

# **PART 1**

## **COMPANY'S BUSINESS**

### **1 POLICY AND BUSINESS OVERVIEW**

Thai Textile Industry Public Company Limited (TTI) started business in 1970 as only a weaving factory. Later TTI expanded into other textile related business to include spinning, sizing, yarn dyeing, and garment making, which at present the Company is vertically integrated to produce fabric.

The Subsidiary is only in the yarn spinning business, with sales majority to TTI and only a small portion is sold to general customers.

#### **1.1 Visions, Objectives, Goals, and Strategies**

Since the very beginning, the textile industry is a highly competitive industry both locally and internationally in terms of quality, price, and production technologies to reduce cost and raise the quality of the products. TTI's objective is to follow and adapt constantly to the changes in the market to meet the needs of the customers in time. It is necessary for TTI to constantly update the production machinery to increase our competitiveness in cost, products, and quality of our products.

#### **1.2 Key Development and Changes**

1969 Thai Textile Industry Company Limited was established on 18 November 1969, with registered capital of 20 Million Baht.

1970 TTI purchased Thai Rung Rueng Weaving Company Limited to start textile business as manufacturer, selling and buying yarns, greige fabrics, and finished fabrics.

1975 Increased capital by 80 Million Baht to total 100 Million Baht registered capital for business expansion.

1979 Increased capital by 50 Million Baht to total 150 Million Baht registered capital for business expansion.

1987 Increased capital by 50 Million Baht to total 200 Million Baht registered capital for business expansion. Received approval to be a listed company in the Stock Exchange of Thailand.

1989 Increased capital by 300 Million Baht to total 500 Million Baht. Withdrawn 150 Million Baht as capital to establish a yarn spinning factory which received custom tax exempt for imported machinery.

2002 Increased Paid Capital of 15 million shares to be a total of 50 million shares registered capital with par value of 10 Baht per share for a total of 500 Million Baht registered capital.

## Shareholding Structure of TTI Group

TTI Group Shareholding Structure Table

| TTI<br>Shareholding |         | TRT<br>Shareholding |   | TSI<br>Shareholding |        | RTI<br>Shareholding |        | TTP<br>Shareholding |   |
|---------------------|---------|---------------------|---|---------------------|--------|---------------------|--------|---------------------|---|
| TRT                 | 87.31 % | TTI                 | – | TTI                 | 0.50 % | TTI                 | –      | TTI                 | – |
| TSI                 | 6.67 %  | TSI                 | – | TRT                 | 1.09 % | TRT                 | 2.00 % | TRT                 | – |
| RTI                 | 8.75 %  | RTI                 | – | RTI                 | 5.25 % | TSI                 | –      | TSI                 | – |
| TTP                 | 3.57 %  | TTP                 | – | TTP                 | 1.43 % | TTP                 | –      | RTI                 | – |

|     |  |                    |     |              |      |                |
|-----|--|--------------------|-----|--------------|------|----------------|
| TTI | Thai Textile Industry Public Company Limited   | Paid Capital       | 500 | Million Baht | 50.0 | Million shares |
| TRT | Thai Rung Textile Company Limited (Subsidiary) | Registered Capital | 600 | „            | 6.0  | „              |
| TSI | Thai Standard Industries Company Limited       | „                  | 150 | „            | 1.5  | „              |
| RTI | Rama Textile Industry (1988) Company Limited   | „                  | 250 | „            | 2.5  | „              |
| TTP | Thai Textile Printing Public Company Limited   | „                  | 350 | „            | 3.5  | „              |

### 1.4 Business Relationship with Major Shareholder

Only Thai Winner Textile Industry Company Limited and Casadi International Company Limited of the Boonnamsap family have business relationship as customers of TTI. Other major shareholders do not have any business relationship with TTI.

## 2 BUSINESS NATURE

### 2.1 Product and Services

TTI is in the textile industry as a manufacturer, importer and seller of raw cotton fibers, cotton yarns, blended yarns, synthetic yarns, greige fabrics, dyed fabrics, yarn dyed fabrics as per customer's orders, and finished garments to local and international customers under the brand "TTI".

Thai Rung Textile Company Limited (TRT) (Subsidiary) is a yarn spinning factory spinning cotton yarns, blended yarns, and synthetic yarns, selling to TTI, local yarn dyeing factories, and local fabric manufacturers.

