committee effective on 1 January 2011
- (3) Mr. Bovornrat Darakananda became Director effective on 25 January 2011

## The Audit Committee

### Criteria for Selection of Independent Directors:

1. Having the full qualifications according to the criteria of the Stock Exchange of Thailand;
2. Having experience and understanding in connection with the Company's businesses;
3. Having visions and sufficient time for performance of duties;

### Scope of authorities and responsibilities of the Audit Committee:

1. Review the Company's financial reports for accuracy, adequacy and in accordance with the generally accepted standard of accounting;
2. Review a proper and effective internal control and audit systems for the Company and consider the autonomy of the internal control unit and approve the appointment, transfer and dismissal of the manager of the internal audit office;
3. Review the Company's compliance with the law governing securities and exchanges and the requirements of the Stock Exchange of Thailand and the law relating to the Company's businesses;
4. Select and nominate an independent person to act as the Company's auditor and propose the remuneration of such person and attend the meetings with the auditor without the management's participation for at least once a year;
5. Consider the related transactions or transactions which may have conflicts of interests in accordance with the law and the requirements of the Stock Exchange of Thailand, thus, to ensure that the said transactions are reasonable and for the highest benefits of the Company;

6. Prepare a report of the Audit Committee, which must be disclosed in the annual report of the Company and signed by the Chairman of the Audit Committee and shall contain at least the data, as follows:
  - (a) Comments on the accuracy, completeness and reliability of the financial reports of the Company;
  - (b) Comments on the adequacy of the internal control system of the Company;
  - (c) Comments on the compliance with the law governing securities and exchanges and the requirements of the Stock Exchange of Thailand and the law relating to the Company's businesses;
  - (d) Comments on the appropriateness of the auditor;
  - (e) Comments on the transactions which may have conflicts of interests;
  - (f) The number of meetings of the Audit Committee and attendances of each member of the Audit Committee;
  - (g) Comments or overall remarks that the Audit Committee has received from the performance of duties under the Charter or Regulations of the Audit Committee;
  - (h) Other transactions as shareholders and general investors should be informed under the scope of duties and responsibilities assigned by the Board of Directors;
7. Make sure that the management has corrected the errors found and accelerate the correction of the said errors;
8. Follow up and evaluate the performances of work as the Audit Committee may deem significant;
9. Carry out any other missions as assigned by the Board of Directors;

#### **Members of the Audit Committee:**

The Audit Committee of the Company shall have the full qualifications according to the criteria of the Stock Exchange of Thailand. The Audit Committee consisted of 3 independent directors, as follows:

- |     |                               |             |                                 |
|-----|-------------------------------|-------------|---------------------------------|
| (1) | Emeritus Professor Dr. Achara | Chandrachai | Chairman of the Audit Committee |
| (2) | Mrs. Sutinee                  | Khunwongsa  | Audit Committee                 |
| (3) | Dr. Pilastpong                | Subsermsri  | Audit Committee                 |

#### **Remuneration and Nominating Committee**

##### **Scope of authorities and responsibilities of the Remuneration and Nominating Committee:**

- (1) Determine guidelines for nomination of directors;
- (2) Select and nominate the qualified individuals to be approved by the Board of Directors;
- (3) Consider the procedures of determination of remuneration for directors;
- (4) Determine the amount of remunerations for directors to be proposed to the meeting of the Board of Directors for approval;

#### **Members of the Remuneration and Nominating Committee :**

- |     |                |             |   |
|-----|----------------|-------------|---|
| (1) | Dr. Pilastpong | Subsermsri  | Chairman of Remuneration and Nominating Committee |
| (2) | Miss Sriwarin  | Jirapakkana | Remuneration and Nominating Committee             |
| (3) | Mrs. Sutinee   | Khunwongsa  | Remuneration and Nominating Committee             |

### Board of Directors' Meeting

The Board of Directors set monthly regular meetings in advance for the year 2011 and held 12 meetings as scheduled. Each meeting took at least 2 hours

In the year 2011, the audit committee held 4 regular meetings and 1 extra meeting to review the Company's disclosure in connected transactions. For the Remuneration and Nominating Committee, there was 1 meeting. Detail of each director attended the concerned committee's meetings as follows;

| Name                            | Meeting attended / Total meeting |                 |                                       |
|---------------------------------|----------------------------------|-----------------|---------------------------------------|
|                                 | Board of Directors               | Audit Committee | Remuneration and Nominating Committee |
| 1. Miss Sriwarin Jirapakkana    | 12/12                            |                 | 1/1                                   |
| 2. Mrs. Achara Chandrachai      | 9/12                             | 5/5             |                                       |
| 3. Mrs. Sutinee Khunwongsa      | 10/12                            | 5/5             | 1/1                                   |
| 4. Mr.Pilastpong Subsermsri     | 12/12                            | 4/5             | 0/1 <sup>(1)</sup>                    |
| 5. Mr. Vichai Chaitaneeyachat   | 12/12                            |                 |                                       |
| 6. Mr. Thitivat Suebsaeng       | 11/12                            |                 |                                       |
| 7. Miss Dalad Saphavichaikul    | 12/12                            |                 |                                       |
| 8. Mr. Bovornrat Darakananda    | 5/11                             |                 |                                       |
| 9. Capt. Supich Sankhagowit RTN | 12/12                            |                 |                                       |

Notes: (1) Mr.Pilastpong Subsermsri appointed Chairman of Nomination and Remuneration Committee on 25 January 2011, after a meeting of the Board Nomination and Remuneration Committee of the 1/2011 dated January 21, 2011

### Members of the Management :

| Name             |                  | Position  |
|------------------|------------------|---|
| 1. Mr. Vichai    | Chaitaneeyachat  | Managing Director                                   |
| 2. Capt. Supich  | Sankhagowit RTN  | Assistant Managing Director                         |
| 3. Mr. Panya     | Chaivichacharn   | Factory Manager                                     |
| 4. Mr. Pruttipan | Chayakul         | General Manager                                     |
| 5. Miss Prayoon  | Sriparam         | Manager, Accounting Division                        |
| 6. Mr. Wuth      | Wuthipong        | Manager, Human Resource Division                    |
| 7. Mr. Somboon   | Chewpreecha      | Manager, General Affairs Division                   |
| 8. Miss Napaporn | Kreingkraiwanich | Manager, Coordination Sales and Production Division |
| 9. Mr. Weeratham | Poochinya        | Manager, Export Sales Division                      |
| 10. Mr. Thana    | Pochanatwong     | Manager, Local Sales Division                       |
| 11. Mr.Suvich    | Normsungnoen     | Manager, Spinning Division                          |
| 12. Mr. Sapon    | Anukul           | Manager, Weaving Division                           |

## Benefits and Remuneration of the Board of Directors and the Management in 2011

### Remunerations in Cash:

(a) Meeting allowances for each member of the Board of Directors;

| Name                            | Board of Directors | Audit Committee | Remuneration and Nominating Committee |
|---------------------------------|--------------------|-----------------|---------------------------------------|
| 1. Miss Sriwarin Jirapakkana    | 72,000             |                 | 6,000                                 |
| 2. Mrs. Achara Chandrachai      | 72,000             | 132,000         |                                       |
| 3. Mrs. Sutinee Khunwongsa      | 72,000             | 120,000         | 6,000                                 |
| 4. Mr. Pilastpong Subsermsri    | 72,000             | 120,000         |                                       |
| 5. Mr. Vichai Chaitaneeyachat   | 72,000             |                 |                                       |
| 6. Mr. Thitivat Suebsaeng       | 72,000             |                 |                                       |
| 7. Miss Dalad Saphthavichaikul  | 72,000             |                 |                                       |
| 8. Mr. Bovornrat Darakananda    | 72,000             |                 |                                       |
| 9. Capt. Supich Sankhagowit RTN | 72,000             |                 |                                       |
| Total                           | 648,000            | 372,000         | 12,000                                |

Note: Resolution from the Shareholders 's Annual General Meeting No 18 approved the remuneration of directors for the year 2011 at the amount not exceeding 1,500,000 Baht per year, and assigned the committee to allocate the appropriate amount of remuneration payment.

(b) Total remunerations in terms of salaries and bonuses for 12 members of the management, amounted to Baht 15.40 million.

### Non-Monetary Remunerations

None

## **Corporate Governance Policy:**

The Board of Directors has given importance to its good governance policy to build up confidence and to ensure its shareholders, investors, stakeholders and all related parties that the Company is an organization with effective management, integrity and business ethics, as well as corporate responsibilities to communities, societies and the environment; therefore, the Board of Directors has applied the principle of good governance for the listed companies of the Stock Exchange of Thailand to its guidelines of corporate governance, as follows:

### **1. Shareholders' Rights:**

The Board of Directors has realized and given importance to the protection of shareholders' rights and facilitation to shareholders relating to the use of their equitable rights; and has therefore determined the policy not to violate or lessen the rights of the Company's shareholders and to promote shareholders' use of their fundamental rights in addition to the right to vote in the shareholders' meetings such as the right to receive equal profit shares/dividends, the right to receive equal treatment from the Company relating to repurchasing of shares, etc.

In 2011, the Company has taken actions relating to protection of rights and facilitation for exercise of rights of shareholders, as follows:

1) Facilitate shareholders in studying criteria and methods of proposing matters to be included in the shareholders' ordinary meeting agenda by disseminating in the Company's website at <http://www.sahaunion.co.th/ut>; and provide shareholders with an opportunity to propose the matters in advance as from December 27th, 2010 until January 31st, 2011, to be included in the agenda of Annual General Meeting of 2011;

2) Provide shareholders with an opportunity to study the data relating to the meeting in advance by disseminating the invitation for the meeting which specifies the Board of Directors' comments in each agenda, including supporting documents according to the meeting agenda, map of the meeting venue and proxy to attend the meeting in order to facilitate the travelling of participants to attend the meeting; or in case of failure to attend the meeting, prepare a proxy (both in Thai and English languages) for independent director or any person, without limitation to being the management or director of the Company, to attend the meeting on shareholders' behalves; whereby, the voting rights under the meeting agenda shall be in accordance with the shareholders' desire, on the Company's website at <http://www.sahaunion.co.th/ut> on March 25th, 2011 for AGM No.18 on April 19th, 2011;

Provided that the Company has assigned Thailand Securities Depository Co., Ltd., to send the invitation for the meeting, including supporting documents and proxy to attend the meeting, to all shareholders as listed in the List of Shareholders on the closing date of the shareholder register of the Company, for at least 7 working days prior to the date of shareholders' meeting.

3) In AGM No.18 convened on April 19th, 2011, at the Conference Room on the 1st Floor of the Head Office Building of Saha-Union Public Co., Ltd., located at No.1828 Sukhumvit Road, Bang Chak Sub-district, Phra Khanong District, Bangkok, there were 8 directors attending the meeting, including member of the audit committee;

- Chairman of the Meeting has announced the shareholders' voting rights (one share per one vote) under the meeting agenda and has allocated the time and opportunities for shareholders to express their opinions, recommendations and to raise questions to the Board of Directors on the Company-related matters; whereas, the method of voting and vote-counting, questions & answers, meeting resolutions, including votes of approval, disapproval and abstention in each meeting agenda shall be recorded in the minutes of the shareholders' meeting and shall be disseminated in the Company's website at <http://www.sahaunion.co.th/ut> on April 26th, 2011;

- Regarding the proposition of agenda relating to the director's remunerations to shareholders for consideration, the Company has disclosed the data of remunerations in terms of meeting allowances of each member of the Board of Directors on Page 15;

- Regarding the casting of votes in the election of directors, the Chairman of the Meeting has provided an opportunity to shareholders to consider and determine the election method as the shareholders' meeting shall think fit;

In this meeting, there was no other agenda unspecified in the invitation for the meeting;

4) Structure of shareholding of the Company

- Page 10 showing the list of top-10 major shareholders on the latest closing date of the shareholder register on April 7th, 2011;
- Page 10 showing the details of shareholding of each director; whereas, the total proportion of shareholding of directors was 0.12%;

## 2. Equal Treatment to Shareholders:

The Company has given importance to equal treatment to all shareholders, including minor shareholders and foreign shareholders; and has therefore determined the policy to prevent the violation of rights of minor shareholders and has prescribed the guidelines thereof, as follows:

In each invitation for the shareholders' meeting, the Company's regulations relating to such meeting shall be attached both in Thai and English languages so that all shareholders shall be notified of definitions, criteria, methods and rights.

- The Company has enclosed a form of proxy together with invitation for the meeting to facilitate shareholders who are unable to attend the meeting in person;
- The Company has treated all shareholders equally relating to the shareholders' meetings as mentioned in Clause 1 of "Corporate Governance";

The Company has its policy to prevent the use of internal data and has issued the rules and regulations covering the matter, i.e., it is forbidden to exercise one's powers and duties or to make use of power and duties of other person for one's own benefits or to help other person in an illegal manner; and all personnel of the Company must perform their work with honesty. Moreover, the Company has determined the degrees of punishments, in case, the above-mentioned disciplines are violated; however, in 2011, no commission of such offences was found.

The Company has prescribed that directors and the management shall be obliged to report the stakeholding and holding of stocks on a yearly basis and shall always report the trading of the Company's shares; whereas, the Company's secretary shall be obliged to keep the reports thereof;

In 2011, the Company has disclosed the data of names and relationship of the related parties, the pricing policy and the value of transactions, including comments of the Board of Directors to the Stock Exchange of Thailand before making the significant related transactions in the category of letting of real property with the term of contract of not exceeding 3 years.

