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Luckytex (Thailand) Public Company Limited

Luckytex (Thailand) Public Company Limited

Opinion of the Independent Financial Advisor on the
Amalgamation between Luckytex (Thailand) Public Company Limited
and Thai Toray Textile Mills Public Company Limited

14 January 2019

Contents

	Page
1. EXECUTIVE SUMMARY	1
2. PRACTICE AND INFORMATION USED IN THE PREPARATION OF THE IFA'S OPINION	3
3. GENERAL INFORMATION OF THE AMALGAMATION	4
3.1. Details of Amalgamation	6
3.2. Conditions of the Amalgamation	10
3.3. Shareholding structure before and after the Amalgamation	12
4. RATIONALE FOR THE AMALGAMATION	13
4.1. Objectives of the Amalgamation	13
4.2. Advantages of the Amalgamation	13
4.3. Disadvantages of the Amalgamation	15
4.4. Risks from the Amalgamation	16
4.5. Summary of rationale for the Amalgamation	18
5. SHARE VALUATION OF LUCKYTEX (THAILAND) PCL ("LTX")	19
5.1. Book Value Approach	19
5.2. Adjusted Book Value Approach	19
5.3. Orderly Liquidation Value Approach	21
5.4. Weighted Average Market Value Approach	23
5.5. Market Comparables Approach	24
5.6. Discounted Cash Flow: DCF	26
5.7. Valuation summary of share value of LTX	34
6. SHARE VALUATION OF THAI TORAY TEXTILE MILLS PCL ("TTTM")	35
6.1. Book Value Approach	35
6.2. Adjusted Book Value Approach	35
6.3. Orderly Liquidation Value Approach	37
6.4. Weighted Average Market Value Approach	40
6.5. Market Comparables Approach	40
6.6. Discounted Cash Flow: "DCF"	43
6.7. Valuation summary of share value of TTTM	49
7. APPROPRIATENESS OF ALLOCATION RATIO OF NEW SHARES IN LTX	50
7.1. Summary of share valuation result	50
7.2. Appropriateness of the share allocation ratio	50
8. CONCLUSION OF THE IFA'S OPINION	51
9. APPENDIX	52
Appendix 1: Luckytex (Thailand) Public Company Limited	52
Appendix 2: Thai Toray Textile Mills Public Company Limited	66
Appendix 3: Industry Trend	76

List of tables

	Page
Table 3-1: Brief information of LTX	6
Table 3-2: Brief information of TTTM	6
Table 3-3: Financial Highlights	10
Table 3-4: Major shareholders of LTX before the Amalgamation	12
Table 3-5: Major shareholders of TTTM before the Amalgamation	12
Table 3-6: Major shareholders of NewCo after the Amalgamation	12
Table 4-1: Market capitalization of LTX, TTTM, NewCo and the closest top 10 as of 24 December 2018	15
Table 4-2: Annual production capacity and utilization rate of LTX and TTTM.....	16
Table 5-1: Book Value Approach of LTX	19
Table 5-2: Details of land, building and land improvements, machinery and equipment appraisal of LTX	20
Table 5-3: Adjusted book value of property, plant and equipment of LTX	20
Table 5-4: Adjusted book value of LTX.....	20
Table 5-5: Recoverable asset values of property, plant and equipment.....	21
Table 5-6: Recoverable asset values of available-for-sale investments of LTX	22
Table 5-7: Recoverable asset values for each item of LTX	22
Table 5-8: Calculation of the outstanding values for each item of LTX.....	23
Table 5-9: Summary of the recoverable asset values of LTX	23
Table 5-10: Weighted Average Market Value Approach of LTX	23
Table 5-11: Turnover ratio of LTX's shares	24
Table 5-12: Information on comparable companies of LTX.....	24
Table 5-13: Price-to-Earnings Approach (P/E) of LTX and its comparable companies.....	25
Table 5-14: Price-to-Book Value Approach (P/BV) of LTX and its comparable companies.....	26
Table 5-15: Summary of evaluation methods used to determine the share value of LTX	26
Table 5-16: Revenue assumptions of LTX.....	27
Table 5-17: Expense assumption of LTX	28
Table 5-18: Financial forecast of LTX	30
Table 5-19: Forecast free cash flow to firm of LTX	32
Table 5-20: Enterprise value of LTX using the Discounted Cash Flow Method	32
Table 5-21: Value of TTTM shares sold.....	33
Table 5-22: Share valuation of LTX using the discounted cash flow approach.....	33
Table 5-23: Sensitivity analysis of LTX's share valuation.....	33
Table 5-24: Valuation results and comparison of pros and cons for each valuation approach	34
Table 6-1: Book Value Approach of TTTM	35
Table 6-2: Details of property, plant and equipment value adjustment of TTTM.....	36
Table 6-3: Average of textile fiber and yarn industry of TTTM.....	36
Table 6-4: Valuation of long-term investment of TTTM	37
Table 6-5: Adjustment of long-term investment of TTTM	37
Table 6-6: Adjusted book value of TTTM.....	37
Table 6-7: Recoverable asset values of property, plant and equipment of TTTM.....	38