### 2.2 Marketing and Competition

(Units: Million Baht)

| Product/Services        | Produced by | Shareholding % | 2018     |        | 2017     |        | 2016     |        |
|-------------------------|-------------|----------------|----------|--------|----------|--------|----------|--------|
|                         |             |                | Revenue  | %      | Revenue  | %      | Revenue  | %      |
|                         | Company     | –              |          |        |          |        |          |        |
| Garment                 |             |                |          |        |          |        |          |        |
| Local Sale              |             |                | 32.75    | 0.83   | 71.99    | 1.67   | 61.39    | 1.61   |
| Export Sale             |             |                | 159.36   | 4.05   | 134.69   | 3.13   | 160.62   | 4.20   |
| Fabric                  |             |                |          |        |          |        |          |        |
| Local Sale              |             |                | 724.16   | 18.39  | 612.08   | 14.21  | 702.63   | 18.37  |
| Export Sale             |             |                | 729.75   | 18.53  | 618.66   | 14.36  | 755.93   | 19.76  |
| Raw Cotton Fiber / Yarn |             |                |          |        |          |        |          |        |
| Local Sale              |             |                | 646.52   | 16.42  | 571.56   | 13.27  | 596.21   | 15.59  |
| Export Sale             |             |                | 273.56   | 6.95   | 218.04   | 5.06   | 205.31   | 5.37   |
| Local Services Income   |             |                | 63.02    | 1.60   | 120.52   | 2.80   | 96.96    | 2.54   |
| Local Other Income      |             |                | 31.66    | 0.80   | 679.89   | 15.78  | 17.86    | 0.47   |
| Total                   |             |                | 2,660.78 | 67.57  | 3,027.43 | 70.26  | 2,596.91 | 67.90  |
|                         | Subsidiary  | 87.31          |          |        |          |        |          |        |
| Raw Cotton and Yarns    |             |                | 1,213.78 | 30.82  | 1,110.17 | 25.77  | 1,149.79 | 30.06  |
| Local Services Income   |             |                | 31.33    | 0.80   | 44.45    | 1.03   | 44.56    | 1.17   |
| Other Income            |             |                | 32.07    | 0.81   | 126.78   | 2.94   | 33.53    | 0.88   |
| Total                   |             |                | 1,277.18 | 32.43  | 1,281.40 | 29.74  | 1,227.88 | 32.10  |
| Grand Total             |             |                | 3,937.96 | 100.00 | 4,308.83 | 100.00 | 3,824.79 | 100.00 |

### 2.3 Product and Services Procurement

Finished products and some raw materials were procured from 3 factories in TTI Group and the Subsidiary, which the location and production capacity are as follow:

| Factory    | Location   | Type of Factory | Production Capacity 2018 |       |
|------------|--|-----------------|--------------------------|-------|
|            |  |                 | Quantity                 | Unit  |
| Factory 1  | 385 SoiBangmakekhao, Taiban, Muang, Samutprakarn   | Weaving         | 22,962,053               | Yard  |
| Factory 2  | 275 SoiBangmakekhao, Taiban, Muang, Samutprakarn   | Spinning        | 6,922,455                | Pound |
| Factory 3  | 595 Sukhumvit Rd, Bangpoo Mai, Muang, Samutprakarn | Garment         | 1,100,931                | Unit  |
| Subsidiary | 62 SoiValilai, Bangchalong, Bangplee, Samutprakarn | Spinning        | 27,212,590               | Pound |

All finished fabrics and yarns, which is the raw material for fabric production, is sourced from TTI, the subsidiary company, as well as other manufacturers in the country. For raw materials such as raw cotton fibers, TTI import from various countries such as China, America, Australia, Sudan, and Uzbekistan, depending on the quality of the product.

### 3 RISK FACTORS

The risk factors that will greatly impact the financial and operational status of The Group are not foreseeable in the near future. The risk factors that will impact business operations are as follow:

#### 3.1 Liquidity Risk

Liquidity risk, or funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value

#### 3.2 Foreign Currency Risk

As part of the international trading, the Group has significant exposures to market risk from changes in foreign exchange rates. The Group uses forward exchange contracts to mitigate those risks. Forward exchange contracts are accounted for as foreign currency transactions. Gains or losses on derivative financial instrument used for hedging of foreign currency transactions are recognized as income or expense on the same basis as the corresponding hedged position.

As at 31 December 2018, assets and liabilities of the Group which are not hedged as follows

|                           | Currencies  | Amount    | Equivalent to approximately<br>(In Million Baht) |
|---------------------------|-------------|-----------|--|
| Trade accounts receivable | U.S. Dollar | 2,080,594 | 66.98  |
| Trade accounts Payable    | U.S. Dollar | 1,209,864 | 39.46  |
|                           | Euro        | 337,296   | 12.64  |
|                           | JPY         | 493,200   | 0.15   |
| Accrued expenses          | U.S. Dollar | 273,345   | 8.92   |

#### 3.3 Interest Rate Risk

The Group was exposed to Interest Risk because it held deposits to and loans from financial institutions. However, The Group believes that the future fluctuation on market interest rate would not provided significant effect to its operation and cash; therefore, no financial derivative was adopted to manage such risks.

#### 3.4 Credit Risk

The Group was exposed to credit risks mainly relating to its trade accounts receivable. However, the management has policies to provide adequate allowances for any possible losses that might be incurred in connection with its receivables.

## 4 OPERATING ASSETS

Operating Assets were valued on 31 December 2018 with the following details as appeared in the Separate Financial Statement and Subsidiary financial Statement.