- Page 24 showing the related transactions with the parent companies, affiliated companies and related companies in 2011;
- In 2011, there was no related transaction which may violate/break the rules of the Stock Exchange of Thailand;

## 3. Consideration of the Stakeholders' Roles:

The Company has operated its business and transactions with the awareness that the relationship and good cooperation between the Company and the stakeholders are major factors that will help promote its sustainable growth; and the Company has therefore provided the business integrity to determine the policy and guidelines of treatment to each group of stakeholders, as follows:

### 1. Corporate Social Responsibility (CSR) Policy;

- Operate activities by taking account of impacts on the society and communities by means of conserving the natural resources and protecting the environment as well as improving the results thereof which may cause pollution;
- Duly participate in helping disaster victims and vulnerable groups;
- Duly participate in activities for public benefits in terms of development and social services;

### 2. Occupational Health, Safety and Environment Policy;

- Comply with the rules and regulations of the related authorities;
- Promote and support the carrying out of activities on occupational health, safety and environment both within and outside the operating hours;
- Promote the creation of knowledge and awareness of safety in workplaces and in daily lives among employees at all levels;

### 3. Environmental Management Policy;

- Strictly comply with the authorities' rules and laws in connection with the environment and stipulations of other related organizations as agreed with the Company;

- Continuously improve and develop the systems;
- Control the release/disposal of solid waste by safe and lawful methods which cause minimum environmental impacts;

### 4. Shareholders:

- Treat all shareholders equally and equitably and in accordance with the criteria prescribed by law;
- Respect the shareholders' rights under significant elements of good governance;
- Carry out duties and making decisions to take any action in good faith and in an equitable manner to minor and major shareholders and for the benefits of all related parties;
- Manage the Company's business for prosperity and generating proper returns to shareholders;
- Report the status and operating results of the Company to all shareholders equally, regularly and completely according to the truth;

### 5. Customers:

- Adhere to the operation with honesty and transparency and treating all customers equally;
- Manufacture, deliver and provide products and services to customers with good quality in order to meet the required standard or above expectation;
- Disseminate the correct data relating to products and services to customers;
- The Company has its work units, systems or processes to receive recommendations, opinions or complaints relating to products or other services; whereby, the Company shall take such matters into consideration and shall improve and correct them quickly within a reasonable time;
- Keep the customers' secrets by not disseminating or using them for unlawful benefits of the Company or of others;

### 6. Business Partners:

- Treat all business partners equally and equitably and on the basis of equitable mutual benefits;
- The Company shall not demand or give any benefits other than those specified under the trade agreement; in case, it is found that any benefits are demanded or given in bad faith, the Company shall, in cooperation with business partners, audit the matter of fact and solve the problem completely and quickly;
- Strictly comply with conditions, contracts and agreements made with business partners; in case, the agreements may not be complied in any case whatsoever, the Company shall, in cooperation with business partners, consider and find corrective guidelines immediately;

### 7. Competitors:

- Comply with the rules of good competition;

### 8. Employees:

- Strictly comply with the law and regulations relating to employees;
- Take care of and give importance to development, knowledge transfer and abilities of employees and provide opportunities to employees thoroughly and regularly;
- Give proper remunerations according to the knowledge, ability, responsibility and work performance of each employee; provided that, in 2011, the Company had its activities in connection with stakeholders, which can be summarized, as follows:
  - Help flood victims in cooperation with the Thai Red Cross Society;
  - Organize activities of candle offering and Kathin ceremony in cooperation with the community;
  - Donate articles to schools;
  - Organize activities of big cleaning, killing of mosquitoes and insects in the compound of factories, dormitories and cafeteria;
  - Organize sporting activities for unity with group companies in Bangpu District;
  - Help employees who are flood victims;
  - Being awarded an outstanding workplace in labour relations and welfare for 5 consecutive years (2007-2011), organized by the Department of Labour Protection and Welfare;

#### 4. Disclosure of Data and Transparency:

In addition to the dissemination of data according to the prescribed criteria and through channel of the Stock Exchange of Thailand, Form of Annual Data Disclosure (Form 56-1) and the Annual Report, investors and general interested person can search the Company's data from the Company's website at <http://www.sahaunion.co.th/ut>; or contact the Accounting and Financial Department at Tel. No.02-3231085-87 ext.1113; provided that the Company's secretary shall be obliged to update the Company's data on a regular basis.

#### 5. Responsibilities of the Board of Directors:

##### 5.1 Structure of the Board of Directors;

(a) In AGM No.18 convened on April 19th, 2011, the Meeting has its resolution to establish the Board of Directors, totally 9 persons, consisting of:

- Executive directors, totally 2 persons;
- Non-executive directors, totally 4 persons;
- Independent and audit directors, totally 3 persons (equal to one-third of the total members of the Board of Directors);
- Page 12 showing the name list of the Board of Directors and the Company's secretary ; and the assumption of office as of December 31st, 2011;

(b) Term in office of directors: 3 years;

(c) Qualifications of "independent director": a person who has no common interest with the Company/ subsidiaries/affiliated companies or a juristic person that may have any conflict of interest; and has the qualifications of the audit director/independent director as per the criteria of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand;

(d) The assumption of current office of each director has been disclosed in the Annual Report, pages 4-6;

(e) The Chairman shall not be the same person as the Managing Director; and shall have different powers, duties and responsibilities from the Managing Director;

(f) The Company's secretary shall be responsible for operations as prescribed in the Securities and Exchange Act (No.4) B.E.2551, Section 89/15, Section 89/16, Section 89/17 and Section 89/23;

##### 5.2 Subcommittees;

Subcommittees consist of the Audit Committee, the Nomination and Remuneration Management Committee; whereas, the scope of powers and duties of each committee has been specified on pages 12-13;

- The Audit Committee consists of independent directors and having complete qualifications as per the criteria of the Stock Exchange of Thailand, represented by Emeritus Professor Dr. Achara Chandrachai, the Chairman of the Audit Committee, who has the knowledge and experience in reviewing the financial statements; whereas, details of educational qualifications and experiences of Emeritus Professor Dr. Achara Chandrachai are as specified on page 4;

- Dr. Pilsaphong Sapsermsri, Chairman of the Nomination and Remuneration Management Committee, is an audit director/independent director;

##### 5.3 Roles, duties and responsibilities of the Committee;

(a) Consider and approve significant matters relating to the Company's operations such as visions and missions, strategies, financial goals, risks, work plans and budgets; and supervise the Management to carry out the operations in accordance with policies and prescribed plans effectively and efficiently;

(b) Supervise the Company's business operation in accordance with the principle of good governance;

(c) Promote the provision of business integrity in writing so that directors, the management and all employees can understand the ethical standard applied to the Company's business operation; the Committee has assigned the Internal Audit Office to monitor the operations and to report the same to the Audit Committee;

(d) Supervise for correct and complete compliance with the requirements relating to the processes of operations and disclosure of data of transactions which may have any conflict of interest;

(e) Shall be responsible for the Company's consolidated financial statements and the financial information as appeared in the Annual Report;

(f) Prescribe the risk management policy to be applied to the Company; whereby, the Management shall appoint the Working Group of Risk Management to develop a risk management system of units, as well as activities or processes by preparing a list of risk factors and work plans to prevent or reduce potential risks; provided that the Internal Audit Office shall apply the result of risk management to prepare the audit plan and shall report the audit result to the Managing Director and/or the Audit Committee;

#### 5.4 The Board of Directors' Meetings;

In 2011, the Board of Directors' meetings had been convened once a month, totally 12 times, as scheduled in advance; whereas, in each meeting of the Board of Directors:

- The Chairman and the Managing Director shall jointly consider selecting matters to be included in the Board of Directors' meeting agenda; and each director shall be independent to propose the meeting topics to be included in other agendas;
- The Company's secretary shall submit invitation for the Board of Directors' meeting, together with the meeting agendas and supporting documents to the Board of Directors in order to study the data for 7 days prior to the date of the meeting;
- At least 2 hours shall be spent so that the Management shall propose matters; and directors shall carefully and thoroughly discuss on significant issues; whereas, the Chairman has encouraged all directors to use their careful discretions on these issues; and all directors have paid their attention to all issues to be discussed in the meeting, including the issue of corporate governance;
- The top management shall attend the Board of Directors' meeting to give additional information on issues directly involved with the problem such as marketing situations, supply of raw materials and manufacturing, etc., thus to be used for consideration of the succession plan;
- The Board of Directors may ask for additional and necessary data from the Managing Director or the Company's secretary or other assigned executives within the scope of the prescribed policy;
- Non-executive directors shall be given an opportunity to attend their mutual meeting as may be necessary to discuss on any interesting management-related problems, without the management's attendance; and the Managing Director shall be notified of the meeting results;
- The number of meeting attendances of each director has been specified on Page 14;

#### 5.5 Self-evaluation of the Board of Directors;

The Board of Directors has performed the self-evaluation of 2011 as per the Form of Evaluation of the Corporate Governance Development Center for the Listed Companies of the Stock Exchange of Thailand in comparison to the evaluation results of 2010, as follows:

| <u>Topics of Evaluation</u>                                      | <u>2011</u>   | <u>2010</u>   |
|--|---------------|---------------|
| 1. Structure and qualifications of the Board of Directors;       | 93.89%        | 90.23%        |
| 2. Roles, duties and responsibilities of the Board of Directors; | 86.11%        | 89.02%        |
| 3. The Board of Directors' meeting;                              | 93.40%        | 92.33%        |
| 4. Performance of duties of directors;                           | 89.68%        | 91.56%        |
| 5. Relationship with the management;                             | 92.78%        | 94.09%        |
| 6. Self-development of directors; and executive development;     | 87.50%        | 88.26%        |
| Total Scores:  | <u>89.87%</u> | <u>90.45%</u> |

According to the evaluation results, the Board of Directors has given its comments to review and analyze the meaning of each topic for mutual understanding by spending the time after the Board of Directors' meeting for self-evaluation in the following year.

#### 5.6 Remunerations;

(a) The Nomination and Remuneration Management Committee shall be obliged to consider and fix the remunerations of the Board of Directors within the limit approved by the Shareholders' meeting;

(b) Remunerations of the Managing Director and the top management shall be subject to the workgroup-based salary structure which shall be improved from time to time and in accordance with the principle and policy prescribed by the Board of Directors; whereby, the remuneration levels shall be considered from the operating result of the Company and the work performances of each of the management;

#### 5.7 Development of Directors and Executive Development;

(a) The Board of Directors has promoted and facilitated the organization of training and dissemination of knowledge to people involved with the performance of duties such as DAP curriculum for the Board of Directors; ACP curriculum for the Audit Committee; and the risk management curriculum for executives, etc.;

(b) The Management has prepared documents introducing the nature of business operation and guidelines for business operation and useful data for performance of duties of new directors;

(c) The Managing Director shall report on the Executive Development and Succession Plan;

### 6. Control of Internal Data Use:

The Company has determined its operational guidelines for controlling the disclosure of the confidential information to the third parties that all employees must comply with the regulations relating to the Company's confidentiality; any employee who violates or failing to comply with the same shall be subject to disciplinary actions according to the Company's regulations; and the Company shall assign its directors and executives to report their stakeholding and possession of securities on a yearly basis or upon any changes thereof; and that the Company's secretary shall be obliged to keep the report thereof.

### 7. Personnel:

(a) As of December 31st, 2011, the Company has its employees, totally 724 people, or decreased by 68 people from the year 2010;

(b) There has been no significant labour dispute during the past 3 years;

(c) Total remunerations of employees:

|                                | (Unit: M Baht) |               |
|--------------------------------|----------------|---------------|
|                                | <u>2011</u>    | <u>2010</u>   |
| ● Salary and labour cost;      | 101.92         | 96.84         |
| ● Bonuses;                     | 12.22          | 12.16         |
| ● Provident Fund contribution; | 2.61           | 2.44          |
| Total                          | <u>116.75</u>  | <u>111.44</u> |

(d) Personnel development policy;

The Company has organized suitable training programs for employees at all levels regularly in each year so that all employees shall obtain the required knowledge, expertise and skills for effective performance of duties.

## Social Contribution Activities

Photographs of activities on environment, society, labour relations, religions, education and health of 2011:

### Activities on environmental protection:

- Employees jointly trimmed tree branches in the dormitory's compound to be in an orderly and livable condition;
- Sprayed the insecticide in the compound of the factory and the dormitory on a quarterly basis;

### Activities on social contribution:

- The Company's representatives have given money and articles including consumer goods donated by employees to the Deputy Director of the Thai Red Cross Society in order to help the flood victims;
- The management's representatives have donated articles and consumer goods to the Welfare Committee in order to help the flood victims;

### Activities on labour relations:

- Representative of the Employer and of the employees received the award of outstanding workplace in labour relations and welfare of 2011 from H.E. Phadornchai Sasomsap, the Minister of Labour and Social Welfare at the IMPACT Exhibition & Convention Center, Muang Thong Thani;
- The Employer's representative has taken photographs to congratulate with the Welfare and Labour Relations Committee after the Company had been awarded an outstanding workplace for 5 consecutive years;

### Activities on religions:

- Jointly made merit and offered candles on the Buddhist Lent Day at Wat Sri Chandraram, Bangpu Mai Sub-district, Muang Samut Prakarn District, Samut Prakarn Province;

### Activities on education:

- The Welfare and Labour Relations Committee has given the donated articles on the National Children's Day (January 7th, 2012) to the Principal of Wat Tamru School, Bangpu Mai Sub-district, Muang Samut Prakarn District, Samut Prakarn Province;

### Activities on health:

- Organized an entertaining sport competition to promote employees' exercise (senior male/female football);
- Organized an entertaining sport competition (Pot Smash);



The Company has prepared the regulations of the Audit Committee by determining the duties and responsibilities for review so that the Company shall have appropriate and effective internal control and internal audit systems.

In 2011, the Audit Committee has considered and approved the internal audit plan; acknowledged the audit results and considered the Management's report; and has given recommendations which were beneficial to administration and correction of defects; and has also followed up the result of improvements and has reported the same to the Board of Directors on a quarterly basis.

Moreover, the Audit Committee has discussed with the licensed auditor of Ernst & Young Office Limited, without participation from the Company's management, to acknowledge the auditor's remarks and to give comments on the audit plan to ensure that the processes of preparation and disclosure of data in the financial report are correct, complete and reliable; and the auditor has given the opinions that no material discrepancy was found.

In the Board of Directors' Meeting No.1/2555 convened on January 17th, 2012, the Board of Directors has approved the evaluation result of adequacy of the internal control system of 2011 that the Company had adequate internal control system according to 5 main parts, as follows:

Part 1: The Organization and its Environment;

The Board of Directors has supervised and determined the clear and assessable goals of business operation, which are suitable to the changing business condition and are not motives for employees to act in bad faith.

Regarding the organizational structure, the Company has clearly prescribed the chain of command and has prepared the documents of work procedures, work manuals, including written requirements relating to business integrity, thus, to be used as operational guidelines of directors, executives and employees; moreover, the Company has prescribed that the management and managers at all levels, including employees who are responsible for business transactions with individuals or outside organizations shall sign a certificate of omission from taking any action which may cause any conflict of interest.

