

Union Textile Industries Public Company Limited

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 2017

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 2016) 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 interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. 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. However, one standard involves changes to key principles, which are summarised below.

TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard does not have any significant impact on the Company's financial statements because the management has decided to continue accounting for such investments under the cost method in the separate 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 2016.

(Unaudited but reviewed)

2. Related party transactions

During the periods, 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.

	(Unit: Million Baht)				
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		Pricing policy
	2017	2016	2017	2016	
<u>Transactions with parent company</u>					
Purchase of raw materials	76	59	334	253	Cost plus margin of parent company
<u>Transactions with related companies</u>					
Sales of goods	2	2	5	11	Cost plus margin
Purchase of goods and raw materials	-	-	1	1	Cost plus margin of related companies
Rental income	5	5	16	15	Contract price
Other income	1	1	2	2	Contract price

As at 30 September 2017 and 31 December 2016, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)		
	30 September 2017	31 December 2016
		(Audited)
<u>Trade and other receivables - related parties (Note 3)</u>		
Parent company	10	-
Related companies (Has common shareholders)	1,068	1,734
Related company (Held by the Company)	167	101
Others	14	12
Total trade and other receivables - related parties - net	1,259	1,847
<u>Trade and other payables - related parties (Note 9)</u>		
Parent company	12,985	55,911
Associated company	632	629
Related companies (Has common shareholders)	30	178
Others	4	5
Total trade and other payables - related parties	13,651	56,723

(Unaudited but reviewed)

Directors and management's benefit

During the three-month and nine-month periods ended 30 September 2017 and 2016, the Company had employee benefit expenses of its directors and management as below.

(Unit: Thousand Baht)

	For the three-month periods ended 30 September	
	<u>2017</u>	<u>2016</u>
Short-term employee benefits	2,665	2,535
Post-employment benefits	13	18
Total	<u>2,678</u>	<u>2,553</u>

(Unit: Thousand Baht)

	For the nine-month periods ended 30 September	
	<u>2017</u>	<u>2016</u>
Short-term employee benefits	7,927	7,613
Post-employment benefits	52	44
Total	<u>7,979</u>	<u>7,657</u>

3. Trade and other receivables

As at 30 September 2017 and 31 December 2016, the Company's trade and other receivables, classified according to age of receivables, were as follows:

(Unit: Thousand Baht)

	30 September 2017	31 December 2016
		(Audited)
<u>Trade receivables - related parties</u>		
Age of receivables		
Not yet due	646	1,289
Total trade receivables - related parties - net	<u>646</u>	<u>1,289</u>
<u>Trade receivables - unrelated parties</u>		
Age of receivables		
Not yet due	143,079	147,770
Past due up to 3 months	2,423	11,358
Past due 3 to 6 months	653	-
Total trade receivables - unrelated parties	<u>146,155</u>	<u>159,128</u>
Total trade receivables - net	<u>146,801</u>	<u>160,417</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	30 September 2017	31 December 2016
		(Audited)
<u>Other receivables</u>		
Other receivables - related parties	613	558
Other receivables - unrelated parties	8,853	3,544
Total other receivables - net	9,466	4,102
Total trade and other receivables - net	156,267	164,519

4. Inventories

(Unit: Thousand Baht)

	Cost		Reduce cost to net realisable value		Inventories-net	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
		(Audited)		(Audited)		(Audited)
Finished goods	38,648	33,317	(630)	(1,088)	38,018	32,229
Work in process	27,373	21,168	-	-	27,373	21,168
Raw materials						
and chemicals	132,776	77,043	-	-	132,776	77,043
Spare parts and						
factory supplies	600	542	(263)	(263)	337	279
Goods in transit	1,177	-	-	-	1,177	-
Total	200,574	132,070	(893)	(1,351)	199,681	130,719

Movements in the allowance to reduce cost of inventories to net realisable value during the nine-month periods ended 30 September 2017 and 2016 are summarised below.