Table 6-8: Recoverable asset values of long-term investments of TTTM.....	38
Table 6-9: Recoverable asset values for each item of TTTM	39
Table 6-10: Calculation of the outstanding values for each item of TTTM	39
Table 6-11: Summary of the recoverable asset values of TTTM	40
Table 6-12: Weighted Average Market Value Approach of TTTM	40
Table 6-13: Turnover ratio of TTTM's shares	40
Table 6-14: Information on comparable companies of TTTM.....	41
Table 6-15: Price-to-Earnings Approach (P/E) of TTTM and its comparable companies.....	42
Table 6-16: Price-to-Book Value Approach (P/BV) of TTTM and its comparable companies.....	42
Table 6-17: Revenue assumption of TTTM.....	43
Table 6-18: Expense assumption of TTTM	44
Table 6-19: CAPEX assumption of TTTM.....	46
Table 6-20: Financial forecast of TTTM	46
Table 6-21: Forecast free cash flow to firm of TTTM	47
Table 6-22: Share valuation of TTTM using DCF approach.....	48
Table 6-23: Sensitivity analysis of TTTM's share valuation.....	48
Table 6-24: Valuation results and comparison of pros and cons for each valuation approach of TTTM	49
Table 7-1: Summary of share valuation result	50
Table 7-2: Appropriateness of the share allocation ratio	50
Table 9-1: Important changes and developments.....	52
Table 9-2: Brief information of companies that LTX invested in	53
Table 9-3: Revenue structure of the Company	54
Table 9-4: Major shareholders of LTX.....	56
Table 9-5: The Board of Directors of LTX.....	56
Table 9-6: Management Team of LTX	57
Table 9-7: Statement of financial position of LTX.....	57
Table 9-8: Statement of income of LTX	60
Table 9-9: Statement of cash flow summary of LTX	63
Table 9-10: Key financial ratios of LTX.....	64
Table 9-11: Important changes and developments.....	66
Table 9-12: Brief information of companies that TTTM invested in	66
Table 9-13: Revenue structure of TTTM	67
Table 9-14: Major shareholders of TTTM.....	68
Table 9-15: The Board of Directors of TTTM.....	68
Table 9-16: Management Team of TTTM	69
Table 9-17: Statement of financial position of TTTM.....	69
Table 9-18: Statement of income of TTTM	72
Table 9-19: Statement of cash flow summary of TTTM	74
Table 9-20: Key financial ratios of TTTM.....	74

List of figures

	Page
Figure 3-1: Shareholding Structure before the Amalgamation	7
Figure 3-2: Shareholding structure upon sale of TTTM shares (to solve the shareholding between the amalgamated companies).....	7
Figure 3-3: Shareholding structure upon sale of LTX shares (to solve the cross-shareholding structure).....	8
Figure 3-4: Shareholding Structure after TTTM Shares Sale and LTX Shares Sale and before the Amalgamation	8
Figure 3-5: Shareholding structure after the Amalgamation	9
Figure 9-1: Thailand's TORAY Group	53
Figure 9-2: Graph showing total revenue of the company in 2013 - 2017 (March 2014 - March 2018).....	55
Figure 9-3: Business lines and products of the company.....	55

Glossary

Entities / Organizations

CBT	Cellulosic Biomass Technology Co., Ltd.
CMT	CMT Dyeing Co., Ltd
CMTH	Carbon Magic (Thailand) Co., Ltd
GTSL or IFA	Grant Thornton Services Ltd.
LTX	Luckytex (Thailand) Public Company Limited
PLCA or Public Act	Public Limited Company Act B.E. 2535
SEC	The Securities and Exchange Commission
SET	The Stock Exchange of Thailand
SNA	Soda Namsiang Aromatic (Thailand) Co., Ltd
THCT	Toray Hybrid Cord (Thailand) Co., Ltd
TITH	Toray International Trading (Thailand) Co., Ltd
TORAY	Toray Industries, Inc.
TORAY Group or the Group	Thailand's TORAY Group
TPPT	Toray Plastics Precision (Thailand) Co., Ltd
TTH	Toray Industries (Thailand) Co., Ltd
TTS	Thai Toray Synthetics Co., Ltd
TTTM	Thai Toray Textile Mills Public Company Limited
NewCo	Amalgamation between LTX and TTTM in accordance with Public Company Limited Act

Others

A	Actual performance
Amalgamation	Amalgamation in accordance with Public Company Limited Act
BOI	Board of investment
CAPEX	Capital Expenditures
E	Estimated performance
EBIT	Earning before interests and tax
EBITDA	Earning before interests, tax, depreciation and amortization
EBT	Earning before tax
F	Forecasted data
FCFF	Free cash flow to firm
NOPAT	Net operating profit after tax
NWC	Net working capital
WACC	Weighted Average Cost of Capital

[Translation]

This document is translated solely for convenience purpose. In the event of any inconsistency, the Thai version should be relied upon as official and definitive.

14 January 2019

Re: Independent financial advisor's opinion on the Amalgamation between Luckytex (Thailand) Public Company Limited and Thai Toray Textile Mills Public Company Limited

To: Shareholders of Luckytex (Thailand) Public Company Limited

Pursuant to the resolution of the Board of Directors of Luckytex (Thailand) Public Company Limited ("LTX" or "the Company") in its Meeting No. 6/2561 held on 25 December 2018 to approve the submission to the shareholders' meeting for consideration and approval the Amalgamation between the Company and Thai Toray Textile Mills Public Company Limited ("TTTM") as part of the reorganization of Thailand's TORAY Group and raising the level of the Group's textile business operations through promotion of competitive potential, enhancement of management efficiency and effective supply chain management capabilities, as well as creating added value from business synergy and increased opportunity for future growth. The allocation of shares in the new company (hereinafter called the "NewCo") to shareholders of LTX and TTTM shall be in the following ratio.

1 existing share in LTX	to	0.92463689	shares in the NewCo
1 existing share in TTTM	to	1.65113730	shares in the NewCo

Following the Amalgamation, the NewCo will have registered and paid up capital of THB 578.40 million divided into a total of 57.84 million ordinary shares, par value at THB 10 per share, equivalent to all the issued and paid up shares of the Company and TTTM combined. Thereafter, the Company will file an application to the Stock Exchange of Thailand ("SET") to accept the securities of the NewCo as listed securities on the SET.

The Amalgamation of LTX and TTTM will proceed according to the method prescribed in the Public Limited Companies Act B.E. 2535 and as amended ("Public Limited Companies Act" or "PLCA"). The Amalgamation will require approval of the shareholders' meeting with a vote of no less than three-fourths of the total number of shareholders in attendance with voting rights in the case where the shareholders of the Company and TTTM agree to the Amalgamation. However, should some dissenting shareholders vote who oppose the Amalgamation in the shareholders' meeting, the Company must arrange for a purchaser to purchase the shares of such dissenting shareholders. In this regard, Toray Industries, Inc.