Part 2: Risk Management;

The Company has reported in the Board of Directors' meeting relating to the marketing condition, exchange rates and operating results of its affiliated companies; whereas, the Company has prescribed them as the risk factors which may affect its business operation; and when events have occurred, the Company shall analyze and prescribe the operational guidelines and the responsible persons and shall report the progress of operation and the results obtained.

The Company had its risk management at the operational level by appointing the working group of risk management to review activities or internal processes and preparing a list of risk factors and work plans to prevent or reduce potential risks; provided that the Internal Audit Office shall apply the result of risk management to prepare the audit plan and shall report the audit result to the Managing Director and/or the Audit Committee.

Part 3: Executive Operation Control;

The Company has divided the duties and responsibilities relating to approval, transactions recording and supervision of separate storage of assets, clear determination of scope of powers and duties and approval limit of the management at each level in writing. The Company has made transactions with major shareholders, directors, the management or related parties as though such transactions have been made with the third parties; and has proposed the matter to the Audit Committee for consideration before submitting the same for approval in the Board of Directors' meeting.

Part 4 Information System and Communication;

The Company has prepared the data relating to matters to be proposed to the Board of Directors for consideration; moreover, related parties have clarified and answered the inquiries; and opinions or remarks of directors shall be recorded in the minutes of the Board of Directors' meeting.

Regarding the accounting operation, the Company has kept the supporting documents for transactions recording and accounts in sections according to the period prescribed by law; and has also reviewed the accounting policies if they are in accordance with the generally accepted principle of accounting and suitable to the nature of the Company's businesses.

Part 5 Follow-up Systems

The Company has reported the monthly operating result in the Board of Directors' meeting and has also explained and given the corrective guidelines in the event that the operating result failed to meet the targets and it shall be regarded as continued issues which must be corrected and reported to the monthly meeting of directors.

The Company has prescribed that the Internal Audit Office shall be obliged to review the operations and to report the audit result to the Audit Committee directly with recommendations in favour of the business administration and to report the same to the Board of Directors on a quarterly basis.



## Related Party Transaction

In the year 2011, the Company had significant business transactions with related parties as follows;

| Name / Relationship  | Transactions   | Million Baht |      | Pricing policy                         | Need   |
|--|--|--------------|------|--|--|
|  |  | 2011         | 2010 |  |  |
| Saha-Union Plc. / parent company                               | <ul style="list-style-type: none"> <li>Purchases of raw materials</li> </ul>           | 807          | 538  | Cost plus margin of parent company     | Common procurement for group company to ease of negotiation with suppliers regarding price and quantity. |
| TCUA / associated company                                      | <ul style="list-style-type: none"> <li>Sales of goods and raw materials</li> </ul>     | 292          | 246  | Cost plus margin                       | Normal doing business such supply chain.   |
|  | <ul style="list-style-type: none"> <li>Purchase of goods</li> </ul>                    | 2            | 3    | Cost plus margin of associated company | Comply with the joint venture agreement.   |
|  | <ul style="list-style-type: none"> <li>associated company and equipment</li> </ul>     | 4            | -    | Agreed price                           |  |
|  | <ul style="list-style-type: none"> <li>Rental income</li> </ul>                        | 12           | 11   | Contract price                         |  |
|  | <ul style="list-style-type: none"> <li>Other income</li> </ul>                         | 6            | 7    | Contract price                         |  |
| Related companies/ co-directors and SU being major shareholder | <ul style="list-style-type: none"> <li>Sales of goods and raw materials</li> </ul>     | 8            | 10   | Cost plus margin                       | Normal doing business such supply chain.   |
|  | <ul style="list-style-type: none"> <li>Purchases of goods and raw materials</li> </ul> | 11           | 2    | Cost plus margin of related companies  |  |
|  | <ul style="list-style-type: none"> <li>Rental income</li> </ul>                        | 6            | 6    | Contract price                         | Economic benefit on property that is not in use or not suitable for the current company's production.    |
|  | <ul style="list-style-type: none"> <li>Other income</li> </ul>                         | 3            | 2    | Contract price                         |  |

As at 31 December 2011 and 2010, the balances of the accounts between the Company and those related parties are as follows:

|  | (Unit: Thousand Baht) |         |
|--|-----------------------|---------|
|  | 2011                  | 2010    |
| <b>Trade and other receivables - related parties</b> |                       |         |
| Parent company                                       | 700                   | 1,556   |
| Associated company                                   | 8,099                 | 80,139  |
| Related companies (Has common shareholders)          | 753                   | 1,949   |
| Related company (Held by the Company)                | 63                    | 77      |
| Others   | 13                    | 17      |
| Total trade and other receivables - related parties  | 9,628                 | 83,738  |
| <b>Trade and other payables - related parties</b>    |                       |         |
| Parent company                                       | 124,772               | 204,101 |
| Associated company                                   | 128                   | 656     |
| Related companies (Has common shareholders)          | 390                   | 111     |
| Others   | 70                    | 75      |
| Total trade and other payables - related parties     | 125,360               | 204,943 |

Policies or trends in the future related transactions such as normal doing business or under the term of the on-going contracts should be based on fair and agreed between the Company and those related parties and does not cause to transfer benefits.



## *Explanation and Analysis of Financial Status and Operating Results*

### **Overview of the Operating Results:**

Regarding the Company's operating results in 2011 according to the separate financial statements, it showed that the Company had its net profits of 14.70 million Baht, decreased by 462.15 million Baht or 96.92% when compared to the net profits of 476.85 million Baht in 2010; for the financial statements showing investments under the equity method, it revealed that the Company had its net profits of 22.82 million Baht, decreased by 448.54 million Baht or 95.16% when compared to the net profits of 471.35 million Baht in 2010, mainly because the Company has reduced the value of inventory according to the Accounting Standard No.2 Governing the Inventory so that the inventory shall reflect the value not exceeding the net value realizable. As in 2011, the prices of cotton fiber in the world market have been tremendously fluctuated, i.e., the prices have increased in the first half of the year but dramatically decreased in the latter half of the year; and in 2011, the Company had no special transactions from the selling of land unlike those in 2010.

The following report of data shall be an overview of the operating result of the Company from the financial statements showing investments under the equity method:

### **Analysis of the Previous Operating Results:**

#### **Incomes from Sales and Services:**

The Company had its incomes from sales and services amounted to 1,089.13 million Baht, increased by 79.57 million Baht or equal to 7.88% when compared to those in 2010, mainly because in early 2011, prices of cotton tended to increase; as a result, customers' purchase orders of products have increased; and the Company was able to increase the sale prices according to the marketing situation.

#### **Other Incomes:**

The Company had other incomes amounted to 107.59 million Baht, decreased by 558.74 million Baht when compared to those in 2010; the Company had no special transactions from the selling of land unlike those in 2010.

#### **Selling and Administrative Cost and Expense:**

The Company had the cost of sales amounted to 1,065.77 million Baht, increased by 94.76 million Baht or equal to 9.76% when compared to those in 2010.

Cost of sales consisted of:

- Cost of sales and services amounted to 927.34 million Baht;
- Losses from the reduction of value of the inventory amounted to 138.43 million Baht;
- Selling and administrative expenses of 2011 amounted to 63.94 million Baht, decreased by 44.37 million Baht

or equal to 40.97% when compared to those in 2010; the decreasing expenses consisted of:

- Selling expenses, including the export expenses, have decreased by 21.31 million Baht;
- Administrative expenses have decreased by 23.06 million Baht, mainly resulting from the reverse transfer of all

owance for impairment of investments in Union Business Management Co., Ltd., amounted to 20.97 million Baht;

#### **Profit Shares (Losses) from Investments in Affiliated Companies:**

The Company has recognized the profit shares from investments in affiliated companies amounted to 10.32 million Baht, increased by 13.61 million Baht; whereas, the Company has recorded the accounts as per the accounting standard prescribed.

#### **Financial Expenses:**

The Company had the financial expenses including interest expenses amounted to 0.96 million Baht, decreased by 0.21 million Baht or equal to 17.98% because the Company has used less credit limits from financial institutions than those in 2010.

#### **Profit (Loss):**

The Company had the profits before corporate income tax, amounted to 76.37 million Baht, deducted the corporate income tax amounted to 53.55 million Baht; as a result, in 2011, the Company had its net profits amounted to 22.82 million Baht, decreased by 448.54 million Baht when compared to the net profits of 471.35 million Baht in 2010.

In summary, the Company had its net profits of 0.04 Baht/ordinary share, decreased when compared to the net profits of 10.01 Baht/ordinary share in 2010.

## Financial Status:

### Assets:

#### Components of Assets:

As of December 31st, 2011, the Company had its current assets of 430.29 million Baht and non-current assets of 713.18 million Baht; and the total assets of 1,143.47 million Baht, decreased by 223.48 million Baht or equal to 16.35% when compared to those at the end of 2010, consisting of:

- Cash and cash equivalent, decreased by 177.58 million Baht;
- Temporary investments, including Government bonds, decreased by 65.00 million Baht;
- Accounts receivable and other debtors decreased by 139.57 million Baht;
- Net inventory increased by 156.07 million Baht;
- Investments in affiliated companies decreased by 14.16 million Baht;
- Long-term investments increased by 12.72 million Baht;
- Real property for investment decreased by 5.67 million Baht;
- Land, building, machinery and equipment increased by 11.45 million Baht;
- Other assets decreased by 1.74 million Baht including other current assets and non-current assets;

#### Quality of Assets:

As of December 31st, 2011, the balance of accounts receivable and other debtors was 51.77 million Baht or equal to 4.53% of the total assets. Regarding the sale of products to customers in foreign countries, the Company required its customers to open L/C before the delivery of products; however, the Company has prescribed the criteria of allowances for doubtful debts based on the period of overdue payments and the repayment capability of individual debtor. In 2011, there was no accounts receivable with overdue payments; therefore, the Company had no allowances for doubtful debts.

As of December 31st, 2011, the balance of cost-basis net inventory was 517.61 million Baht. The Company has prescribed the criteria of allowances for devaluation of inventory, based on the outstanding period of inventory and according to the Accounting Standard No.2 Governing Inventory, amounted to 151.18 million Baht; as a result, the net inventory was amounted to 366.43 million Baht equal to 32.05% of the total assets, or increased by 128.00 million Baht when compared to those in 2010.

As of December 31st, 2011, transactions of investments of the Company were amounted to 307.52 million Baht without allowance for impairment of investments because the Company has evaluated the quality of investments regularly and found that the fair value of investments have not decreased significantly.

### Liabilities:

As of December 31st, 2011, the Company had its current liabilities of 175.49 million Baht; non-current liabilities of 92.82 million Baht; and the total liabilities of 268.31 million Baht, decreased by 113.77 million Baht or equal to 29.78% when compared to those at the end of 2010. Such changes were in accordance with the ordinary course of business.

The current liabilities consisted of accounts payable and other creditors amounted to 161.93 million Baht, which were paid within the scheduled time; provided that they were in conformity with the acceptance of payments from accounts receivable; and the accrued income taxes were amounted to 2.69 million Baht; moreover, there were other current liabilities amounted to 10.87 million Baht.

Meanwhile, the non-current liabilities consisted of the reserve of long-term benefits of employees amounted to 40.91 million Baht; whereas, the Company has complied with the Accounting Standard No.19 Governing Employee Benefits and Deferred Incomes from Permission of Use of Buildings amounted to 51.91 million Baht.

### Shareholder's Equity:

As of December 31st, 2011, the Company had the shareholder's equity value of 875.16 million Baht, decreased by 109.71 million Baht or equal to 11.14% when compared to those in 2010; and the changing amounts were as follows:

- Other components of the shareholder's equity decreased by 30.53 million Baht;
- Unappropriated retained earnings decreased by 79.18 million Baht;

### Source of Capital:

The Company's capital structure as of December 31st, 2011 consisted of total liabilities amounted to 268.31 million Baht and the shareholder's equity amounted to 875.16 million Baht; and the Company's debt-to-equity ratio was 0.31:1; meanwhile, in 2010, the Company's debt-to-equity ratio was 0.39:1.

## Cash Flow:

Regarding the cash flow statements as of December 31st, 2011, the Company had its cash and cash equivalent of 10.72 million Baht, decreased by 177.58 million Baht when compared to those in 2010.

### **Cash flow from operational activities decreased by 100.40 million Baht;**

The Company had its profits from business operation before changes in assets and liabilities amounted to 228.97 million Baht; transactions of changes in assets and liabilities amounted to 261.10 million Baht; as a result, cash spent on operational activities decreased by 32.12 million Baht; interest expense was amounted to 0.15 million Baht; income tax expense was amounted to 68.13 million Baht, mainly because the accounts receivable and other debtors decreased by 139.65 million Baht; and the inventory increased by 294.21 million Baht.

### **Cash flow from investment activities increased by 25.36 million Baht;**

The Company has received the investments in Government bonds amounted to 65.00 million Baht and received cash from disposition of unused land, building, machinery and equipment amounted to 8.93 million Baht; received the dividend from other long-term investments amounted to 1.75 million Baht; and spent money on purchasing the machinery and equipment amounted to 50.32 million Baht.

### **Cash flow from financing activities decreased by 102.54 million Baht;**

The Company repaid the bank overdraft and short-term loans from financial institutions amounted to 0.54 million Baht; and paid the last installment of dividend of 2010 amounted to 102 million Baht.

## **Liquidity:**

The Company had its satisfactory overall liquidity when considering from significant financial ratios, as follows:

- Liquidity ratio: 2.45 times;
- Quick ratio: 0.28 times;
- Inventory turnover: 3.70 times;
- Average collection period: 35 days;

## **Investment Expense:**

In 2011, the Company had its investment expense relating to its purchase of machinery and equipment amounted to 50.32 million Baht.

