

Union Textile Industries Public Company Limited

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 2016

1. General information

1.1 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, Phra Kanong District, Bangkok

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

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2015) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income statement, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 New financial reporting standards

During the period, the Company has adopted the revised and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which becomes effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2015.

2. Related party transactions

During the periods, the Company had significant business transactions with related parties. Such transactions, which were 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.

	(Unit: Million Baht)				
	For the three-month period ended 30 September		For the nine-month period ended 30 September		Pricing policy
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with parent company</u>					
Purchase of raw materials	59	78	253	271	Cost plus margin of parent company
<u>Transactions with related companies</u>					
Sales of goods	2	5	11	23	Cost plus margin
Purchase of goods and raw materials	-	-	1	1	Cost plus margin of related companies
Rental income	5	5	15	8	Contract price
Other income	1	1	2	2	Contract price

(Unaudited but reviewed)

As at 30 September 2016 and 31 December 2015, the balances of the accounts between the Company and those related parties were as follows:

	(Unit: Thousand Baht)	
	30 September 2016	31 December 2015
		(Audited)
<u>Trade and other receivables - related parties</u> (Note 3)		
Parent company	571	144
Associated company	38,995	38,995
Related companies (Has common shareholders)	1,803	3,105
Related company (Held by the Company)	110	110
Others	14	12
Total	41,493	42,366
Less: Allowance for doubtful debts	(38,995)	(38,995)
Total trade and other receivables - related parties - net	2,498	3,371
<u>Trade and other payables - related parties</u> (Note 8)		
Parent company	75,505	40,971
Associated company	629	629
Related companies (Has common shareholders)	30	9
Others	20	5
Total trade and other payables - related parties	76,184	41,614

Directors and management's benefit

During the three-month and nine-month periods ended 30 September 2016 and 2015, the Company had employee benefit expenses of its directors and management as below.

	(Unit: Thousand Baht)	
	For the three-month period ended 30 September	
	<u>2016</u>	<u>2015</u>
Short-term employee benefits	2,535	2,720
Post-employment benefits	18	10
Total	2,553	2,730

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the nine-month
period ended 30 September

	<u>2016</u>	<u>2015</u>
Short-term employee benefits	7,613	8,150
Post-employment benefits	44	(13)
Total	<u>7,657</u>	<u>8,137</u>

3. Trade and other receivables

As at 30 September 2016 and 31 December 2015, the Company's trade and other receivables, classified according to age of receivables, were as follows:

(Unit: Thousand Baht)

	<u>30 September 2016</u>	<u>31 December 2015</u>
		(Audited)
<u>Trade receivables - related parties</u>		
Age of receivables		
Not yet due	1,129	2,529
Past due over 12 months	9,635	9,635
Total	10,764	12,164
Less: Allowance for doubtful debts	(9,635)	(9,635)
Total trade receivables - related parties - net	<u>1,129</u>	<u>2,529</u>
<u>Trade receivables - unrelated parties</u>		
Age of receivables		
Not yet due	126,620	150,746
Past due up to 3 months	2,934	6,040
Total trade receivables - unrelated parties	<u>129,554</u>	<u>156,786</u>
Total trade receivables - net	<u>130,683</u>	<u>159,315</u>
<u>Other receivables</u>		
Other receivables - related parties	30,729	30,202
Other receivables - unrelated parties	2,535	4,996
Total	33,264	35,198
Less: Allowance for doubtful debts	(29,360)	(29,360)
Total other receivables - net	<u>3,904</u>	<u>5,838</u>
Total trade and other receivables - net	<u>134,587</u>	<u>165,153</u>

(Unaudited but reviewed)

The balances of trade and other receivables above include trade and other receivables of Ten Cate-Union Protective Fabrics Asia Ltd. ("TCUA") amounting to Baht 39 million. There is uncertainty about the recoverable amount of this receivable because TCUA has filed for deregistration with the Ministry of Commerce and is in the process of liquidation. At the present, it still not finalised the net asset value. For prudent reasons, the Company has therefore set aside full allowance for doubtful debts for this receivable.