(“TORAY”) has expressed its interest in purchasing such shares at the market price in the SET on the last day prior to the date of the shareholders’ meeting which approved the Amalgamation which, in this case, would be the closing price of the Company’s shares traded in the SET as at 30 January 2019 in accordance with Section 146 of the PLCA. The purchase of such shares would take place from 8 February 2019 to 21 February 2019, by which it is determined that the value of purchased shares from dissenting shareholders in both the Company and TTTM must not exceed THB 300 million. The dissenting shareholders must have attended the shareholders’ meeting in person or by proxy and must have voted clearly to object to the Amalgamation on this agenda. If a shareholder does not attend the shareholders’ meeting and do not appoint a proxy to vote on his behalf, such shareholder may not dissent to the Amalgamation afterward. Moreover, those shareholders who abstain in the vote on this agenda in the shareholders’ meeting shall not be regarded as shareholders who dissent the Amalgamation. The dissenting shareholders are required to sell their shares within 14 days from the date of receiving the purchase offer. If such shareholders refuse to sell their shares within the specified timeframe, the Company may proceed with the execution of the Amalgamation and such shareholders will become shareholders in the new company upon completion of the Amalgamation process.

Nevertheless, TORAY may exercise its right to withdraw from being the Purchaser of the shares from the dissenting shareholders, thereby rendering the Company to notify shareholders of the cancellation of the Amalgamation, and should the total amount of shares to be purchased from the dissenting shareholders exceed THB 300 million in value, TORAY may consider the total value of the shares offered in order to decide whether or not to continue to act as the purchaser of shares according to the situation.

Even though the purchase of shares from the dissenting shareholders may cause TORAY to trigger mandatory tender offer at the trigger point of 75 percent of the total voting rights, thereby rendering an obligation to make a tender offer for all securities of the Company in compliance with the Notification of the Capital Market Supervisory Board in its Notification No. TorChor. 12/2554, Re: Rules, Conditions and Procedures for Acquisition of Securities for Business Takeover dated 13 May B.E. 2554 (2011) (and as amended), TORAY has expressed its intention to apply for a waiver not to make a tender offer for all securities of the Company with the Office of the Securities and Exchange Commission (“SEC”) since the purchase of shares from the dissenting shareholders is part of the Amalgamation process according to the procedures and provisions of the Public Act.

The purchase of shares from the dissenting shareholders, including delivery and payment method will be made in accordance with the rules and conditions to be prescribed by the purchaser under the SET regulations.

In order to provide the shareholders of the Company with sufficient information regarding the Amalgamation between LTX and TTTM, the Board of Directors' meeting has appointed Grant Thornton Services Ltd. ("GTSL" or the "IFA") as the Independent Financial Advisor to provide opinion to shareholders for consideration and approval on the Amalgamation.

GTSL as an independent financial adviser approved by the Securities and Exchange Commission, Thailand has considered and studied the information regarding the Amalgamation including the Company's data and information in the disclosure to the Stock Exchange of Thailand, public disclosure, the audited financial statements of the Company and related companies, information from the Company and the Company's advisors, and the Company's management and related officers interview. The IFA's opinion is based on the assumption that the received information and documents are complete, correct and true for the prevailing period. Any material adverse change or any circumstance or in accurate information may significantly affect the operation and financial forecast of the Company, hence this IFA opinion. The IFA has no obligations to update, review or confirm the IFA's opinion.

The IFA has considered and studies the information with prudence and exercise reasonable judgement according to the professional standards. Appendices attached hereto are deemed part of the IFA's opinion and should be considered by the audit committee and the shareholders in conjunction with this report.

In our capacity as the IFA to the shareholders for the purpose of consider of the Amalgamation in the Extraordinary general meeting of shareholders No. 1/2019 on 31 January 2019 details are as follows:

1. EXECUTIVE SUMMARY

The Board of Directors' meeting of Luckytex (Thailand) Public Company Limited ("LTX" or "the Company") No. 6/2561 held on 25 December 2018 passed a resolution to approve and propose to the shareholders' meeting an Amalgamation between the Company and Thai Toray Textile Mills Public Company Limited ("TTTM") since the amalgamation of LTX and TTTM is a strategy to combine together the strength of both companies to diversify services, create competitiveness and increase opportunities for future growth, as well as strengthening the new company's securities image. The allocation of shares in the NewCo to shareholders of LTX and TTTM shall be in the following ratio:

1 existing share in LTX	to	0.92463689	shares in NewCo
1 existing share in TTTM	to	1.65113730	shares in NewCo

Following the Amalgamation, the new company will have registered and paid up capital of THB 578.40 million divided into a total of 57.84 million ordinary shares, par value at THB 10 per share, equivalent to all the issued and paid up shares of the Company and TTTM combined.

The Company is required to seek approval for the Amalgamation from the shareholders' meeting with a vote of three-fourths of the total votes from shareholders with voting rights in attendance. If there are dissenting shareholders who oppose the Amalgamation, the Company must arrange for a purchaser to purchase their shares. In this case, Toray Industries, Inc. ("TORAY") has expressed intention of acquiring the shares from dissenting shareholders of the Company and of TTTM at the closing price of trading in the SET as at 30 January 2019. Such the purchase of shares will be undertaken during 8 February 2019 to 21 February 2019 and the total amount of shares to be purchased from the dissenting shareholders of both the Company and TTTM combined must not exceed THB 300 million. However, in the case where TORAY exercises the right to withdraw its acquisition offer, the Company will notify shareholders of the cancellation of the Amalgamation. In addition, should the total value of shares to be purchased from dissenting shareholders exceed THB 300 million, TORAY may consider the total value of the shares offered in order to decide whether or not to continue acting as the purchaser of shares according to the situation.

In order to provide the shareholders of the Company with sufficient information regarding the Amalgamation between LTX and TTTM, the Board of Directors meeting has appointed Grant Thornton Services Ltd. ("GTSL" or the "IFA") as the independent financial advisor to provide an opinion to the shareholders for consideration and approval on the Amalgamation.

Based on the study of relevant information, such as conditions of the Amalgamation, advantages, disadvantages and risks of the Amalgamation as well as appropriateness of price and ratio of share allocation in the new company, the IFA's opinion can be summarized as follows: -

- 1) The Amalgamation will increase the operational capability of the new company through the combined strength and cooperation in cost management as well as business strategies to serve the best interest of shareholders in both companies in terms of creating opportunities to increase revenue by responding to customer needs with value-added products that are different from competitors, creating potential cost saving opportunities and increasing operational efficiency, enhancing financial potential, more efficient assets management to maximize benefits, diversifying business risks with a wider customer base while

raising its image in the textile industry. In addition, the Amalgamation should render the shares of the new company more attractive to investors.