## **Main Factors and Influences Potentially Affecting the Operation or Financial Status in the Future:**

At present, the Company is able to operate its businesses continuously; however, there are main factors and influences potentially affecting the operation or financial status in the future such as:

- The Accounting Standard No.12 Governing Income Tax (which shall be applicable to the accounting period commencing on or after January 1st, 2013) has required that businesses must specify temporary differences occurred from the differences of the value of assets and liabilities between the accounting and taxation criteria in order to recognize the taxation impacts as assets or liabilities of deferred income tax as prescribed;
- The nature of problem relating to raw materials of which prices were significantly fluctuated and limitations on the required quantity and hand-over period which resulted from variability of the weather; and demands of major importing countries which had the influences on the world market prices;
- Business operation abilities of customers who will recover from impacts of European financial crisis and severe and more frequent natural disasters;

## **Remuneration of the Auditor:**

### **(a) Audit Fee;**

The Company's auditor of 2011 was Mr. Narong Pantawong or Mr. Supachai Panyawattano or Miss Siraporn Euranankul of Ernst & Young Office Limited, with remuneration for audit of financial statements amounted to 470,000 Baht; and expense for review of the Company's interim financial statements for 3 quarters was amounted to 360,000 Baht; expense for review of affiliated companies' interim financial statements for 3 quarters was amounted to 90,000 Baht; in total, the audit fee was amounted to 920,000 Baht/year. The Company has paid no other audit fee to the auditor or related parties or businesses of the auditor and the audit office of such auditor.

### **(b) Non-Audit Fee;**

The Company has not paid any non-audit fee other than those mentioned above; and there was no other unfinished service works that the Company must have paid to the auditor or the said audit office in the following year.



## Report of the Audit Committee

### To Shareholders:

The Audit Committee consists of 3 independent directors, i.e., Emeritus Professor Dr. Achara Chandrachai, the Chairman of the Audit Committee; Mrs. Suthinee Khunwongsa and Dr. Pilasphong Sapsermsri, the audit directors. In 2011, the Audit Committee has convened 5 meetings and has discussed with the management, the internal auditor and the auditor on the related matters; and has performed their duties, which can be summarized, as follows:

1. Review of Financial Work: The Audit Committee has reviewed the quarterly financial statements and the financial statements of 2011 in conjunction with the management and the Internal Audit Office by inviting the auditor to attend all meetings which the quarterly financial statements and the annual financial statements shall be reported, thus, to ensure that the financial statements have been prepared in accordance with the generally accepted accounting standard and with the criteria of the Stock Exchange of Thailand; moreover, the Audit Committee has also convened a meeting with the Auditor without the management's attendance in order to discuss freely on the Auditor's remarks and to give comments to the audit plan of the Auditor;

2. Review of Corporate Governance: The Audit Committee has reviewed the data relating to the compliance with the business integrity of the Company in writing and found that the Company's directors, the management and employees have operated the business with integrity and had no problem relating to the code of conduct;

3. Review of the Risk Management: The Audit Committee has reviewed the risk management of the Company according to the guidelines of risk management of the Working Group of Risk Management so that the result of risk assessment shall be used for planning of internal monitoring;

4. Review of Internal Control and Internal Audit: The Audit Committee has reviewed, considered and approved the annual internal audit plan and evaluated the adequacy of the internal control system in conjunction with the auditor and the internal auditor and found that the Company's internal control has been adequate and effective; and has also given recommendations which are beneficial to improvement of efficiency of the internal control system;

5. Review of Related Transactions: The Audit Committee has considered and given its comments on the entry into related transactions by taking account of the Company's interest, transparency and equitable treatment to all shareholders and without any transfer of interest, thus, to ensure that the Company has operated in accordance with the normal business conditions and has disclosed the data completely and adequately;

6. Self-Evaluation: The Audit Committee has evaluated the individual work performances (of oneself and of other directors); and has evaluated the committee as a whole under the Charter of the Audit Committee and in accordance with the operational guidelines of the Stock Exchange of Thailand; whereas, according to the said evaluation result, the Audit Committee has completely operated its work under the scope, duties and responsibilities assigned by the Board of Directors;

7. Consideration and Appointment of the Auditor of 2011: The Audit Committee has considered and approved to submit the matter to the Board of Directors to be approved by the Shareholders' meeting relating to the appointment of Ernst & Young Office Limited as the Company's auditor of 2011;

In summary, the Audit Committee has continuously given its importance to the internal control so that the Company shall have its good corporate governance and proper and adequate internal control in compliance with the law, rules and regulations relating to the Company's business operation.

On behalf of the Audit Committee

(Emeritus Professor Dr. Achara Chandrachai)  
Chairman of the Audit Committee



## *Board of Directors' Responsible Report on the Financial Statement*

The Board of Directors shall assume the full responsibilities for all financial statements of the company and financial information appeared in the annual report. The financial statements were prepared in accordance with generally accepted accounting standards in Thailand, while the company applied appropriate accounting policies, with careful consideration and estimates and also revealed important information in Notes to Financial Statements.

The Board of Directors has maintained the effective internal control system to reasonably ensure that the recording of accounting information was correct, complete, and enough to maintain the assets and to realize the weakness to prevent from any corruption or abnormal operations significantly.

For this purpose, the Board of Directors has appointed the Audit Committee comprising independent directors and non-executive directors responsible for the quality of financial reports and the internal control system. Comments made by the Audit Committee on this subject are listed in the Annual Report.

The Board of Directors concluded that the company's overall internal control system was satisfactory and adequate to give credibility to the financial statements of the company as of December 31st, 2011.

On behalf of the Board of Directors

(Miss Sriwarin Jirapakkana)  
Chairman

(Mr. Vichai Chaitaneeyachai)  
Managing Director

## **Report of Independent Auditor**

### **To the Shareholders of Union Textile Industries Public Company Limited**

I have audited the accompanying statement of financial position in which the equity method is applied of Union Textile Industries Public Company Limited as at 31 December 2011, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and have also audited the separate financial statements of Union Textile Industries Public Company Limited for the same year. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements in which the equity method is applied and the separate financial statements of Union Textile Industries Public Company Limited for the year ended 31 December 2010 were audited in accordance with generally accepted auditing standards by another auditor of our firm, who expressed an unqualified opinion on those financial statements under his report dated 16 February 2011.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Textile Industries Public Company Limited, as at 31 December 2011, the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 3 to the financial statements. During the current year, the Company adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of its financial statements. The Company has restated the financial statements as at 31 December 2010 and for the year then ended to reflect the changes in accounting policies resulting from the adoption of those accounting standards.



**Narong Puntawong**

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited  
Bangkok: 21 February 2012



|                                     | Note | Financial statements                  |                      | Separate financial statements |                      |
|-------------------------------------|------|---------------------------------------|----------------------|-------------------------------|----------------------|
|                                     |      | in which the equity method is applied |                      |                               |                      |
|                                     |      | 2011                                  | 2010                 | 2011                          | 2010                 |
|                                     |      |                                       | (Restated)           |                               | (Restated)           |
| <b>Assets</b>                       |      |                                       |                      |                               |                      |
| <b>Current assets</b>               |      |                                       |                      |                               |                      |
| Cash and cash equivalents           | 9    | 10,722,526                            | 188,303,518          | 10,722,526                    | 188,303,518          |
| Current investment                  |      | -                                     | 65,000,000           | -                             | 65,000,000           |
| Trade and other receivables         | 10   | 51,767,832                            | 191,335,331          | 51,767,832                    | 191,335,331          |
| Inventories                         | 11   | 366,430,943                           | 210,357,843          | 366,430,943                   | 210,357,843          |
| Other current assets                |      | 1,368,200                             | 3,081,983            | 1,368,200                     | 3,081,983            |
| <b>Total current assets</b>         |      | <b>430,289,501</b>                    | <b>658,078,675</b>   | <b>430,289,501</b>            | <b>658,078,675</b>   |
| <b>Non-current assets</b>           |      |                                       |                      |                               |                      |
| Investments in associated companies | 12   | 182,125,338                           | 196,284,701          | 211,247,100                   | 211,247,100          |
| Other long-term investments         | 13   | 125,399,300                           | 112,681,661          | 125,399,300                   | 112,681,661          |
| Investment properties               | 14   | 52,885,144                            | 58,551,474           | 52,885,144                    | 58,551,474           |
| Property, plant and equipment       | 15   | 352,416,934                           | 340,968,274          | 352,416,934                   | 340,968,274          |
| Other non-current assets            |      | 357,870                               | 385,870              | 357,869                       | 385,869              |
| <b>Total non-current assets</b>     |      | <b>713,184,586</b>                    | <b>708,871,980</b>   | <b>742,306,347</b>            | <b>723,834,378</b>   |
| <b>Total assets</b>                 |      | <b>1,143,474,087</b>                  | <b>1,366,950,655</b> | <b>1,172,595,848</b>          | <b>1,381,913,053</b> |

The accompanying notes are an integral part of the financial statements.



|  |      | Financial statements                  |                    |                               |                    |
|--|------|---------------------------------------|--------------------|-------------------------------|--------------------|
|  |      | in which the equity method is applied |                    | Separate financial statements |                    |
|  | Note | 2011                                  | 2010<br>(Restated) | 2011                          | 2010<br>(Restated) |
| Liabilities and shareholders' equity         |      |                                       |                    |                               |                    |
| Current liabilities                          |      |                                       |                    |                               |                    |
| Bank overdrafts                              | 16   | 6,836                                 | 545,139            | 6,836                         | 545,139            |
| Trade and other payables                     | 17   | 161,933,421                           | 263,109,700        | 161,933,421                   | 263,109,700        |
| Corporate income tax payable                 |      | 2,694,041                             | 17,268,249         | 2,694,041                     | 17,268,249         |
| Other current liabilities                    |      | 10,855,313                            | 6,701,634          | 10,855,313                    | 6,701,634          |
| Total current liabilities                    |      | 175,489,611                           | 287,624,722        | 175,489,611                   | 287,624,722        |
| Non-current liabilities                      |      |                                       |                    |                               |                    |
| Provision for long-term employee benefits    | 18   | 40,911,807                            | 38,079,994         | 40,911,807                    | 38,079,994         |
| Deferred income from use of plants           | 14   | 51,911,234                            | 56,377,900         | 51,911,234                    | 56,377,900         |
| Total non-current liabilities                |      | 92,823,041                            | 94,457,894         | 92,823,041                    | 94,457,894         |
| Total liabilities                            |      | 268,312,652                           | 382,082,616        | 268,312,652                   | 382,082,616        |
| Shareholders' equity                         |      |                                       |                    |                               |                    |
| Share capital                                |      |                                       |                    |                               |                    |
| Registered                                   |      |                                       |                    |                               |                    |
| 15,000,000 preference shares of Baht 10 each | 19   | 150,000,000                           | 150,000,000        | 150,000,000                   | 150,000,000        |
| 45,000,000 ordinary shares of Baht 10 each   |      | 450,000,000                           | 450,000,000        | 450,000,000                   | 450,000,000        |
|  |      | 600,000,000                           | 600,000,000        | 600,000,000                   | 600,000,000        |
| Issued and fully paid                        |      |                                       |                    |                               |                    |
| 15,000,000 preference shares of Baht 10 each | 19   | 150,000,000                           | 150,000,000        | 150,000,000                   | 150,000,000        |
| 45,000,000 ordinary shares of Baht 10 each   |      | 450,000,000                           | 450,000,000        | 450,000,000                   | 450,000,000        |
| Retained earnings                            |      |                                       |                    |                               |                    |
| Appropriated - statutory reserve             | 20   | 150,000,000                           | 150,000,000        | 150,000,000                   | 150,000,000        |
| Unappropriated (deficits)                    |      | 71,278,229                            | 150,461,968        | 140,723,696                   | 228,020,937        |
| Other components of shareholders' equity     |      | 53,883,206                            | 84,406,071         | 13,559,500                    | 21,809,500         |
| Total shareholders' equity                   |      | 875,161,435                           | 984,868,039        | 904,283,196                   | 999,830,437        |
| Total liabilities and shareholders' equity   |      | 1,143,474,087                         | 1,366,950,655      | 1,172,595,848                 | 1,381,913,053      |

The accompanying notes are an integral part of the financial statements.

|  | Note | Financial statements                  |                      | Separate financial statements |                      |
|--|------|---------------------------------------|----------------------|-------------------------------|----------------------|
|  |      | in which the equity method is applied |                      |                               |                      |
|  |      | 2011                                  | 2010<br>(Restated)   | 2011                          | 2010<br>(Restated)   |
| <b>Revenues</b>  |      |                                       |                      |                               |                      |
| Sales and services income                                    |      | 1,089,134,304                         | 1,009,560,330        | 1,089,134,304                 | 1,009,560,330        |
| Other income   |      |                                       |                      |                               |                      |
| Sales of scrap   |      | 47,169,128                            | 40,069,002           | 47,169,128                    | 40,069,002           |
| Gains on sales of property, plant and equipment              |      | 6,342,600                             | 548,617,967          | 6,342,600                     | 548,617,967          |
| Rental income  |      | 18,073,065                            | 17,638,421           | 18,073,065                    | 17,638,421           |
| Exchange gains   |      | 14,709,300                            | 33,338,972           | 14,709,300                    | 33,338,972           |
| Dividend income  | 13   | 1,750,000                             | 5,660,000            | 1,750,000                     | 5,660,000            |
| Others   |      | 19,549,949                            | 21,009,617           | 21,754,250                    | 23,213,917           |
| <b>Total revenues</b>  |      | <b>1,196,728,346</b>                  | <b>1,675,894,309</b> | <b>1,198,932,647</b>          | <b>1,678,098,609</b> |
| <b>Expenses</b>  |      |                                       |                      |                               |                      |
| Cost of sales and services                                   |      | 927,344,766                           | 973,255,519          | 927,344,766                   | 973,255,519          |
| Losses on diminution in value of inventories (reversal) 11   |      | 138,428,025                           | (2,246,115)          | 138,428,025                   | (2,246,115)          |
| Total cost of sales and services                             |      | 1,065,772,791                         | 971,009,404          | 1,065,772,791                 | 971,009,404          |
| Selling expenses   |      | 23,650,212                            | 44,957,032           | 23,650,212                    | 44,957,032           |
| Administrative expenses                                      | 13   | 40,289,269                            | 63,353,457           | 40,289,269                    | 63,353,457           |
| <b>Total expenses</b>  |      | <b>1,129,712,272</b>                  | <b>1,079,319,893</b> | <b>1,129,712,272</b>          | <b>1,079,319,893</b> |
| <b>Profit before share of profit (loss) from investments</b> |      |                                       |                      |                               |                      |
| <b>in associated companies, finance costs and</b>            |      |                                       |                      |                               |                      |
| <b>corporate income tax</b>                                  |      | 67,016,074                            | 596,574,416          | 69,220,375                    | 598,778,716          |
| Share of profit (loss) from investments in associates 12     |      | 10,317,803                            | (3,290,741)          | -                             | -                    |
| <b>Profit before finance cost and corporate income tax</b>   |      | <b>77,333,877</b>                     | <b>593,283,675</b>   | <b>69,220,375</b>             | <b>598,778,716</b>   |
| Finance costs  |      | (963,770)                             | (1,174,994)          | (963,770)                     | (1,174,994)          |
| <b>Profit before corporate income tax</b>                    |      | <b>76,370,107</b>                     | <b>592,108,681</b>   | <b>68,256,605</b>             | <b>597,603,722</b>   |
| Corporate income tax   | 22   | (53,553,846)                          | (120,754,812)        | (53,553,846)                  | (120,754,812)        |
| <b>Profit for the year</b>                                   |      | <b>22,816,261</b>                     | <b>471,353,869</b>   | <b>14,702,759</b>             | <b>476,848,910</b>   |
| <b>Basic earnings (loss) per share</b>                       | 23   |                                       |                      |                               |                      |
| Profit (loss)  |      | 0.04                                  | 10.01                | (0.14)                        | 10.13                |