4. Inventories

(Unit: Thousand Baht)						
	Cost		Reduce cost to net realisable value		Inventories-net	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	(Audited)		(Audited)		(Audited)	
Finished goods	48,250	59,257	(1,286)	(1,486)	46,964	57,771
Work in process	20,665	26,483	-	-	20,665	26,483
Raw materials and chemicals	82,525	71,753	-	(225)	82,525	71,528
Spare parts and factory supplies	1,573	698	(289)	(362)	1,284	336
Total	153,013	158,191	(1,575)	(2,073)	151,438	156,118

Movements in the allowance to reduce cost of inventories to net realisable value during the nine-month period ended 30 September 2016 and 2015 were summarised below.

(Unit: Thousand Baht)		
	<u>2016</u>	<u>2015</u>
Balance as at 1 January	2,073	3,794
Less: Decrease of the reduction during the period	<u>(498)</u>	<u>(3,038)</u>
Balance as at 30 September	<u>1,575</u>	<u>756</u>

5. Investments in associated companies

5.1 Details of associated companies

(Unit: Thousand Baht)

Company's name	Shareholding percentage		Financial statements in which the equity method is applied		Separate financial statements	
	30 September	31 December	30 September	31 December	30 September	31 December
	2016	2015	2016	2015	2016	2015
	%	%		(Audited)		(Audited)
Unifibre Co., Ltd.	20.83	20.83	205,253	203,828	25,000	25,000
Ten Cate-Union Protective Fabrics Asia Ltd. ("TCUA")	49.35	49.35	16,950	16,950	190,000	190,000
Total investments in associated companies			222,203	220,778	215,000	215,000
Less: Allowance for impairment loss on investment in TCUA			(16,950)	(16,950)	(190,000)	(190,000)
Total investments in associated companies - net			205,253	203,828	25,000	25,000

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 2012, the return on equity of TCUA had been less than 5 percent for 4 consecutive years, commencing from 1 January 2009, and TCUA has accumulated losses in excess of 50 percent of its registered capital. In view of above-mentioned contractual requirement, there is uncertainty as to whether TCUA will be able to continue as a going concern especially when it had lost one major customer in the fourth quarter of 2012. For prudent reasons, the Company has set aside full allowance for impairment of its investment in TCUA.

Subsequently on 11 March 2013, TCUA held an Extraordinary General Shareholders Meeting and this meeting resolved to dissolve TCUA's business operations. TCUA filed for deregistration with the Ministry of Commerce on 22 March 2013. At the present, TCUA is in the process of liquidation.

5.2 Share of profit (loss) and dividend received

During the three-month and nine-month periods ended 30 September 2016 and 2015, 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	Share of loss from investments in associated companies for the three-month period ended 30 September	
	<u>2016</u>	<u>2015</u>
Unifibre Co., Ltd.	(68)	(40)
Total	<u>(68)</u>	<u>(40)</u>

(Unit: Thousand Baht)

Company's name	Share of profit from investments in associated companies for the nine-month period ended 30 September	
	<u>2016</u>	<u>2015</u>
Unifibre Co., Ltd.	3,665	4,365
Total	<u>3,665</u>	<u>4,365</u>

The share of profit (loss) from the investment in Unifibre Co., Ltd. (the associated company) for the three-month and nine-month periods ended 30 September 2016 has been calculated based on financial statements prepared by the management of that company, and not reviewed by its auditor. However, the Company's management believes that there would be no material discrepancies if those financial statements had been reviewed by the associated company's auditor.

The Company ceased recognising its share of profit/loss from Ten Cate-Union Protective Fabrics Asia Ltd. (TCUA) since the first quarter of 2013 because the Company has set aside full allowance for impairment of its investment in TCUA, as discussed in Note 5.1 to financial statements.

The Company did not receive any dividend from the associated companies during the three-month and nine-month periods ended 30 September 2016 and 2015.