- 2) The Amalgamation may have certain disadvantages namely diseconomies of scale in the initial period due to the production capacity, which is currently almost full, and impacts from the allocation of shares of the new company. There could also be added risks of delays in the Amalgamation of the company under the Public Act, risks pertaining to differences in corporate culture and operation systems, the risk of opposition to the Amalgamation from creditors, the risk from unclear business plan following the Amalgamation, risks pertaining to applications for licenses and benefits of the new company, as well as the risk relating to tax issues. The Company has formulated the Amalgamation plan and held consultations with all related parties and therefore expects that the Amalgamation will proceed smoothly. Regarding the post-Amalgamation business plans, these will be considered by shareholders of LTX and TTTM in a joint shareholders' meeting.
- 3) The allotment of shares valuation in this Amalgamation is appropriate with the share value of LTX as assessed by the IFA equivalent to THB 151.71 – 171.33 per share and the share value of TTTM at THB 305.37 – 316.58 per share. From the aforementioned fair value appraisal, the allocation ratio will be equal to 1 existing share in LTX per 0.89868184 – 0.92493620 share in the new company and 1 existing share in TTTM per 1.64855125 – 1.87538889 shares in the new company which, when compared with the ratio of shares as specified in the amalgamation at 1 existing share in LTX per 0.92463689 shares in the new company and 1 existing share in TTTM per 1.65113730 shares in the new company. In conclusion, the share allocation ratio is appropriate because the rate is in the range of fair value.

Based on the above reasons, the IFA is of the opinion that shareholders should vote to approve this Amalgamation.

Nevertheless, the shareholders should consider appropriateness of the transaction and the IFA's opinions and note that the opinions rendered are based on an assumption that the data, information, documents, draft documents, and information received including during interviews with the executives and related persons are valid, complete, correct, and true and took into consideration the current conditions and current amalgamation requirements. The IFA considers that the assumption used in preparing the financial estimates is reasonable according to the prevailing economic situation and existing information during the course of study. Any future change may also affect the IFA's opinions. The decision to approve the transaction is primarily the shareholders' discretion.

2. PRACTICE AND INFORMATION USED IN THE PREPARATION OF THE IFA'S OPINION

Grant Thornton Services Ltd., as an independent financial advisor approved by the Securities and Exchange Commission and independent from the Company, has considered and studied information related to the Amalgamation from the Company's information and other relevant information that are provided by the Company or are publicly available, including:

- Resolutions of the Board of Directors' meeting and related information memorandum
- Annual registration statement (Form 56-1) of the Company and other related companies
- Auditor's reports and financial statements
- Financial projections and underlying assumptions
- Contracts and related documents such as loan agreement from financial institution, service agreement, etc.
- Relevant report prepared by specialists/professionals such as Financial and tax due diligence reports which were prepared by KPMG AZSA LLC, Legal due diligence reports which were prepared by Chandler MHM Limited, Appraisal reports which were prepared by Siam City Appraisal Co., Ltd., etc.
- Interview with the management and related officers of the Company and related companies
- Statistical data regarding the SET, economic condition, and relevant industries

The IFA's opinion is based on the assumption that information, and documents, as well as interview with the management and officers of the Company and related companies are true and correct. The IFA has considered and studied the information with prudence and exercise reasonable care according to professional conduct. In additions, the IFA assumes that the agreements and business arrangements are enforceable and legally binding without any information, incident, or conditions that may affect the Amalgamation. Nonetheless, there is no probable cause for the IFA to believe that such information is materially incomplete to the extent that the validity of the information received may be significantly affected.

The IFA's opinion is expressed based on the industry outlook, current economic condition and other factors at the time of the preparation. Such information may materially change in the future and affect the IFA's opinion. Nevertheless, the IFA has no obligations to update, review or confirm the IFA's opinion herein.

The IFA's opinion is prepared for the use and benefits of the Company's shareholders. The decision to approve or disapprove the Amalgamation is subject to the shareholders' discretion. The shareholders should study the information attached to this meeting invitation letter in order to exercise discretion in determining the appropriate resolution.

3. GENERAL INFORMATION OF THE AMALGAMATION

The Board of Directors' meeting of Luckytex (Thailand) Public Company Limited ("LTX" or the "Company") No. 6/2018 held on 25 December 2018 has approved and proposed to the Extraordinary General Meeting of Shareholders No. 1/2019 for its consideration and approval of the Amalgamation between LTX and Thai Toray Textile Mills Public Company Limited ("TTTM"). The Amalgamation serves as a reorganization plan in TORAY Group in Thailand (the "Group") which will affect to the shareholding structure of LTX and related companies i.e. TTTM and Thai Toray Synthetics Company Limited ("TTS"). In addition, the Amalgamation will also enhance the textile business of the Group by creating competitiveness, increasing management efficiency, managing supply chain efficiently, creating synergy and increasing growth opportunity. Shareholders of the Company and TTTM will be allocated shares in the NewCo at the following ratios:

1 existing share in LTX	to	0.92463689	shares in the NewCo
1 existing share in TTTM	to	1.65113730	shares in the NewCo

After the Amalgamation, the NewCo will have registered and paid-up capital of THB 578.40 million, divided into 57.84 million ordinary shares, with a par value of THB 10 each, which is equivalent to aggregate amount of paid-up capital of the Company and TTTM. The Company will file an application for listing securities of the NewCo to the Stock Exchange of Thailand ("SET") to comply with Regulations of The Stock Exchange of Thailand regarding Listing of Securities of the Company Formed by Amalgamation of Companies, B.E. 2542 (1999).

The Amalgamation has to get approval from the shareholders' meetings of the Company and TTTM with the votes of not less than three-fourths of the total votes of shareholders attending the meeting and eligible to vote. In the case the shareholders' meetings of the Company and TTTM resolve to approve the Amalgamation, but there are some dissenting shareholders. The Company is required to arrange for a purchaser to purchase shares from the dissenting shareholders at the last trading price prior to the date on which the shareholders' meeting of the Company and TTTM resolve to approve the Amalgamation pursuant to Public Act, Section 146. Such the arrangement for the purchase of shares will be undertaken during 8 February 2019 to 21 February 2019.