The accompanying notes are an integral part of the financial statements.

|  | Financial statements                  |             | Separate financial statements |             |
|--|---------------------------------------|-------------|-------------------------------|-------------|
|  | in which the equity method is applied |             |                               |             |
| Note   | 2011                                  | 2010        | 2011                          | 2010        |
|  |                                       | (Restated)  |                               | (Restated)  |
| <b>Profit for the year</b>                                       | 22,816,261                            | 471,353,869 | 14,702,759                    | 476,848,910 |
| <b>Other comprehensive income :</b>                              |                                       |             |                               |             |
| Gain (loss) on change in value of available-for-sale investments |                                       |             |                               |             |
| Available-for-sale securities of the Company                     | (8,250,000)                           | 18,200,000  | (8,250,000)                   | 18,200,000  |
| Available-for-sale securities of the associated company          | (22,272,865)                          | 49,302,931  | -                             | -           |
| <b>Other comprehensive income for the year</b>                   | (30,522,865)                          | 67,502,931  | (8,250,000)                   | 18,200,000  |
| <b>Total comprehensive income for the year</b>                   | (7,706,604)                           | 538,856,800 | 6,452,759                     | 495,048,910 |

The accompanying notes are an integral part of the financial statements.

Financial statements in which the equity method is applied

|  | Issued and paid-up share capital |                    | Retained earnings                   |                             | Other components -<br>other comprehensive income                           |  | Total<br>shareholders'<br>equity |
|--|----------------------------------|--------------------|-------------------------------------|-----------------------------|--|--|----------------------------------|
|  |                                  |                    |                                     |                             | Surplus (deficit) on changes in value of<br>Available-for-sale investments |  |                                  |
|  |                                  |                    |                                     |                             | Available-for-sale<br>investments  | Available-for-sale<br>investments of the |                                  |
|  | Preference<br>shares             | Ordinary<br>shares | Appropriated -<br>statutory reserve | Unappropriated<br>(deficit) | of the<br>Company  | associated<br>company                    |                                  |
| <b>Balance as at 31 December 2009</b>  |                                  |                    |                                     |                             |  |  |                                  |
| - as previously reported   | 150,000,000                      | 450,000,000        | 108,535,525                         | (73,066,691)                | 3,609,500  | 13,293,640                               | 652,371,974                      |
| Cumulative effect of the change in accounting policy for<br>employee benefits (Note 5) | -                                | -                  | -                                   | 639,265                     | -  | -  | 639,265                          |
| <b>Balance as at 31 December 2009</b>  |                                  |                    |                                     |                             |  |  |                                  |
| - as restated  | 150,000,000                      | 450,000,000        | 108,535,525                         | (72,427,426)                | 3,609,500  | 13,293,640                               | 653,011,239                      |
| Total comprehensive income   |                                  |                    |                                     |                             |  |  |                                  |
| for the year (restated)  | -                                | -                  | -                                   | 471,353,869                 | 18,200,000   | 49,302,931                               | 538,856,800                      |
| Dividend paid (Note 24)  | -                                | -                  | -                                   | (207,000,000)               | -  | -  | (207,000,000)                    |
| Unappropriated retained earnings transferred   |                                  |                    |                                     |                             |  |  |                                  |
| to statutory reserve   | -                                | -                  | 41,464,475                          | (41,464,475)                | -  | -  | -                                |
| <b>Balance as at 31 December 2010</b>  |                                  |                    |                                     |                             |  |  |                                  |
| - as restated  | 150,000,000                      | 450,000,000        | 150,000,000                         | 150,461,968                 | 21,809,500   | 62,596,571                               | 984,868,039                      |
| <b>Balance as at 31 December 2010</b>  |                                  |                    |                                     |                             |  |  |                                  |
| - as previously reported   | 150,000,000                      | 450,000,000        | 150,000,000                         | 154,290,111                 | 21,809,500   | 62,596,571                               | 988,696,182                      |
| Cumulative effect of the change in accounting policy for<br>employee benefits (Note 5) | -                                | -                  | -                                   | (3,828,143)                 | -  | -  | (3,828,143)                      |
| <b>Balance as at 31 December 2010</b>  |                                  |                    |                                     |                             |  |  |                                  |
| - as restated  | 150,000,000                      | 450,000,000        | 150,000,000                         | 150,461,968                 | 21,809,500   | 62,596,571                               | 984,868,039                      |
| Dividend paid (Note 24)  | -                                | -                  | -                                   | (102,000,000)               | -  | -  | (102,000,000)                    |
| Total comprehensive income for the year  | -                                | -                  | -                                   | 22,816,261                  | (8,250,000)  | (22,272,865)                             | (7,706,604)                      |
| <b>Balance as at 31 December 2011</b>  | 150,000,000                      | 450,000,000        | 150,000,000                         | 71,278,229                  | 13,559,500   | 40,323,706                               | 875,161,435                      |

The accompanying notes are an integral part of the financial statements.



# **Statements of changes** in shareholders' equity (continued)

For the years ended 31 December 2011 and 2010 Unit : Baht

## Separate financial statements

|  | Issued and paid-up share capital |                    | Retained earnings                   |                             | Other components -<br>other comprehensive income   | Total<br>shareholders'<br>equity |
|--|----------------------------------|--------------------|-------------------------------------|-----------------------------|--|----------------------------------|
|  | Preference<br>shares             | Ordinary<br>shares | Appropriated -<br>statutory reserve | Unappropriated<br>(deficit) | Surplus (deficit) on changes<br>in value of investments in<br>Available-for-sale investments<br>of the company |                                  |
| <b>Balance as at 31 December 2009</b>  |                                  |                    |                                     |                             |  |                                  |
| - as previously reported   | 150,000,000                      | 450,000,000        | 108,535,525                         | (3,114,094)                 | 3,609,500  | 709,030,931                      |
| Cumulative effect of the change in accounting policy for<br>employee benefits (Note 5) | -                                | -                  | -                                   | 2,750,596                   | -  | 2,750,596                        |
| <b>Balance as at 31 December 2009</b>  |                                  |                    |                                     |                             |  |                                  |
| - as restated  | 150,000,000                      | 450,000,000        | 108,535,525                         | (363,498)                   | 3,609,500  | 711,781,527                      |
| Total comprehensive income   |                                  |                    |                                     |                             |  |                                  |
| for the year (restated)  | -                                | -                  | -                                   | 476,848,910                 | 18,200,000   | 495,048,910                      |
| Dividend paid (Note 24)  | -                                | -                  | -                                   | (207,000,000)               | -  | (207,000,000)                    |
| Unappropriated retained earnings transferred   |                                  |                    |                                     |                             |  |                                  |
| to statutory reserve   | -                                | -                  | 41,464,475                          | (41,464,475)                | -  | -                                |
| <b>Balance as at 31 December 2010</b>  |                                  |                    |                                     |                             |  |                                  |
| - as restated  | 150,000,000                      | 450,000,000        | 150,000,000                         | 228,020,937                 | 21,809,500   | 999,830,437                      |
| <b>Balance as at 31 December 2010</b>  |                                  |                    |                                     |                             |  |                                  |
| - as previously reported   | 150,000,000                      | 450,000,000        | 150,000,000                         | 230,657,138                 | 21,809,500   | 1,002,466,638                    |
| Cumulative effect of the change in accounting policy for<br>employee benefits (Note 5) | -                                | -                  | -                                   | (2,636,201)                 | -  | (2,636,201)                      |
| <b>Balance as at 31 December 2010</b>  |                                  |                    |                                     |                             |  |                                  |
| - as restated  | 150,000,000                      | 450,000,000        | 150,000,000                         | 228,020,937                 | 21,809,500   | 999,830,437                      |
| Dividend paid (Note 24)  | -                                | -                  | -                                   | (102,000,000)               | -  | (102,000,000)                    |
| Total comprehensive income for the year  | -                                | -                  | -                                   | 14,702,759                  | (8,250,000)  | 6,452,759                        |
| <b>Balance as at 31 December 2011</b>  | 150,000,000                      | 450,000,000        | 150,000,000                         | 140,723,696                 | 13,559,500   | 904,283,196                      |

The accompanying notes are an integral part of the financial statements.

|  | Financial statements<br>in which the equity method is applied |                    | Separate financial statements |                    |
|--|---|--------------------|-------------------------------|--------------------|
|  | 2011  | 2010<br>(Restated) | 2011                          | 2010<br>(Restated) |
| <b>Cash flows from operating activities</b>  |   |                    |                               |                    |
| Profit before tax  | 76,370,107  | 592,108,681        | 68,256,605                    | 597,603,722        |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: |   |                    |                               |                    |
| Depreciation   | 52,085,563  | 45,695,934         | 52,085,563                    | 45,695,934         |
| Decrease of inventory to net realisable value (reversal)   | 138,428,025   | (2,246,115)        | 138,428,025                   | (2,246,115)        |
| Gains on sales of property, plant and equipment  | (6,342,600)   | (548,617,967)      | (6,342,600)                   | (548,617,967)      |
| Reversal of allowance for impairment loss on investment  | (20,967,639)  | -                  | (20,967,639)                  | -                  |
| Share of (profit) loss from investments in associated companies                                      | (10,317,803)  | 3,290,741          | -                             | -                  |
| Unrealised gains on exchange   | (77,736)  | (3,977,466)        | (77,736)                      | (3,977,466)        |
| Recognition of deferred income from use of plants  | (2,262,365)   | (2,262,365)        | (4,466,666)                   | (4,466,666)        |
| Provision for long-term employee benefits  | 3,662,138   | 3,876,990          | 3,662,138                     | 3,876,990          |
| Dividend from other long-term investments  | (1,750,000)   | (5,660,000)        | (1,750,000)                   | (5,660,000)        |
| Interest expenses  | 145,687   | 23,880             | 145,687                       | 23,880             |
| Profit from operating activities before changes in operating assets and liabilities                  | 228,973,377   | 2,232,313          | 228,973,377                   | 82,232,312         |
| Operating assets (increase) decrease   |   |                    |                               |                    |
| Trade and other receivables  | 139,649,670   | (43,056,374)       | 139,649,670                   | (43,056,374)       |
| Inventories  | (294,213,262)   | (29,948,148)       | (294,213,262)                 | (29,948,148)       |
| Other current assets   | 1,713,783   | (659,812)          | 1,713,783                     | (659,812)          |
| Other non-current assets   | 28,000  | (66,090)           | 28,000                        | (66,089)           |
| Operating liabilities increase (decrease)  |   |                    |                               |                    |
| Trade and other payables   | (101,180,714)   | 151,831,181        | (101,180,714)                 | 151,831,181        |
| Other current liabilities  | (6,272,582)   | 6,118,773          | (6,272,582)                   | 6,118,773          |
| Provision for long-term employee benefits  | (830,325)   | (1,428,357)        | (830,325)                     | (1,428,357)        |
| Cash from (used in) operating activities   | (32,132,053)  | 165,023,486        | (32,132,053)                  | 165,023,486        |
| Cash paid for interest expenses  | (145,687)   | (23,880)           | (145,687)                     | (23,880)           |
| Cash paid for corporate income tax   | (68,128,054)  | (103,486,563)      | (68,128,054)                  | (103,486,563)      |
| <b>Net cash flows from (used in) operating activities</b>  | <b>(100,405,794)</b>  | <b>61,513,043</b>  | <b>(100,405,794)</b>          | <b>61,513,043</b>  |

The accompanying notes are an integral part of the financial statements.



|   | <b>Financial statements</b>                  |                      | <b>Separate financial statements</b> |                      |
|---|--|----------------------|--------------------------------------|----------------------|
|   | <b>in which the equity method is applied</b> |                      |                                      |                      |
|   | <b>2011</b>                                  | <b>2010</b>          | <b>2011</b>                          | <b>2010</b>          |
|   |  | (Restated)           |                                      | (Restated)           |
| <b>Cash flows from investing activities</b>                 |  |                      |                                      |                      |
| (Increase) decrease in current investments                  | 65,000,000                                   | (65,000,000)         | 65,000,000                           | (65,000,000)         |
| Acquisition of property, plant and equipment                | (50,317,250)                                 | (31,612,964)         | (50,317,250)                         | (31,612,964)         |
| Proceeds from sales of property, plant and equipment        | 8,930,355                                    | 396,970,753          | 8,930,355                            | 396,970,753          |
| Dividend from other long-term investments                   | 1,750,000                                    | 5,660,000            | 1,750,000                            | 5,660,000            |
| <b>Net cash from investing activities</b>                   | <b>25,363,105</b>                            | <b>306,017,789</b>   | <b>25,363,105</b>                    | <b>306,017,789</b>   |
| <b>Cash flows from financing activities</b>                 |  |                      |                                      |                      |
| Increase (decrease) in bank overdraft                       | (538,303)                                    | 252,512              | (538,303)                            | 252,512              |
| Dividend paid   | (102,000,000)                                | (207,000,000)        | (102,000,000)                        | (207,000,000)        |
| <b>Net cash used in financing activities</b>                | <b>(102,538,303)</b>                         | <b>(206,747,488)</b> | <b>(102,538,303)</b>                 | <b>(206,747,488)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(177,580,992)</b>                         | <b>160,783,344</b>   | <b>(177,580,992)</b>                 | <b>160,783,344</b>   |
| Cash and cash equivalents at beginning of year              | 188,303,518                                  | 27,520,174           | 188,303,518                          | 27,520,174           |
| <b>Cash and cash equivalents at end of year</b>             | <b>10,722,526</b>                            | <b>188,303,518</b>   | <b>10,722,526</b>                    | <b>188,303,518</b>   |
| <b>Supplement cash flows information:</b>                   |  |                      |                                      |                      |
| Non cash-transaction  |  |                      |                                      |                      |
| Transferred spare parts to be equipment during the year     | 10,138,398                                   | 4,904,254            | 10,138,398                           | 4,904,254            |

The accompanying notes are an integral part of the financial statements.