6. Other long-term investments

	30 September 2016		31 December 2015	
	Shareholding percentage	Investment value	Shareholding percentage	Investment value
	%	Thousand Baht	% (Audited)	Thousand Baht (Audited)
<u>Investment in available-for-sale securities</u>				
Saha-Union Plc.	0.33	16,191	0.33	16,191
Add: Unrealised gain from change in value of investment		20,059		21,059
Investment in available-for-sale securities, net		36,250		37,250
<u>Investments in other companies</u>				
Union Business Management Co., Ltd.	19.00	94,999	19.00	94,999
Union Micronclean Co., Ltd.	13.00	650	13.00	650
Total investments in other companies		95,649		95,649
Total other long-term investments - net		131,899		132,899

During the nine-month period ended 30 September 2016, the Company received the dividend from Union Micronclean Co., Ltd. amounting to Baht 2 million and received the dividend from Saha-Union Plc. amounting Baht 2 million (30 September 2015: the Company received dividend from Union Micronclean Co., Ltd. amounting to Baht 1 million and received the dividend from Saha-Union Plc. amounting to Baht 2 million).

7. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 September 2016 were summarised below.

	(Unit: Thousand Baht)
Net book value as at 1 January 2016	219,285
Acquisitions during the period - at cost	11,490
Transfer to investment properties	(17,517)
Disposals/write-off during the period - net book value at disposal/ write-off date	(357)
Depreciation for the period	(34,930)
Net book value as at 30 September 2016	177,971

The Company has undertaken not to dispose of or transfer or create any obligations to its immovable properties as specified in the credit facilities agreement, unless prior consent has been obtained in writing from the banks.

8. Trade and other payables

	(Unit: Thousand Baht)	
	30 September	31 December
	2016	2015
		(Audited)
Trade accounts payable - related parties	75,808	41,269
Trade accounts payable - unrelated parties	14,736	17,265
Other payable - related parties	376	345
Accrued expenses - unrelated parties	14,363	21,156
Total trade and other payables	<u>105,283</u>	<u>80,035</u>

9. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

	(Unit: Thousand Baht)	
	30 September	31 December
	2016	2015
		(Audited)
Present value of defined benefit obligation	73,827	74,322
Fair value of plan assets	(31,431)	(31,624)
Net defined benefit liability	<u>42,396</u>	<u>42,698</u>

Changes in present value of defined benefit obligation and fair value of plan assets for the nine-month period ended 30 September 2016 were as follows:

	(Unit: Thousand Baht)
Defined benefit obligation at beginning of period	74,322
Current service cost	3,066
Interest cost	1,482
Benefits paid during the period	<u>(5,043)</u>
Defined benefit obligation at end of period	<u>73,827</u>
 Fair value of plan assets at beginning of period	 31,624
Change in fair value	1,225
Contribution by the Company	1,909
Benefits paid during the period	<u>(3,327)</u>
Fair value of plan assets at end of period	<u>31,431</u>

(Unaudited but reviewed)

Plan assets comprise bank deposits, government bonds, and equity and debt instruments in active market.

10. Preference shares

The cumulative unpaid dividend to the preference shares as at 30 September 2016 amounted to Baht 118 million (31 December 2015: Baht 102 million).

11. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses (revenues) for the three-month and nine-month periods ended 30 September 2016 and 2015 were made up as follows:

	(Unit: Thousand Baht)	
	For the three-month period end 30 September	
	<u>2016</u>	<u>2015</u>
Current income tax:		
Interim corporate income tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>(130)</u>	<u>(285)</u>
Income tax revenues reported in the income statements	<u><u>(130)</u></u>	<u><u>(285)</u></u>

	(Unit: Thousand Baht)	
	For the nine-month period end 30 September	
	<u>2016</u>	<u>2015</u>
Current income tax:		
Interim corporate income tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>179</u>	<u>33</u>
Income tax expenses reported in the income statements	<u><u>179</u></u>	<u><u>33</u></u>

(Unaudited but reviewed)

The amount of income tax relating to each component of other comprehensive income for the three-month and nine-month periods ended 30 September 2016 and 2015 are made up as follows:

		(Unit: Thousand Baht)	
		For the three-month period end 30 September	
		<u>2016</u>	<u>2015</u>
Deferred tax on loss from the change in value of available-for-sale investments		<u>(150)</u>	<u>(150)</u>