In this regard, the dissenting shareholders whom the Company shall arrange for a purchaser to purchase their shares must attend the shareholders' meeting either by themselves or by proxy, and explicitly express their dissenting opinion at the shareholders' meeting in the agenda approving for the Amalgamation. Shareholders who are not present at the shareholders' meeting and do not arrange to have proxy vote on their behalf may not later dissent to the Amalgamation. In addition, shareholders who abstain from voting at the shareholders' meeting are not deemed as dissenting to the Amalgamation. In this regard, the dissenting shareholders must sell their shares within 14 days upon receipt of the offer. It is provided by law that the Company may proceed with the Amalgamation if the dissenting shareholders refuse to sell their shares within the prescribed period, and such shareholders shall be deemed shareholders of the NewCo.

Toray Industries Inc. ("TORAY") has expressed its intention to purchase the shares from any dissenting shareholders. However, in case the purchase of the Company's shares from the dissenting shareholders causes TORAY to trigger mandatory tender offer at the trigger point of 75 percent of the total voting rights of the Company, TORAY will be required to make a tender offer for all of the Company's securities under the Notification of the Capital Market Supervisory Board No. TorChor. 12/2554 Re: Rules, Conditions and

Procedures for Acquisition of Securities for Business Takeover, dated 13 May B.E. 2554 (2011) (as amended). In this regard, TORAY shall request a waiver not to make a tender offer for the Company's securities with the Securities and Exchange Commission (the "SEC") as such share purchase is one of the process for the amalgamation according to the procedures and the provisions of law as prescribed under the Public Act.

TORAY is major shareholder of the Company and TTTM. TORAY and its related party, Thai Toray Synthetics Company Limited ("TTS") hold a total of 73.85% in LTX. TORAY and its related party, LTX hold a total of 40.01% in TTTM. As the largest shareholder, TORAY is an appropriate person to be the purchaser of shares from the dissenting shareholders of LTX and TTTM.

TORAY will purchase shares from dissenting shareholders of the Company and TTTM at the last trading price prior to the date on which the shareholders' meeting resolve to approve the Amalgamation, i.e. closing price of the Company's shares on the SET on 30 January 2019, in accordance with the criteria and conditions for the purchase of shares from dissenting shareholders who object to the amalgamation between the Company and TTTM disclosed to the SET, including the condition stipulated that the total purchase amount shall not exceed THB 300 million for both LTX and TTTM (calculated by multiplying number of LTX's and TTTM's shares offered by the dissenting shareholders with the last trading price of LTX's and TTTM's shares on the day prior to the date on which the shareholders' meetings approve the Amalgamation). As there is only one purchaser of shares from the dissenting shareholders, the condition of the total purchase amount therefore has only one amount in total. The process of sale and purchase of shares, including the delivery and payment method, will be made in accordance with the rules and conditions to be prescribes by the purchaser under SET regulations.

However, if the accumulated amount exceeded the budget, TORAY may consider withdrawing itself from acting as the purchaser. The decision will be made on the 7th day from the date on which the shareholders' meetings approve the Amalgamation along with the disclosure of budget for each company (on 7 February 2019). The purchase offer will be sent out to the dissenting shareholders on the same day. The announcement and the offer will be made through the SET by 7 February 2019.

If TORAY exercises its right to withdraw from acting as the purchaser of shares from the dissenting shareholders, the Company and TTTM will announce the termination of the Amalgamation on the same day as TORAY's withdrawal (7 February 2019). However, TORAY's criteria to decide whether it will continue acting as the purchaser of shares from the dissenting shareholders are as follows:

Scenario 1	Total purchase number of shares from the dissenting shareholder is less than TORAY's budget	Continue the Amalgamation process
Scenario 2	Total percentage of dissenting shareholders is more than 25%	The Amalgamation will be terminated. LTX and TTTM will announce the termination of the Amalgamation in the meeting agenda.
Scenario 3	Total purchase number of shares from dissenting shareholders exceeds TORAY's budget	TORAY will make announcement of its decision on the 7 th day after the date on which the shareholders' meetings approve the Amalgamation. If TORAY accepts to purchase the excess shares from budget, timeline will continue as is. However, if TORAY

		declines to purchase the excess shares, TORAY will withdraw itself from its commitment to act as the purchaser and the Amalgamation will be terminated.
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For an overview of the transaction plan, please see “Information Memorandum Regarding the Amalgamation between Luckytex (Thailand) Public Company Limited and Thai Toray Textile Mills Public Company Limited (“Information Memorandum”).

3.1. Details of Amalgamation

3.1.1. Name of the Amalgamating Companies and Name of the New Company (“NewCo”)

The Amalgamation between LTX and TTTM is in accordance with the procedures stipulated under the Public Limited Company Act B.E. 2535, as amended (the “PLCA”). There will be joint shareholders’ meetings of the Company’s and TTTM’s shareholders, to consider the name of the New Company “(the “NewCo”), as well as other matters relating to the NewCo, such as its capital, the allocation of shares, its memorandum of association and articles of association, the election of its directors and auditor, etc. in accordance with the timeframes and procedures prescribed by the law.

3.1.2. Brief information of LTX and TTTM

Table 3-1: Brief information of LTX

	Detail
Company name	Luckytex (Thailand) Public Company Limited
Type of Business	Manufacturing of spun fabric, filament fabric, denim yarn, cord for rubber material reinforcement and fabric for airbags.
Registration date	18 March 1960
Registered capital and paid-up capital	THB 518.40 million

Note: Detail of LTX is in Appendix 1.

Table 3-2: Brief information of TTTM

	Detail
Company name	Thai Toray Textile Mills Public Company Limited
Type of Business	Manufacturing, distribution and exporting of textiles comprising woven fabrics, knitting fabrics and car seat fabrics.
Registration date	1 March 1963
Registered capital and paid-up capital	THB 60.0 million

Note: Detail of TTTM is in Appendix 2.