(Unit: Thousand Baht)

	2017	2016
Balance as at 1 January	1,351	2,073
Add: Increase (decrease) of the reduction during the period	(458)	(498)
Balance as at 30 September	893	1,575

5. Investments in associated companies

5.1 Details of associated companies

(Unit: Thousand Baht)

Company's name	Shareholding percentage		Financial statements in which		Separate financial statements	
			the equity method is applied			
	30 September	31 December	30 September	31 December	30 September	31 December
	2017	2016	2017	2016	2017	2016
	%	%		(Audited)		(Audited)
Unifibre Co., Ltd.	20.83	20.83	222,312	210,944	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			239,262	227,894	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			222,312	210,944	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 2017 and 2016, 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 profit (loss) from investments in associated companies for the three-month periods ended 30 September	
	<u>2017</u>	<u>2016</u>
Unifibre Co., Ltd.	204	(68)
Total	<u>204</u>	<u>(68)</u>

(Unit: Thousand Baht)

Company's name	Share of profit from investments in associated companies for the nine-month periods ended 30 September	
	<u>2017</u>	<u>2016</u>
Unifibre Co., Ltd.	6,153	3,665
Total	<u>6,153</u>	<u>3,665</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 2017 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 audited by the associated company's auditor.

The Company ceased recognizing 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 2017 and 2016.

6. Other long-term investments

	30 September 2017		31 December 2016	
	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		24,809		22,559
Investment in available-for-sale securities, net		41,000		38,750
<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		136,649		134,399

During the nine-month period ended 30 September 2017, the Company received dividend from Saha - Union Plc. amounting to Baht 2 million (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 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 2017 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 1 January 2017	169,345
Acquisitions during the period - at cost	3,205
Disposals/write - off during the period - net book value at disposals/write - off date	(16)
Depreciation for the period	(24,485)
Net book value as at 30 September 2017	148,049

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. Other non-current assets

The balances of other non-current assets above include account 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.

9. Trade and other payables

	(Unit: Thousand Baht)	
	30 September 2017	31 December 2016
		(Audited)
Trade accounts payable - related parties	13,283	56,347
Trade accounts payable - unrelated parties	24,109	18,223
Other payable - related parties	368	376
Accrued expenses - unrelated parties	14,753	18,974
Total trade and other payables	<u>52,513</u>	<u>93,920</u>

10. 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 2017	31 December 2016
		(Audited)
Present value of defined benefit obligation	71,841	73,873
Fair value of plan assets	(30,031)	(30,932)
Net defined benefit liability	<u>41,810</u>	<u>42,941</u>

(Unaudited but reviewed)

Changes in present value of defined benefit obligation and fair value of plan assets for the nine-month period ended 30 September 2017 were as follows:

	(Unit: Thousand Baht)
Defined benefit obligation at beginning of period	73,873
Current service cost	2,942
Interest cost	1,336
Benefits paid during the period	(6,310)
Defined benefit obligation at end of period	<u>71,841</u>
 Fair value of plan assets at beginning of period	 30,932
Change in fair value	462
Contribution by the Company	1,817
Benefits paid during the period	(3,180)
Fair value of plan assets at end of period	<u>30,031</u>

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

11. Preference shares

The cumulative unpaid dividend to the preference shares as at 30 September 2017 amounted to Baht 139 million (31 December 2016: Baht 123 million).