## 1. Corporate information

Union Textile Industries Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. Its parent company is Saha-Union Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of textiles. The Company's registered addresses are as follows:

Head office: 1828 Sukhumvit Road, Bangchak Sub District, Phrakanong District, Bangkok

Branch: 205 Moo 4, Sukhumvit Road (Km. 39.5), Tambol Bangpoo Mai, Amphur Muang Samutprakarn, Samutprakarn.

## 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

- 2.2 The separate financial statements, which present investments in associated companies under the cost method, have been prepared solely for the benefit of the public.

## 3. Adoption of new accounting standards during the year

During the current year, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

|                       |   |
|-----------------------|---|
| TAS 1 (revised 2009)  | Presentation of Financial Statements                            |
| TAS 2 (revised 2009)  | Inventories   |
| TAS 7 (revised 2009)  | Statement of Cash Flows   |
| TAS 8 (revised 2009)  | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 (revised 2009) | Events after the Reporting Period                               |
| TAS 11 (revised 2009) | Construction Contracts  |
| TAS 16 (revised 2009) | Property, Plant and Equipment                                   |
| TAS 17 (revised 2009) | Leases  |
| TAS 18 (revised 2009) | Revenue   |
| TAS 19                | Employee Benefits   |
| TAS 23 (revised 2009) | Borrowing Costs   |
| TAS 24 (revised 2009) | Related Party Disclosures                                       |
| TAS 26                | Accounting and Reporting by Retirement Benefit Plans            |
| TAS 27 (revised 2009) | Consolidated and Separate Financial Statements                  |
| TAS 28 (revised 2009) | Investments in Associates                                       |
| TAS 29                | Financial Reporting in Hyperinflationary Economies              |
| TAS 31 (revised 2009) | Interests in Joint Ventures                                     |

|                       |  |
|-----------------------|--|
| TAS 33 (revised 2009) | Earnings per Share                                       |
| TAS 34 (revised 2009) | Interim Financial Reporting                              |
| TAS 36 (revised 2009) | Impairment of Assets                                     |
| TAS 37 (revised 2009) | Provisions, Contingent Liabilities and Contingent Assets |
| TAS 38 (revised 2009) | Intangible Assets  |
| TAS 40 (revised 2009) | Investment Property                                      |

Financial reporting standards:

|                       |  |
|-----------------------|--|
| TFRS 2                | Share-Based Payment  |
| TFRS 3 (revised 2009) | Business Combinations  |
| TFRS 5 (revised 2009) | Non-current Assets Held for Sale and Discontinued Operations |
| TFRS 6                | Exploration for and Evaluation of Mineral Resources          |

Financial Reporting Standard Interpretations:

|          |  |
|----------|--|
| TFRIC 15 | Agreements for the Construction of Real Estate |
|----------|--|

Accounting Standard Interpretations:

|        |  |
|--------|--|
| SIC 31 | Revenue-Barter Transactions Involving Advertising Services |
|--------|--|

These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

### **TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits or liabilities arising from other defined benefit plans or post-employment benefits using actuarial techniques. The Company previously accounted for such employee benefits by reference to the provisions of labour laws and the Company's personnel regulations, and determined the liability based upon the probability that employees in each age group would work until reaching their retirement age.

The Company has changed this accounting policy in the current year and recognised the liability in the transition period retrospectively, as though the Company had initially recorded employee benefit expenses in accordance with this accounting standard. The cumulative effect of the changes in the accounting policy has been presented in Note 5 to the financial statements.

### **TAS 40 (revised 2009) Investment Property**

This accounting standard requires entities to choose to recognise investment property either under the cost model (with disclosure of fair value in the notes to financial statements) or the fair value model, whereby changes in fair value are to be recognised in profit or loss. Investment property was previously recognised under the caption of Property, Plant and Equipment, which is measured using the cost model. In adopting the new accounting policy, the Company separately presents investment property in the statement of financial position and measures it using the cost model. The effect of the reclassification has been presented in Note 5 to the financial statements.

#### 4. New accounting standards issued during the years not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

|                       |  |
|-----------------------|--|
| TAS 12                | Income Taxes   |
| TAS 20 (revised 2009) | Accounting for Government Grants and Disclosure of Government Assistance |
| TAS 21 (revised 2009) | The Effects of Changes in Foreign Exchange Rates                         |

Accounting standards:

|        |   |
|--------|---|
| SIC 10 | Government Assistance - No Specific Relation to Operating Activities      |
| SIC 21 | Income Taxes - Recovery of Revalued Non-Depreciable Assets                |
| SIC 25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders |

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standard.

##### TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities in accordance with the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

#### 5. Cumulative effect of changes in accounting policies due to the adoption of new accounting standards

During the current year, the Company made the changes to its significant accounting policies as described in Note 3 to the financial statements, as a result of the adoption of revised and new accounting standards. The cumulative effect of the changes in the accounting policies has been presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the financial statements as at 31 December 2011 and 2010 and for the years then ended are summarised below.

|  | Financial statements in which<br>the equity method is applied |             | (Unit: Thousand Baht)<br>Separate<br>financial statements |             |
|--|---|-------------|---|-------------|
|  | 31 December   | 31 December | 31 December   | 31 December |
|  | 2011  | 2010        | 2011  | 2010        |
| <b>Statements of financial position</b>                    |   |             |   |             |
| Decrease in investments in associated companies            | 2,639   | 1,192       | -   | -           |
| Increase in investment properties                          | -   | 58,551      | -   | 58,551      |
| Decrease in property, plant and equipment                  | -   | 58,551      | -   | 58,551      |
| Increase in other current liabilities                      | -   | 6,145       | -   | 6,145       |
| Decrease in provision for long-term<br>employee benefits   | 6,316   | 3,509       | 6,316   | 3,509       |
| Increase (decrease) in unappropriated<br>retained earnings | (2,468)   | (3,828)     | 171   | (2,636)     |

(Unit: Thousand Baht)

|  | For the year ended 31 December                                |         |                                  |         |
|--|---|---------|----------------------------------|---------|
|  | Financial statements in which<br>the equity method is applied |         | Separate<br>financial statements |         |
|  | 2011  | 2010    | 2011                             | 2010    |
| <b>Income statement</b>  |   |         |                                  |         |
| Increase (decrease) in employee expenses   | (2,807)   | 5,386   | (2,807)                          | 5,386   |
| Increase (decrease) in share of profit from<br>investments in associated companies | (1,447)   | 919     | -                                | -       |
| Increase (decrease) in profit  | 1,360   | (4,467) | 2,807                            | (5,386) |
| Increase (decrease) in basic earnings per share (Baht)                             | 0.03  | (0.10)  | 0.06                             | (0.12)  |

## 6. Significant accounting policies

### 6.1 Revenue recognition

#### *Sales of goods*

Sales of goods are recognised when the significant risks and reward of ownership of the goods have passed to the buyers. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

#### *Rendering of services*

Service revenue is recognised when services have been rendered taking into account the stage of completion.

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

### 6.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### 6.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

### 6.4 Inventories

Finished goods and work in process are valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

Raw materials and chemicals are valued at the lower of cost (first-in, first-out method) and net realisable value, while spare parts and factory supplies are valued at the lower of average cost and net realisable value. They are charged to production costs whenever consumed.

## 6.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholders' equity, and will be recorded in profit or loss when the securities are sold.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The weighted average method is used for computation of the cost of investments.

- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- c) Investments in associated companies are accounted for in the financial statements in which the equity method is applied using the equity method.
- d) Investments in associated companies are accounted for in the separate financial statements using the cost method.

## 6.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, they are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the properties is recognised in profit or loss in the period when they are derecognised.

## 6.7 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

|  |                 |
|--|-----------------|
| Buildings and building improvement       | 20 years        |
| Machinery and equipment                  | 5, 10, 20 years |
| Furniture, fixtures and office equipment | 3, 5, 10 years  |
| Motor vehicles                           | 5, 10 years     |

Depreciation is included in determining income.

No depreciation is provided on land, assets under installation and under construction and unused assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from disposal of an asset is included in profit or loss when the asset is derecognised.

## 6.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

## **6.9 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates.

Gains and losses on exchange are included in determining income.

## **6.10 Impairment of assets**

At the end of each reporting period, the Company performs an impairment review on its property, plant and equipment whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. An impairment loss is recognised in profit or loss.

## **6.11 Employee benefits**

### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

### ***Post-employment benefits***

#### *Defined contribution plans*

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

#### *Defined benefit plans*

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law and resignation fund plans. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

For the first-time adoption of TAS 19 Employee Benefits, the Company restated the comparative financial statements as though it had always recorded employee benefit expenses in accordance with this accounting standard.

## **6.12 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **6.13 Deferred income from use of plants**

Deferred income arising from allowing another party to use plants is recorded at the value of investment in the associated company which the Company has acquired through contribution of such plants as capital. The deferred income is recognised as income on a straight-line basis over a period of 15 years in accordance with the terms of in the land lease agreement.

### **6.14 Income Tax**

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

## **7. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

#### **Allowance of diminution in value of inventory**

In determining an allowance of diminution in value of inventory, the management makes judgment and estimates net realisable value of inventory based on the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period. Also, the management makes judgment and estimates expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

#### **Impairment of investment in available-for-sale securities and other investments**

The Company treats available-for-sale investments and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

#### **Impairment of investment in associated company**

Impairment testing on investment in associated company requires management to make estimates of the cash flows to be generated by the associated company and to determine an appropriate discount rate to calculate the present value of those cash flows.

#### **Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company’s plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

## Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## 8. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

|  | 2011 | 2010 | Pricing policy                         |
|--|------|------|--|
| (Unit: Million Baht)                               |      |      |  |
| <b><u>Transactions with parent company</u></b>     |      |      |  |
| Purchases of raw materials                         | 807  | 538  | Cost plus margin of parent company     |
| <b><u>Transactions with associated company</u></b> |      |      |  |
| Sales of goods and raw materials                   | 292  | 246  | Cost plus margin                       |
| Purchase of goods                                  | 2    | 3    | Cost plus margin of associated company |
| Sales of machinery and equipment                   | 4    | -    | Agreed price                           |
| Rental income                                      | 12   | 11   | Contract price                         |
| Other income                                       | 6    | 7    | Contract price                         |
| <b><u>Transactions with related companies</u></b>  |      |      |  |
| Sales of goods and raw materials                   | 8    | 10   | Cost plus margin                       |
| Purchases of goods and raw materials               | 11   | 2    | Cost plus margin of related companies  |
| Rental income                                      | 6    | 6    | Contract price                         |
| Other income                                       | 3    | 2    | Contract price                         |

As at 31 December 2011 and 2010, the balances of the accounts between the Company and those related parties are as follows:

|   | 2011    | 2010    |
|---|---------|---------|
| (Unit: Thousand Baht)   |         |         |
| <b><u>Trade and other receivables - related parties (Note 10)</u></b> |         |         |
| Parent company  | 700     | 1,556   |
| Associated company  | 8,099   | 80,139  |
| Related companies (Has common shareholders)                           | 753     | 1,949   |
| Related company (Held by the Company)                                 | 63      | 77      |
| Others  | 13      | 17      |
| Total trade and other receivables - related parties                   | 9,628   | 83,738  |
| <b><u>Trade and other payables - related parties (Note 17)</u></b>    |         |         |
| Parent company  | 124,772 | 204,101 |
| Associated company  | 128     | 656     |
| Related companies (Has common shareholders)                           | 390     | 111     |
| Others  | 70      | 75      |
| Total trade and other payables - related parties                      | 125,360 | 204,943 |

#### Directors and management's benefits

During the year ended 31 December 2011 and 2010, the Company had employee benefit expenses of its directors and management as below.

|                              | (Unit: Thousand Baht) |               |
|------------------------------|-----------------------|---------------|
|                              | <u>2011</u>           | <u>2010</u>   |
| Short-term employee benefits | 16,435                | 13,952        |
| Post-employment benefits     | 616                   | 448           |
| Total                        | <u>17,051</u>         | <u>14,400</u> |

#### **9. Cash and cash equivalents**

|                        | (Unit: Thousand Baht) |                |
|------------------------|-----------------------|----------------|
|                        | 2011                  | 2010           |
| Cash                   | 71                    | 51             |
| Bank deposits          | 10,652                | 28,253         |
| Bank of Thailand bonds | -                     | 65,000         |
| Treasury bill          | -                     | 95,000         |
| Total                  | <u>10,723</u>         | <u>188,304</u> |

As at 31 December 2011, bank deposits in saving accounts and fixed deposits carried interests between 0.75 and 3.50 percent per annum (2010: 0.25 and 1.65 percent per annum).