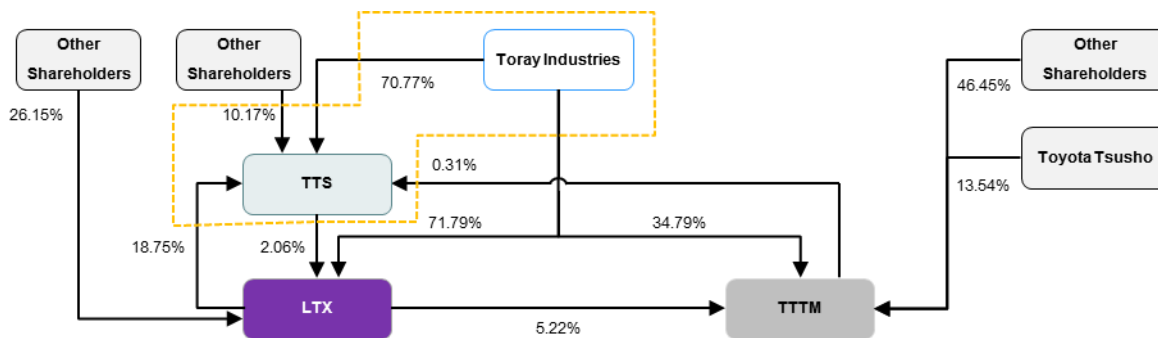
3.1.3. General information of the NewCo

The New Co which will result from the amalgamation (Amalgamation) under the PLCA between LTX and TTTM, shall assume all assets, liabilities, rights, duties, and responsibilities of the Company and TTTM by operation of law. Any creditors and debtors of both companies will also become creditors or debtors of the NewCo. All obligations under contracts between both companies and contractual counterparties, including other obligations, will also be assumed by the NewCo. The New Company is expected to be established within July 2019. After LTX and TTTM have been approved by the shareholders of each company on Amalgamation, LTX and TTTM must liaise with related government agencies, including transfer or issuance of 9business operation licenses, investment promotion certificates and other licenses to the NewCo. These can be completed when the Amalgamation has been registered with the Ministry of Commerce or as soon as possible afterwards.

In addition, the NewCo must also undertake obligations and the right as shareholder of subsidiaries, associated companies and existing companies of LTX and TTTM. According to the Amalgamation process, the shareholding structure of each step can be illustrated as follows:

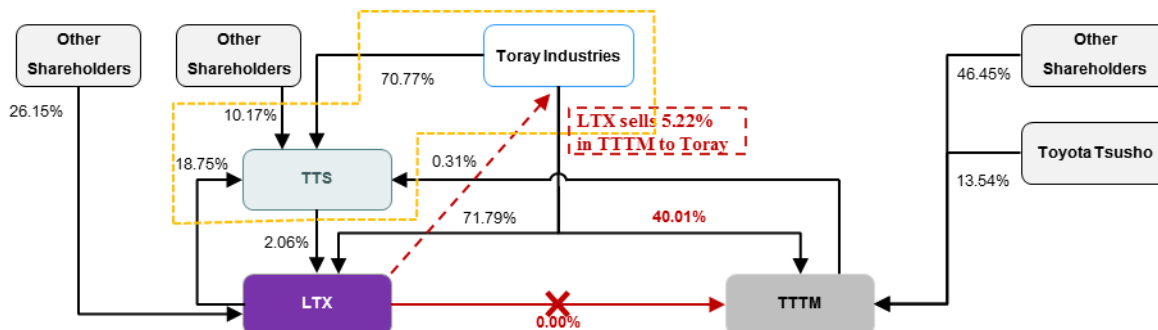
Currently, TORAY is major shareholder of the Company and TTTM, whereby TORAY and its related person (i.e. Thai Toray Synthetics Company Limited (“TTS”)) hold shares in LTX in a total of 73.85 percent and TORAY and its related person (i.e. LTX) hold shares in TTTM in a total of 40.01 percent. (Please see Figure 3-1: Shareholding Structure before the Amalgamation)

Figure 3-1: Shareholding Structure before the Amalgamation



For preparing the Amalgamation, the Company and TTTM will proceed on a partial reorganization, given that the Company will sell 313,000 shares in TTTM, which is equal to 5.22 percent of the total number of issued shares in TTTM to TORAY at THB 179.36 per share in accordance with the resolution of the Board of Directors' meeting held on 25 December 2018. Such transaction will be subject to the approvals from the shareholders' meetings of LTX and TTTM resolve to approve the Amalgamation. (Please see Figure 3-2: Shareholding Structure upon sale of TTTM shares (to solve the shareholding structure between the amalgamated companies)). If the Company and TTTM do not perform a partial reorganization, LTX as TTTM's shareholder will have the right to receive shares of the NewCo after the completion of the Amalgamation. This will be prohibited by Public Act as a company cannot hold its own shares. In this regard, TORAY, has expressed an intention to purchase such shares in TTTM from the Company which will be subject to the shareholders' meetings of the Company and TTTM resolve to approve the Amalgamation. In addition, TORAY has also expressed its intention to purchase LTX shares from dissenting shares as mentioned above.

Figure 3-2: Shareholding structure upon sale of TTTM shares (to solve the shareholding between the amalgamated companies)



In addition, TTS will sell 1,066,800 shares in LTX, which is equal to 2.06 percent of total issued shares in the Company held by TTS to TORAY concurrently with the sale of TTTM Shares in order to remove the cross-shareholding structure between LTX and TTS prior to completion of the Amalgamation. Such shares sale and purchase between TTS and TORAY will be subject to the approvals from the shareholders' meetings of the Company and TTTM resolve to approve the Amalgamation. (Please see Figure 3-3: Shareholding Structure

upon sale of LTX shares (to solve the cross-shareholding structure)). The shareholding structure of LTX and TTTM after partial reorganization process (before the Amalgamation) is shown in Figure 3-4: Shareholding Structure after TTTM Shares Sale and LTX Shares Sale and before the Amalgamation.