12. 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 for the three-month and nine-month periods ended 30 September 2017 and 2016 are made up as follows:

	(Unit: Thousand Baht)	
	For the three-month periods end 30 September	
	<u>2017</u>	<u>2016</u>
Current income tax:		
Interim corporate income tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>613</u>	<u>(130)</u>
Income tax expenses (revenues) reported in the income statements	<u>613</u>	<u>(130)</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the nine-month
periods end 30 September

	<u>2017</u>	<u>2016</u>
Current income tax:		
Interim corporate income tax	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>(65)</u>	<u>179</u>
Income tax expenses (revenues) reported in the income statements	<u>(65)</u>	<u>179</u>

The amount of income tax relating to each component of other comprehensive income for the three-month and nine-month periods ended 30 September 2017 and 2016 are made up as follows:

(Unit: Thousand Baht)

For the three-month
periods end 30 September

	<u>2017</u>	<u>2016</u>
Deferred tax on gain (loss) from the change in value of available-for-sale investments	<u>150</u>	<u>(150)</u>

(Unit: Thousand Baht)

For the nine-month
periods end 30 September

	<u>2017</u>	<u>2016</u>
Deferred tax on gain (loss) from the change in value of available-for-sale investments	<u>450</u>	<u>(200)</u>

13. 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.

(Unaudited but reviewed)

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

	Financial statements in which the equity method is applied					
	Profit		Weighted average number of ordinary shares		Basic earnings per share	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<u>For the three-month periods ended 30 September</u>						
Profit for the period	14,385	4,080				
Less: Dividend of preference shares	(5,250)	(5,250)				
Profit (loss) of ordinary shares	<u>9,135</u>	<u>(1,170)</u>	45,000	45,000	<u>0.20</u>	<u>(0.03)</u>
<u>For the nine-month periods ended 30 September</u>						
Profit for the period	31,993	26,702				
Less: Dividend of preference shares	(15,750)	(15,750)				
Profit of ordinary shares	<u>16,243</u>	<u>10,952</u>	45,000	45,000	<u>0.36</u>	<u>0.24</u>
	Separate financial statements					
	Profit		Weighted average number of ordinary shares		Basic earnings per share	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<u>For the three-month periods ended 30 September</u>						
Profit for the period	14,181	4,148				
Less: Dividend of preference shares	(5,250)	(5,250)				
Profit (loss) of ordinary shares	<u>8,931</u>	<u>(1,102)</u>	45,000	45,000	<u>0.20</u>	<u>(0.02)</u>
<u>For the nine-month periods ended 30 September</u>						
Profit for the period	25,840	23,037				
Less: Dividend of preference shares	(15,750)	(15,750)				
Profit of ordinary shares	<u>10,090</u>	<u>7,287</u>	45,000	45,000	<u>0.22</u>	<u>0.16</u>

14. 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.

15. Commitments and contingent liabilities**15.1 Capital commitment**

As at 30 September 2017, the Company had capital commitments of Baht 0.2 million, in relation to monitoring system of ground level and groundwater quality (31 December 2016: Baht 1 million).

15.2 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)	
	30 September 2017	31 December 2016
Payable:		
In up to 1 year	2	1
In over 1 and up to 3 years	1	-

15.3 Guarantees

As at 30 September 2017, the Company pledges BOT bond of Baht 11 million with Metropolitan Electricity Authority to guarantee the usage of electricity (31 December 2016: 11 million).

As at 30 September 2017, the Company had bank guarantees issued by a bank on behalf of the Company as a security for the purchases and sales of natural gas of Baht 1.6 million (31 December 2016: None).

16. 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 are summarised below.

Foreign currency	Financial assets		Average exchange rate	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1.70	1.58	33.1237	35.5660
Euro	1.64	2.20	38.8355	37.2769

Foreign exchange contracts outstanding are summarised below.

As at 30 September 2017			
Foreign currency	Sold amount	Weighted average contractual exchange rate to sell	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	3.20	32.99 - 34.72	03/11/17 - 28/03/18
Euro	2.77	37.05 - 39.95	17/10/17 - 28/03/18

As at 31 December 2016			
Foreign currency	Sold amount	Weighted average contractual exchange rate to sell	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1.78	34.58 - 35.93	03/02/17 - 23/06/17
Euro	2.23	37.80 - 40.70	17/02/17 - 23/06/17

17. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised director on 7 November 2017.