#### **10. Trade and other receivables**

The balances of trade and other receivables as at 31 December 2011 and 2010 are summarised below.

|  | (Unit: Thousand Baht) |                |
|--|-----------------------|----------------|
|  | 2011                  | 2010           |
| <u>Trade receivables - related parties</u>   |                       |                |
| Age of receivables                           |                       |                |
| Not yet due                                  | 85                    | 69,813         |
| Total trade receivables - related parties    | <u>85</u>             | <u>69,813</u>  |
| <u>Trade receivables - unrelated parties</u> |                       |                |
| Age of receivables                           |                       |                |
| Not yet due                                  | 38,386                | 102,506        |
| Total trade receivables - unrelated parties  | <u>38,386</u>         | <u>102,506</u> |
| Total trade receivables                      | <u>38,471</u>         | <u>172,319</u> |
| <u>Other receivables</u>                     |                       |                |
| Other receivables - related parties          | 9,543                 | 13,925         |
| Other receivables - unrelated parties        | 3,754                 | 5,091          |
| Total other receivables                      | <u>13,297</u>         | <u>19,016</u>  |
| Total trade and other receivables            | <u>51,768</u>         | <u>191,335</u> |

## 11. Inventories

(Unit: Thousand Baht)

|                                  | Cost           |                | Reduce cost to<br>net realisable value |                 | Inventories-net |                |
|----------------------------------|----------------|----------------|--|-----------------|-----------------|----------------|
|                                  | 2011           | 2010           | 2011                                   | 2010            | 2011            | 2010           |
| Finished goods                   | 177,367        | 87,960         | (32,019)                               | (3,488)         | 145,348         | 84,472         |
| Work in process                  | 21,186         | 26,254         | (4,875)                                | -               | 16,311          | 26,254         |
| Raw materials and chemicals      | 305,553        | 87,587         | (105,738)                              | -               | 199,815         | 87,587         |
| Spare parts and factory supplies | 13,500         | 31,730         | (8,543)                                | (19,685)        | 4,957           | 12,045         |
| Total                            | <u>517,606</u> | <u>233,531</u> | <u>(151,175)</u>                       | <u>(23,173)</u> | <u>366,431</u>  | <u>210,358</u> |

The allowance made to reduce inventory cost to net realisable value was mainly due to a significant drop in the global market price of a key raw material (cotton) in late 2011. As a result the unit costs of raw materials that were purchased during the year and remained unused at the year-end is higher than the market price. The allowance has been made in the accounts so the inventories are not presented at a value higher than their expected net realisable value.

## 12. Investments in associated companies

### 12.1 Details of associated companies:

(Unit: Thousand Baht)

| Company's name   | Nature of<br>business                                   | Country of<br>incorporation | Financial statements in |             |                   |                |                    |                |
|--|---|-----------------------------|-------------------------|-------------|-------------------|----------------|--------------------|----------------|
|  |   |                             | Shareholding            |             | which the equity  |                | Separate financial |                |
|  |   |                             | percentage              |             | method is applied |                | statements         |                |
|  |   |                             | <u>2011</u>             | <u>2010</u> | <u>2011</u>       | <u>2010</u>    | <u>2011</u>        | <u>2010</u>    |
|  |   |                             | %                       | %           | (Restated)        |                |                    |                |
| Unifibre Co., Ltd.   | Agent   | Thailand                    | 20.83                   | 20.83       | 104,725           | 121,835        | 25,000             | 25,000         |
| Ten Cate-Union<br>Protective<br>Fabric Asia Ltd.<br>("TCUA") | Production of<br>work wear<br>and safety<br>wear fabric | Thailand                    | 49.35                   | 49.35       | <u>77,400</u>     | <u>74,450</u>  | <u>190,000</u>     | <u>190,000</u> |
| Total investments in associated companies                    |   |                             |                         |             | 182,125           | 196,285        | 215,000            | 215,000        |
| Less: Allowance for impairment loss on investment in TCUA    |   |                             |                         |             | -                 | -              | (3,753)            | (3,753)        |
| Total investments in associated companies - net              |   |                             |                         |             | <u>182,125</u>    | <u>196,285</u> | <u>211,247</u>     | <u>211,247</u> |

The difference between the value of investment in Ten Cate-Union Protective Fabric Asia Ltd. ("TCUA") and the book value of the contributory assets, in proportion to the shareholding portion of the Company, will be recognised as gain in profit or loss in the financial statement, in which the equity method is applied, over the useful lives of the assets.

The joint venture agreement between the Company and Ten Cate Advanced Textiles BV, a company incorporated in the Netherlands, for the establishment of TCUA contains certain conditions and restrictions, including a restriction on the transfer of shares of TCUA unless prior consent has been obtained in writing from the other party.

The agreement also describes material events in case of which either shareholder may request TCUA's board of directors to call a shareholders' meeting to decide whether to dissolve and liquidate TCUA. Such material events are as follows:

- 1) The return on equity (ROE) of TCUA is less than 5 percent for any 3 consecutive years, commencing from 2009, or
- 2) TCUA has accumulated losses in excess of 50 percent of its registered capital.

As at 31 December 2011, the return on equity of TCUA had been less than 5 percent for 3 consecutive years, commencing from 1 January 2009. In view of above-mentioned contractual requirement, whether TCUA will continue as a going concern is highly uncertain. However, on 16 February 2012, a meeting of TCUA's board of directors resolved to continue TCUA's business operations. Such resolution has yet to be approved by a shareholders' meeting, which will take place on 14 March 2012. For this reason, the adjustment to reduce the carrying value of the investment in TCUA that would be required if TCUA were to discontinue as a going concern has not been made in the accounts.

## 12.2 Share of profit/loss and dividend received

During the years, the Company has recognised its share of profit/loss from investments in associated companies in the financial statements in which the equity method is applied as follows:

(Unit: Thousand Baht)

| Company's name                             | Financial statements in which<br>the equity method is applied                      |                           |
|--|--|---------------------------|
|  | Share of profit (loss) from investments in<br>associated companies during the year |                           |
|  | <u>2011</u>  | <u>2010</u><br>(Restated) |
| Unifibre Co., Ltd.                         | 5,163  | 4,842                     |
| Ten Cate-Union Protective Fabric Asia Ltd. | 5,155  | (8,133)                   |
| Total                                      | <u>10,318</u>  | <u>(3,291)</u>            |

The Company had no dividend received from associated companies in 2011 and 2010.

## 12.3 Summarised financial information of associated companies

Financial information of the associated companies is summarised below.

(Unit: Million Baht)

| Company's name                                | Paid-up capital<br>as at          |             | Total assets<br>as at             |             | Total liabilities<br>as at        |             | Total revenues<br>for the years<br>ended |             | Profit (loss)<br>for the years<br>ended |             |
|---|-----------------------------------|-------------|-----------------------------------|-------------|-----------------------------------|-------------|--|-------------|---|-------------|
|   | <u>31 December</u><br><u>2011</u> | <u>2010</u> | <u>31 December</u><br><u>2011</u> | <u>2010</u> | <u>31 December</u><br><u>2011</u> | <u>2010</u> | <u>31 December</u><br><u>2011</u>        | <u>2010</u> | <u>31 December</u><br><u>2011</u>       | <u>2010</u> |
| Unifibre Co., Ltd.                            | 120                               | 120         | 515                               | 594         | 12                                | 9           | 21                                       | 22          | 25                                      | 23          |
| Ten Cate-Union Protective<br>Fabric Asia Ltd. | 385                               | 385         | 672                               | 585         | 474                               | 390         | 981                                      | 719         | 4                                       | (34)        |

The share of profit from the investment in Unifibre Co., Ltd. (the associated company) included in profit or loss in the financial statement, in which the equity method is applied for the year ended 31 December 2011, has been calculated from financial statements prepared by the management of that company, and not audited by its auditor. However, the Company's management believes that there would be no material discrepancies if those financial statements had been audited by the associated company's auditor.

### 13. Other long-term investments

|  | Shareholding percentage |       | Investment value |               |
|--|-------------------------|-------|------------------|---------------|
|  | 2011                    | 2010  | 2011             | 2010          |
|  | %                       | %     | Thousand Baht    | Thousand Baht |
| <b><u>Investment in available-for-sale securities</u></b>    |                         |       |                  |               |
| Saha-Union Plc.  | 0.33                    | 0.33  | 16,191           | 16,191        |
| Add: Unrealised gain from change in value of investment      |                         |       | 13,559           | 21,810        |
| Investment in available-for-sale securities, net             |                         |       | 29,750           | 38,001        |
| <b><u>Investments in ordinary shares</u></b>                 |                         |       |                  |               |
| Union Business Management Co., Ltd. ("UBM")                  | 19.00                   | 19.00 | 94,999           | 94,999        |
| Union Micronclean Co., Ltd.                                  | 13.00                   | 13.00 | 650              | 650           |
| Investments in other companies                               |                         |       | 95,649           | 95,649        |
| Less: Allowance for diminution in value of investment in UBM |                         |       | -                | (20,968)      |
| Total investments in other companies, net                    |                         |       | 95,649           | 95,649        |
| Total other long-term investments - net                      |                         |       | 125,399          | 112,682       |

During the current year, the Company reversed the allowance for impairment in value of investment in UBM in full amount and deducted from the administrative expenses.

During 2011, the Company received a dividend of Baht 1.75 million from Saha-Union Plc. (2010: Baht 1.50 million from Saha - Union Plc. and Baht 4.16 million from Union Micronclean Co., Ltd.).

### 14. Investment properties

The net book value of investment properties as at 31 December 2011 and 2010 is presented below.

(Unit: Thousand Baht)

|                                      | Land awaiting sales /<br>Leased land | Plant for use in<br>investment | Total     |
|--------------------------------------|--------------------------------------|--------------------------------|-----------|
| 31 December 2011:                    |                                      |                                |           |
| Cost                                 | 41,227                               | 167,538                        | 208,765   |
| <u>Less</u> Accumulated depreciation | -                                    | (155,880)                      | (155,880) |
| Net book value                       | 41,227                               | 11,658                         | 52,885    |
| 31 December 2010:                    |                                      |                                |           |
| Cost                                 | 41,227                               | 167,538                        | 208,765   |
| <u>Less</u> Accumulated depreciation | -                                    | (150,214)                      | (150,214) |
| Net book value                       | 41,227                               | 17,324                         | 58,551    |

In 2008, the Company contributed part of its assets, consisting of plant and all structures of a dyeing factory, including the wastewater treatment plant, to its investment in Ten Cate-Union Protective Fabrics Asia Ltd. (TCUA). The Company has not derecognised these assets from its accounts because the Company has certain commitments to fulfill under a land lease agreement with TCUA. The Company has therefore recorded the value of the investment under the caption of "Deferred income from use of plants" in the statement of financial position and is amortising it to revenue in profit or loss.

A reconciliation of the net book value of investment properties for the years 2011 and 2010 is presented below.

|                                     | (Unit: Thousand Baht) |               |
|-------------------------------------|-----------------------|---------------|
|                                     | 2011                  | 2010          |
| Net book value at beginning of year | 58,551                | 64,223        |
| Depreciation charged                | (5,666)               | (5,672)       |
| Net book value at end of year       | <u>52,885</u>         | <u>58,551</u> |

As at 31 December 2011, the fair value of land was Baht 308 million, which was estimated by an accredited independent valuer using the market approach. The Company did not have plant for use in investment other than that described above and thus it did not engage an independent professional valuer to appraise the value of the plant. However, the management believes that the fair value of this asset is not lower than its net book value.

|                                      | (Unit: Thousand Baht)         |                                    |                         |  |                |   |          |                         |                  |
|--------------------------------------|-------------------------------|------------------------------------|-------------------------|--|----------------|---|----------|-------------------------|------------------|
|                                      | Assets used in the operations |                                    |                         |  |                | Unused assets but not classified as held for sale |          |                         |                  |
|                                      | Land                          | Buildings and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Motor vehicles | Assets under installation and under construction  | Land     | Machinery and equipment | Total            |
| <b>Cost</b>                          |                               |                                    |                         |  |                |   |          |                         |                  |
| As at 1 January 2010                 |                               |                                    |                         |  |                |   |          |                         |                  |
| - As previously reported             | 71,043                        | 444,073                            | 2,003,604               | 35,916                                   | 17,797         | 1,697   | 5,787    | 56,019                  | 2,635,936        |
| Reclassification (Note 30)           | (35,440)                      | (116,839)                          | (50,699)                | -  | -              | -   | (5,787)  | -                       | (208,765)        |
| As at 1 January 2010                 |                               |                                    |                         |  |                |   |          |                         |                  |
| - As reclassified                    | 35,603                        | 327,234                            | 1,952,905               | 35,916                                   | 17,797         | 1,697   | -        | 56,019                  | 2,427,171        |
| Additions                            | -                             | 319                                | 5,222                   | 989                                      | -              | 25,083  | -        | -                       | 31,613           |
| Disposals / write-off                | (105)                         | (69,952)                           | (165,922)               | (2,125)                                  | (722)          | -   | -        | (20,306)                | (259,132)        |
| Transfer between classes of accounts | -                             | -                                  | 2,025                   | -  | -              | (2,025)   | -        | -                       | -                |
| Transfer from inventories            | -                             | -                                  | 548                     | 38                                       | -              | 4,318   | -        | -                       | 4,904            |
| As at 31 December 2010               |                               |                                    |                         |  |                |   |          |                         |                  |
| - As reclassified                    | 35,498                        | 257,601                            | 1,794,778               | 34,818                                   | 17,075         | 29,073  | -        | 35,713                  | 2,204,556        |
| Additions                            | -                             | -                                  | 2,924                   | 1,373                                    | 882            | 45,138  | -        | -                       | 50,317           |
| Disposals / write-off                | -                             | (26,752)                           | (140,079)               | (8,089)                                  | (185)          | -   | -        | (28,428)                | (203,533)        |
| Transfer between classes of accounts | -                             | 2,045                              | 61,594                  | (28)                                     | (564)          | (63,047)  | -        | -                       | -                |
| Transfer from inventories            | -                             | -                                  | 2,064                   | -  | -              | 8,074   | -        | -                       | 10,138           |
| As at 31 December 2011               | <u>35,498</u>                 | <u>232,894</u>                     | <u>1,721,281</u>        | <u>28,074</u>                            | <u>17,208</u>  | <u>19,238</u>                                     | <u>-</u> | <u>7,285</u>            | <u>2,061,478</u> |