Figure 3-3: Shareholding structure upon sale of LTX shares (to solve the cross-shareholding structure)

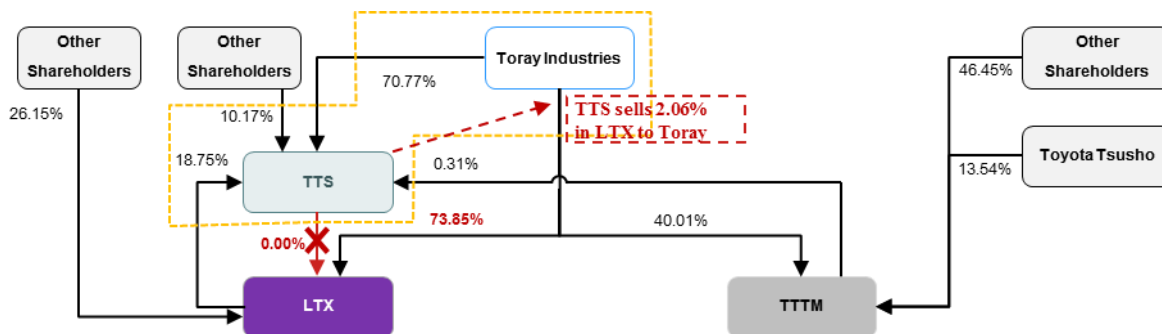
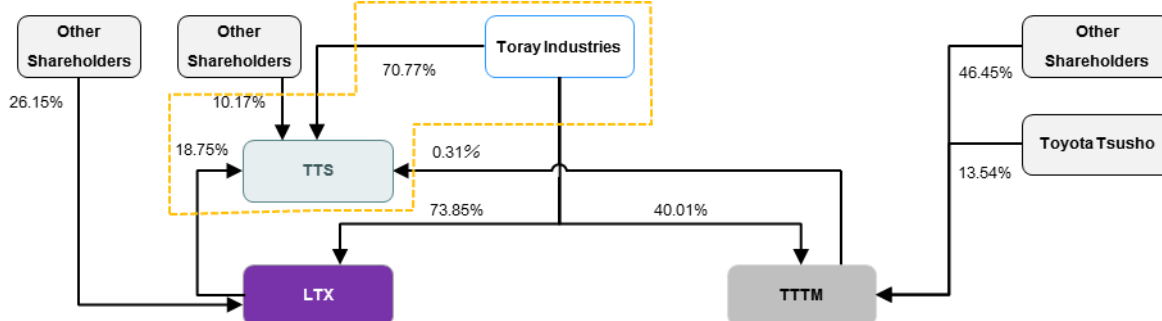
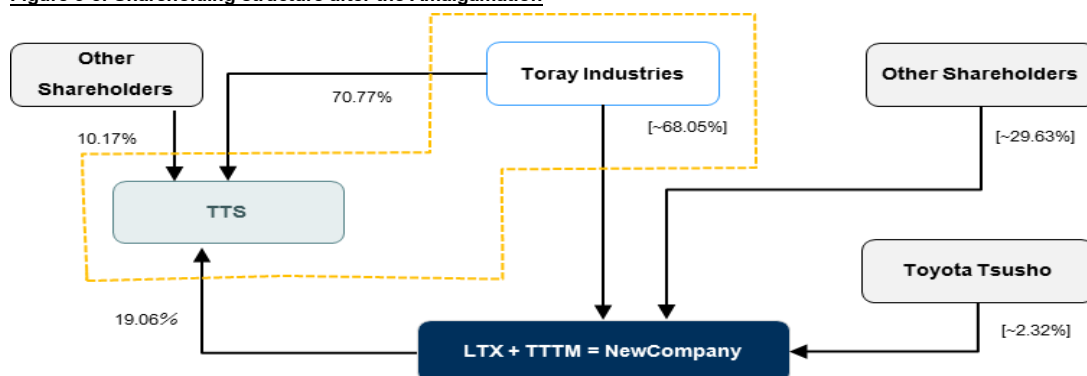


Figure 3-4: Shareholding Structure after TTTM Shares Sale and LTX Shares Sale and before the Amalgamation



After the completion of the Amalgamation, the shareholding structure of the NewCo will be as illustrated in Figure 3-5: Shareholding structure after the Amalgamation. According to the shareholding structure, TORAY as the major shareholder which is considered as the person who may have a conflict of interest with the NewCo will hold shares in TTS (Currently, LTX holds more than 10 percent of total voting shares of TTS). However, the arrangement of such shareholding structure is for the best interest of the NewCo. TTS is a producer of raw material for using in the industry of TORAY Group in order to manage the timing of the supply chain and enhance self-sufficiency without relying on other raw material vendors. Therefore, TORAY needs to be the major shareholder in TTS, LTX and TTTM to command synergy and enhance competitiveness of companies within TORAY group in the textile industry. Such the shareholding structure could ensure the management of supply chain, reducing cost and controlling quality of products.

Figure 3-5: Shareholding structure after the Amalgamation

Note: The calculation of shareholding structure is based on the assumption that there are no dissenting shareholders offer their shares for sale to TORAY. TORAY will be the major shareholder in the NewCo and TTS, who may have a conflict of interest with the NewCo, will hold approximately 19.06 percent in TTS.

Currently, LTX and TTTM are in the process of finalizing information of the NewCo, e.g. name of the company, head office's address, auditor and the list of persons to be nominated as directors and independent directors, etc. in order to propose to the joint meeting of shareholders of LTX and TTTM for further consideration.

After the registration of the Amalgamation with the Ministry of Commerce and the approval by the Board of Governors of the SET, the NewCo will be a listed company on the SET, which the SET will consider the qualifications of the NewCo based on the criteria for maintaining the listing status of a listed company instead of the criteria for the initial listing application.

3.1.4. Capital of the New Company

The New Company will have the registered and paid-up capital of THB 578.40 million divided into 57.84 ordinary million shares, with a par value of THB 10 each, which is equivalent to the aggregate amount of the Company's and TTTM's paid-up capital.

3.1.5. Pro forma financial highlights of the New Company

In this Amalgamation, the Company and TTTM have prepared the pro forma financial information (Pro Forma Consolidated Financial Statement) for the year ended 31 March 2018 and for the six-month period ended 30 September 2018 for the purpose of ensuring that the shareholders have complete and sufficient information to consider and pass the resolution in relation to the Amalgamation. The assumptions used in the preparation of Pro Forma Consolidated Financial Statement are as follows:

- 1) The Amalgamation between the Company with TTTM is deemed to begin on 1 April 2017, whereby the New Company registered capital and paid-up capital are THB 578.40 million divided into 57.84 million ordinary shares, with a par value of THB 10 per share, which equals the total paid-up capital of the Company together with TTTM.
- 2) According to this Amalgamation, the management considers that this is a business amalgamation under common control not the amalgamation which defined in Financial Reporting Standards (No. 3). Thus, the Pro Forma Consolidated Financial Statement is provided by combining the interests of the amalgamated companies, total assets, liabilities and equity of the amalgamated companies at their book values, eliminated by significant inter-company transactions between LTX and TTTM and the goodwill from the Amalgamation will not be occurred.