		(Unit: Thousand Baht)	
		For the nine-month period end 30 September	
		<u>2016</u>	<u>2015</u>
Deferred tax on loss from the change in value of available-for-sale investments		<u>(200)</u>	<u>(550)</u>

12. Basic earnings per share

Basic earnings per share are calculated by dividing profit (loss) for the period (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

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

Financial statements in which the equity method is applied					
Profit (loss)		Weighted average number of ordinary shares		Basic earnings per share	
<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<u>For the three-month period ended 30 September</u>					
Profit for the period	4,080	11,283			
Less: Dividend of preference shares	<u>(5,250)</u>	<u>(5,250)</u>			
Profit (loss) of ordinary shares	<u><u>(1,170)</u></u>	<u><u>6,033</u></u>	45,000	45,000	<u><u>(0.03)</u></u> <u><u>0.13</u></u>
<u>For the nine-month period ended 30 September</u>					
Profit for the period	26,702	22,158			
Less: Dividend of preference shares	<u>(15,750)</u>	<u>(15,750)</u>			
Profit of ordinary shares	<u><u>10,952</u></u>	<u><u>6,408</u></u>	45,000	45,000	<u><u>0.24</u></u> <u><u>0.14</u></u>

(Unaudited but reviewed)

	Separate financial statements					
	Profit (loss)		Weighted average number of ordinary shares		Basic earnings per share	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<u>For the three-month period ended 30 September</u>						
Profit for the period	4,148	11,323				
Less: Dividend of preference shares	(5,250)	(5,250)				
Profit (loss) of ordinary shares	<u>(1,102)</u>	<u>6,073</u>	45,000	45,000	<u>(0.02)</u>	<u>0.13</u>
<u>For the nine-month period ended 30 September</u>						
Profit for the period	23,037	17,793				
Less: Dividend of preference shares	(15,750)	(15,750)				
Profit of ordinary shares	<u>7,287</u>	<u>2,043</u>	45,000	45,000	<u>0.16</u>	<u>0.05</u>

13. Financial information by segment

The Company is principally engaged in the manufacture and distribution of textiles. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

14. Commitments and contingent liabilities

14.1 Capital commitments

As at 30 September 2016, the Company had capital commitments amounting to Baht 1 million, relating to the purchasing of electronic devices (31 December 2015: relating to the improvement of building amounting to Baht 1 million).

14.2 Operating lease commitments

The Company has entered into operating leases relating to car rental, a security service agreement and other agreements, with terms generally averaging 1 to 3 years.

Future minimum lease payments required under these operating lease contracts were as follows.

	(Unit: Million Baht)	
	<u>30 September 2016</u>	<u>31 December 2015</u>
Payable:		
In up to 1 year	2.0	0.8
In over 1 and up to 3 years	0.2	-

14.3 Guarantees

As at 30 September 2016, there were outstanding bank guarantees of Baht 12 million issued by the banks on behalf of the Company to guarantee the usage of electricity (31 December 2015: Baht 12 million).

15. Financial instruments

The Company earns part of its revenues from its export sales in US dollars and Euro. The balances of financial assets denominated in foreign currencies were summarised below.

Foreign currency	Financial assets		Average exchange rate	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1.78	2.23	34.5243	35.9233
Euro	1.21	1.65	38.4972	39.0780

Foreign exchange contracts outstanding were summarised below.

As at 30 September 2016

Foreign currency	Sold amount	Weighted average contractual exchange rate to sell	Contractual maturity date
		(Baht per 1 foreign currency unit)	
	(Million)		
US dollar	2.11	34.54 - 35.59	23/11/16 - 29/03/17
Euro	1.95	38.75 - 41.57	04/11/16 - 28/03/17

As at 31 December 2015

Foreign currency	Sold amount	Weighted average contractual exchange rate to sell	Contractual maturity date
		(Baht per 1 foreign currency unit)	
	(Million)		
US dollar	2.66	33.94 - 36.50	26/02/16 - 22/06/16
Euro	2.62	37.95 - 41.20	17/02/16 - 22/06/16

16. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised director on 10 November 2016.