## 15. Property, plant and equipment (continued)

(Unit: Thousand Baht)

|   | Assets used in the operations |                                    |                         |  |                | Unused assets but not classified as held for sale |      |                         |           |
|---|-------------------------------|------------------------------------|-------------------------|--|----------------|---|------|-------------------------|-----------|
|   | Land                          | Buildings and building improvement | Machinery and equipment | Furniture, fixtures and office equipment | Motor vehicles | Assets under installation and under construction  | Land | Machinery and equipment | Total     |
| Accumulated depreciation  |                               |                                    |                         |  |                |   |      |                         |           |
| As at 1 January 2010  |                               |                                    |                         |  |                |   |      |                         |           |
| - As previously reported  | -                             | 412,836                            | 1,707,347               | 34,357                                   | 12,528         | -   | -    | 55,811                  | 2,222,879 |
| Reclassification (Note 30)  | -                             | (101,640)                          | (42,902)                | -  | -              | -   | -    | -                       | (144,542) |
| As at 1 January 2010  |                               |                                    |                         |  |                |   |      |                         |           |
| - As reclassified   | -                             | 311,196                            | 1,664,445               | 34,357                                   | 12,528         | -   | -    | 55,811                  | 2,078,337 |
| Depreciation for the year   | -                             | 1,429                              | 37,007                  | 573                                      | 1,015          | -   | -    | -                       | 40,024    |
| Depreciation on disposals / write-off   | -                             | (69,540)                           | (162,154)               | (2,122)                                  | (722)          | -   | -    | (20,236)                | (254,774) |
| As at 31 December 2010  |                               |                                    |                         |  |                |   |      |                         |           |
| - As reclassified   | -                             | 243,085                            | 1,539,298               | 32,808                                   | 12,821         | -   | -    | 35,575                  | 1,863,587 |
| Depreciation for the year   | -                             | 1,789                              | 42,786                  | 816                                      | 1,028          | -   | -    | -                       | 46,419    |
| Depreciation on disposals / write-off   | -                             | (26,737)                           | (137,095)               | (8,078)                                  | (738)          | -   | -    | (28,297)                | (200,945) |
| As at 31 December 2011  | -                             | 218,137                            | 1,444,989               | 25,546                                   | 13,111         | -   | -    | 7,278                   | 1,709,061 |
| Net book value  |                               |                                    |                         |  |                |   |      |                         |           |
| 31 December 2010  |                               |                                    |                         |  |                |   |      |                         |           |
| - As reclassified   | 35,498                        | 14,516                             | 255,480                 | 2,010                                    | 4,254          | 29,073  | -    | 138                     | 340,969   |
| 31 December 2011  | 35,498                        | 14,757                             | 276,292                 | 2,528                                    | 4,097          | 19,238  | -    | 7                       | 352,417   |
| Depreciation for the year   |                               |                                    |                         |  |                |   |      |                         |           |
| 2010 (Baht 33 million included in manufacturing cost, and the balance in administrative expenses) |                               |                                    |                         |  |                |   |      |                         | 40,024    |
| 2011 (Baht 40 million included in manufacturing cost, and the balance in administrative expenses) |                               |                                    |                         |  |                |   |      |                         | 46,419    |

As at 31 December 2011, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 1,191 million (2010: Baht 1,313 million).

## 16. Bank overdrafts

The bank overdrafts carried interest between 5.63 to 6.50 percent per annum. These credit facilities are unsecured; however, the Company has undertaken not to dispose of or transfer or create any obligations on its immovable properties as specified in the credit facilities agreement, unless prior consent has been obtained in writing from the banks.

## 17. Trade and other payables

(Unit: Thousand Baht)

|  | 2011    | 2010    |
|--|---------|---------|
| Trade accounts payable - related parties   | 125,321 | 204,825 |
| Trade accounts payable - unrelated parties | 19,842  | 41,165  |
| Other payable - unrelated parties          | 39      | 118     |
| Accrued expenses - unrelated parties       | 16,731  | 17,002  |
| Total trade and other payables             | 161,933 | 263,110 |

## 18. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011 and 2010, which is compensations on employees' retirement, was as follows:

|                               | (Unit: Thousand Baht) |               |
|-------------------------------|-----------------------|---------------|
|                               | <u>2011</u>           | <u>2010</u>   |
| Balance at beginning of year  | 38,080                | 35,631        |
| Current service cost          | 1,200                 | 1,398         |
| Interest cost                 | 2,462                 | 2,479         |
| Benefits paid during the year | (830)                 | (1,428)       |
| Balance at end of year        | <u>40,912</u>         | <u>38,080</u> |

Principal actuarial assumptions at the valuation date were as follows:

|  | <u>2011</u>   | <u>2010</u>   |
|--|---------------|---------------|
|  | (% per annum) | (% per annum) |
| Discount rate  | 4.0           | 4.0           |
| Future salary increase rate (depending on age of employee) | 3.0 - 6.5     | 3.0 - 6.5     |
| Staff turnover rate (depending on age of employee)         | 0 - 30        | 0 - 30        |

## 19. Preference shares

According to the Company's Articles of Association, the preference shareholders are entitled to receive a dividend equal to 14 percent of the paid up value of the shares each year, before the ordinary shareholders. In years in which the Company is unable to pay any dividend due, the unpaid dividend may be accumulated for up to 7 years. In addition, if ordinary shareholders receive a dividend in excess of 14 percent of the par value of the shares in any year, the preference shareholders are entitled to receive a dividend at the same rate. Upon dissolution of the Company, the preference shareholders are entitled to return of capital before the common shareholders. Other than the aforementioned rights, ordinary and preference shareholders have the same rights.

The cumulative unpaid dividend to the preference shares as of 31 December 2011 totalled Baht 21 million (2010: Baht 6 million).

## 20. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

However, the Company's regulations require the Company to set aside to a statutory reserve at least 10 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 25 percent of the registered capital.

As at 31 December 2011, the statutory reserve was Baht 150 million (equivalent to 25 percent of its registered share capital) had reached the minimum amount as stipulated in the Company's regulations.

## 21. Expenses by nature

Significant expenses by nature are as follows:

|  | (Unit: Thousand Baht) |                    |
|--|-----------------------|--------------------|
|  | 2011                  | 2010<br>(Restated) |
| Salary and wages and other employee benefits                 | 145,546               | 155,547            |
| Depreciation   | 52,086                | 45,696             |
| Utilities expenses   | 111,142               | 145,672            |
| Raw materials and consumables used                           | 701,786               | 690,186            |
| Changes in inventories of finished goods and work in process | (50,933)              | (16,535)           |

## 22. Corporate income tax

Corporate income tax for the year was determined at the rate of 30 percent of the accounting profit, excluding certain disallowed expenses and non-taxable income. Significant disallowed expenses consist of losses on diminution in value of inventories while significant non-taxable income consists of the income from reversal of allowance for impairment loss on investment.

## 23. Basic earnings (loss) per share

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income), after deducting the dividend payable to the preference shareholders, by the weighted average number of ordinary shares in issue during the year.

The following table sets forth the computation of basic earnings per share:

| Financial statements in which the equity method is applied |                                |   |                  |                                    |                    |       |
|--|--------------------------------|---|------------------|------------------------------------|--------------------|-------|
| For the years ended 31 December                            |                                |   |                  |                                    |                    |       |
| Profit   |                                | Weighted average number<br>of ordinary shares |                  | Basic earnings<br>(loss) per share |                    |       |
| 2011   | 2010                           | 2011  | 2010             | 2011                               | 2010               |       |
| Thousand<br>Baht   | Thousand<br>Baht<br>(Restated) | Thousand<br>Baht                              | Thousand<br>Baht | Baht                               | Baht<br>(Restated) |       |
| Profit   | 22,816                         | 471,354                                       |                  |                                    |                    |       |
| Less: Dividend of preference shares                        | (21,000)                       | (21,000)                                      |                  |                                    |                    |       |
| <b>Profit attributable to ordinary shares</b>              | <b>1,816</b>                   | <b>450,354</b>                                | 45,000           | 45,000                             | 0.04               | 10.01 |

| Separate financial statements                            |                                |   |                  |                                    |                    |       |
|--|--------------------------------|---|------------------|------------------------------------|--------------------|-------|
| For the years ended 31 December                          |                                |   |                  |                                    |                    |       |
| Profit (loss)  |                                | Weighted average number<br>of ordinary shares |                  | Basic earnings<br>(loss) per share |                    |       |
| 2011   | 2010                           | 2011  | 2010             | 2011                               | 2010               |       |
| Thousand<br>Baht   | Thousand<br>Baht<br>(Restated) | Thousand<br>Baht                              | Thousand<br>Baht | Baht                               | Baht<br>(Restated) |       |
| Profit   | 14,703                         | 476,849                                       |                  |                                    |                    |       |
| Less: Dividend of preference shares                      | (21,000)                       | (21,000)                                      |                  |                                    |                    |       |
| <b>Profit (loss) attributable to ordinary<br/>shares</b> | <b>(6,297)</b>                 | <b>455,849</b>                                | 45,000           | 45,000                             | (0.14)             | 10.13 |

## 24. Dividend

| Dividends  | Approved by  | Total dividends<br>(Thousand Baht) | Dividend<br>per share<br>(Baht per share) |
|--|--|------------------------------------|---|
| Dividends for cumulative preference<br>shares for the year 2003 - 2009 | Extraordinary General Meeting of the<br>shareholders on 20 July 2010 | 147,000                            | 9.80                                      |
| Interim dividends for 2010   |  | 60,000                             | 1.00                                      |
| Total dividend payment in 2010   |  | 207,000                            |   |
| Final dividends for 2010   | Annual General Meeting<br>of the shareholders on 19 April 2011       | 102,000                            | 1.70                                      |
| Total dividend payment in 2011   |  | 102,000                            | 1.70                                      |

## 25. Segment information

The Company's operations principally involve a single business segment, the manufacture and distribution of textiles, which is carried only in Thailand. As a result, all of the revenues, operating income and assets as reflected in these financial statements pertain to this business segment and geographic area. During 2011, the Company had export sales amounting to Baht 687 million (2010: Baht 663 million).

## 26. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 percent of basic salary. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2011, the Company contributed Baht 2 million (2010: Baht 2 million) to the fund.

## 27. Commitment and contingent liabilities

### 27.1 Capital commitments

As at 31 December 2011, the Company had capital commitments of approximately Baht 1.8 million and USD 0.6 million, relating to the acquisition of machinery.

### 27.2 Operating lease commitment

The Company has entered into a lease agreement in respect of the lease of car rental. The terms of the agreement are generally within 1 year. The operating lease agreement is non-cancellable.

As at 31 December 2011, future minimum lease payments required under this non-cancellable operating lease contract were payable within 1 year amounting to Baht 8 million.

### 27.3 Guarantees

As at 31 December 2011, there were outstanding bank guarantees of Baht 17 million issued by banks on behalf of the Company to guarantee the usage of electricity.

## 28.1 Financial risk management

### Credit risk

### Interest rate risk

Significant financial assets and liabilities as at 31 December 2011 classified by type of interest rates are summarised in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date.

|                                     | Financial statements in which the equity method is applied |                              |                         |       |                            |
|-------------------------------------|--|------------------------------|-------------------------|-------|----------------------------|
|                                     | Fixed<br>interest<br>rate within<br>1 year                 | Floating<br>interest<br>rate | Non-interest<br>bearing | Total | Effective<br>interest rate |
|                                     | (Million Baht)   |                              |                         |       | (% p.a.)                   |
| <b>Financial assets</b>             |  |                              |                         |       |                            |
| Cash and cash equivalents           | 1  | 10                           | -                       | 11    | 0.75 - 3.50                |
| Trade and other receivables         | -  | -                            | 52                      | 52    | -                          |
| Investments in associated companies | -  | -                            | 182                     | 182   | -                          |
| Other long-term investments         | -  | -                            | 125                     | 125   | -                          |
| <b>Financial liabilities</b>        |  |                              |                         |       |                            |
| Trade and other payables            | -  | -                            | 162                     | 162   | -                          |

Separate financial statements

|                                     | Fixed<br>interest<br>rate within<br>1 year | Floating<br>interest<br>rate | Non-interest<br>bearing | Total | Effective<br>interest rate<br>(% p.a.) |
|-------------------------------------|--|------------------------------|-------------------------|-------|--|
|                                     | (Million Baht)                             |                              |                         |       |  |
| <b>Financial assets</b>             |  |                              |                         |       |  |
| Cash and cash equivalents           | 1  | 10                           | -                       | 11    | 0.75 - 3.50                            |
| Trade and other receivables         | -  | -                            | 52                      | 52    | -                                      |
| Investments in associated companies | -  | -                            | 211                     | 211   | -                                      |
| Other long-term investments         | -  | -                            | 125                     | 125   | -                                      |
| <b>Financial liabilities</b>        |  |                              |                         |       |  |
| Trade and other payables            | -  | -                            | 162                     | 162   | -                                      |

**Foreign currency risk**

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets denominated in foreign currencies as at 31 December 2011 are summarised below.

| Foreign currency | Financial assets | Buying exchange rate<br>as at 31 December 2011 |
|------------------|------------------|--|
|                  | (Million)        | (Baht per 1 foreign currency unit)             |
| US dollar        | 0.47             | 31.4525  |
| Euro             | 0.35             | 40.5938  |

Foreign exchange contracts outstanding as at 31 December 2011 are summarised below.

| Foreign currency | Sold amount | Weighted average<br>contractual exchange<br>rate to sell | Contractual<br>maturity date |
|------------------|-------------|--|------------------------------|
|                  | (Million)   | (Baht per 1 foreign currency unit)                       |                              |
| US dollar        | 9.72        | 31.2956  | 04/01/12 - 25/06/12          |
| Euro             | 2.22        | 42.9090  | 13/01/12 - 20/04/12          |

**28.2 Fair value of financial instruments**

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statement of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## **29. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2011, debt to equity ratio in the financial statements, in which the equity method is applied, was 0.31 :1 (2010: 0.39:1) and debt to equity ratio in the separate financial statements was 0.30 :1 (2010: 0.38:1).

## **30. Reclassification**

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2 and as the result of the adoption of revised and new accounting standards as described in Notes 3 and 5, certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholder's equity.

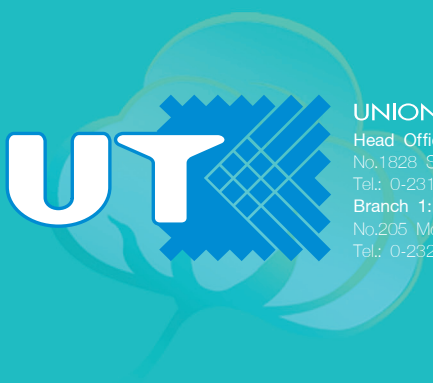
## **31. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised directors on 21 February 2012.



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