### 4.1 Separate Financial Statements

|                              | (Baht)                  |
|------------------------------|-------------------------|
| Land                         | 36,143,750.00           |
| Land Appraisal               | 751,936,250.00          |
| Buildings & structures       | 72,780,793.00           |
| Machinery & equipment        | 561,448,283.00          |
| Furniture & office equipment | 1,261,531.00            |
| Asset under installation     | 81,550.00               |
| Vehicle                      | 7,614,355.00            |
| <b>TOTAL</b>                 | <b>1,431,266,512.00</b> |

**Remarks** In 2018, the Company reappraised the land value by an independent agent using the market price, which appraised the land value to increase by 751.94 million baht, making the land value on 31 December 2018 to be valued at 788.08 million baht.

As at 31 December 2018, assets items have been fully depreciated. The gross carrying amount before deducting accumulated depreciation of those assets amounted to Baht 1,270.90 million (2017: Baht 1,215.00 million).

As at 31 December 2018, the Company's machineries with net book value of Baht 146.80 million (2017: Baht 83.50 million), respectively are mortgaged as collateral of credit facilities to financial institution.

### 4.2 Subsidiary Financial Statements

|                              | (Baht)                  |
|------------------------------|-------------------------|
| Land                         | 185,749,040.00          |
| Land Appraisal               | 358,803,160.00          |
| Buildings & structures       | 147,649,058.00          |
| Machinery & equipment        | 906,640,978.00          |
| Factory Utility System       | 161,266,488.00          |
| Furniture & office equipment | 694,928.00              |
| Asset under installation     | 19,262,854.00           |
| Vehicle                      | 2,112,079.00            |
| <b>TOTAL</b>                 | <b>1,782,178,585.00</b> |

**Remarks** On 24 May 2018, the Subsidiary reappraised the land value by an independent agent using the market price, which appraised the land value to increase by 119.11 million baht, making the land value on 31 December 2018 to be valued at 544.55 million baht.

As of 31 December 2018, the Subsidiary have a number of assets with no depreciation, which the Book value before deducting accumulated depreciation is 1,221.30 million baht (2017: 1,221.96 million baht)

As of 31 December 2018, the Subsidiary mortgaged machinery book valued at 565.65 million baht (2017: 772.90 million baht) as collateral with financial institutions.

As of 31 December 2018, the Subsidiary have borrowing cost of 3.62 million baht (2017: 4.8 million baht), which occurred from borrowing for building machinery, and have been recorded as an asset cost of assets bought.

### 4.3 Investment Properties–Land

|                |                |      |
|----------------|----------------|------|
| Net book value | 719,643,000.00 | Baht |
|----------------|----------------|------|

## 5 LEGAL DISPUTES

None

## 6 GENERAL INFORMATION AND OTHER KEY INFORMATION

| General information             |  |
|---------------------------------|--|
| Company Name Issuing Securities | Thai Textile Industry Public Company Limited                                       |
| Registration No                 | 0107537000441 (Previously PCL 291)   |
| Type of Business                | Manufacturer Fabric Weaving, Yarn Spinning, Garment                                |
| Paid Capital                    | 50 Million Shares with par value 10 baht per share                                 |
| Address                         | 385 Soi Bang Make Khao, Sukhumvit Road, Taiban, MuangSamutprakan Samutprakan 10280 |
| Tel                             | +66 (0) 2703 8484  |
| Fax                             | +66 (0) 2387 0894, +66 (0) 2387 1983   |
| Web site                        | <a href="http://www.tti.co.th">http://www.tti.co.th</a>                            |
| E-mail                          | thaitex@tti.co.th  |

| Reference Person            |   |
|-----------------------------|---|
| <b>Securities Registrar</b> | Thailand Securities Depository Company Limited            |
| Address                     | 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand |
| Tel                         | +66 (0) 2009 9000   |
| Fax                         | +66 (0) 2009 9991   |

|                |   |
|----------------|---|
| <b>Auditor</b> | Mr. Pradit Rodloytook, CPA No. 218 or   |
|                | Ms. Nongram Laohareedeelok, CPA No. 4334  |
|                | AST Master Company Limited  |
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|                         |  |
|-------------------------|--|
| <b>Legal Consultant</b> | Jaruttham Attorney and Accounting Firm                                       |
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| Tel                     | +66 (0) 2389 2298  |
| Fax                     | +66 (0) 2389 2298  |

| Legal Entity that TTI hold more than 10 percent of all Shares |  |
|---|--|
| Legal Entity Name   | Thai Rung Textile Company Limited  |
| Address   | 62 Soi Vilalai, Bangna Trad Road, Bangchalong, Bangplee, Samutprakan 10540 |
| Tel   | +66 (0) 2337 2325-6  |
| Fax   | +66 (0) 2337 2829  |
| Type of business  | Yarn Spinning Factory  |
| Paid capital  | 6,000,000 shares with par value of 100 baht per share.                     |
| Share holding   | 87.31%   |