- 3) The sale of 313,000 ordinary shares held by the Company in TTTM, representing 5.22 percent of the total number of paid-up capital of TTTM with a par value of THB 168.50 per share is deemed to begin on 1 April 2017

Table 3-3: Financial Highlights

THB Million	For the year ended			For 6-month period ended		
	31 March 2018			30 September 2018		
	LTX	TTTM	NewCo	LTX	TTTM	NewCo
Financial Highlights	Reviewed		Pro Forma	Reviewed		Pro Forma
Total Assets	8,761	1,702	10,463	8,615	1,722	10,336
Total Liabilities	2,936	209	3,144	2,606	195	2,800
Total Shareholders' Equities	5,826	1,493	7,319	6,010	1,527	7,536
Revenue	8,768	1,202	9,969	4,224	680	4,903
Gross Profit	1,004	148	1,151	451	116	567
EBIT	600	26	625	254	49	303
EBITDA	1,254	142	1,396	574	109	683
Net Profit	542	20	562	244	39	283
Net Profit per Share	10.46	3.41	9.72	4.71	6.52	4.90
Book Value per Share	112.38	248.90	126.54	115.93	254.47	130.30
Key Financial Ratio						
Current Ratio ² (x)	2.10	5.12	2.48	3.05	5.55	3.52
Debt to Equity Ratio (X)	0.50	0.14	0.43	0.43	0.13	0.37
Interests Bearing Debt to Equity (X)	0.28	0.00	0.22	0.22	0.00	0.18
Debt to EBITDA Ratio ³ (X)	2.34	1.47	2.25	4.54	1.79	4.10
Net Debt to EBITDA Ratio ³ (X)	2.22	N/A	1.82	4.10	N/A	2.97
Total Assets Turnover ⁴ (X)	1.00	0.71	0.95	0.98	0.79	0.95
Gross Profit Margin ⁵ (%)	11.45%	12.30%	11.55%	10.67%	17.09%	11.56%
Net Profit Margin ⁶ (%)	6.19%	1.70%	5.64%	5.78%	5.75%	5.77%
Return on Equity ⁶ (%)	9.31%	1.37%	7.68%	8.13%	5.12%	7.51%
Return on Assets ⁶ (%)	6.19%	1.20%	5.37%	5.67%	4.54%	5.48%

Source: Information Memorandum Regarding the Amalgamation between Luckytex (Thailand) Public Company Limited and Thai Toray Textile Mills Public Company Limited

Note: ¹ The indicative pro forma consolidated financial information has been prepared for the preliminary consideration of shareholders of LTX and TTTM in respect of the amalgamation between LTX and TTTM. However, the pro-forma consolidated financial information presented does not completely exclude impacts of inter-company transactions between LTX and TTTM.

² Calculated from current assets divided by current liabilities.

³ Calculated from debt or net debt divided by EBITDA.

⁴ Calculated from total revenue divided by total assets, multiplied by 2

⁵ Calculated from gross profit or net profit divided by revenue.

⁶ Calculated from net profit divided by total shareholders' equity or total asset as for six-month period ended 30 September 2018, multiplied by 2.

⁷ Pro forma consolidated financial information of the New Co. is prepared by LTX and passed the BOD's resolution on 25 December 2018. It will be further reviewed by an accounting firm.

3.2. Conditions of the Amalgamation

The completion of the Amalgamation between the Company and TTTM is subject to the satisfaction of fulfillment, of the conditions necessary for, or relating to, the Amalgamation including the following material conditions:

- 3.1. The Board of Directors' meetings and shareholders' meetings of the Company and TTTM having resolved to approve the Amalgamation between the Company and TTTM and other acts related to the Amalgamation;
- 3.2. The Company and/or TTTM being able to arrange for the purchaser to purchase all shares from the dissenting shareholders. In this regard, the Company and TTTM have acknowledged that TORAY has

- expressed its intention to be the purchaser to purchase shares from the Company's and TTTM's shareholders who dissent to the Amalgamation and do not wish to continue holding shares in the Company and TTTM, in accordance with the terms and conditions to be stipulated;
- 4) The Company having completed the sale of shares in TTTM held by it after the shareholders' meeting of the Company and TTTM have resolved to approve the Amalgamation. The transaction is expected to be completed by February 2019;
 - 5) TTS having completed the sale of shares in LTX held by it to TORAY after the shareholders' meeting of the Company and TTTM have resolved to approve the Amalgamation. The transaction is expected to be completed by February 2019;
 - 6) The Company and TTTM having obtained the approval, authorization, consent, or waiver from relevant government agencies, authorities or officials which are necessary for the Amalgamation, the obtaining, amendment, modification and/or transfer of rights and benefits, licenses as well as investment promotion certificates;
 - 7) If the Company's and/or TTTM's creditors object the Amalgamation, the Company and/or TTTM being able to take proper steps, with respect to the debts owed to these creditors, as their managing director may consider appropriate which is in compliance with the relevant laws;
 - 8) The Company and/or TTTM, as the case may be, having obtained the approval, consent or waiver from their financial institution creditors, other lenders and/or other contractual parties which are necessary for, or relating to, the Amalgamation, as specified in the relevant contracts or documents, including the amendments to the financing agreements, or in the event that the Company and/or TTTM having failed to obtain such approval, consent or waiver, the Company and/or TTTM being able to take proper steps with respect to the relevant debts, as their managing director may consider appropriate
 - 9) The Company and/or TTTM, as the case may be, having obtained the approval, consent, or waiver from other contractual parties which are necessary for, or relating to, the Amalgamation, as specified in the relevant contracts or documents, including the amendments thereto in the event that the terms and/or conditions thereof may obstruct the Amalgamation, or, in the event that the Company and/or TTTM having failed to obtain such approval, consent, or waiver, the Company and/or TTTM being able to take the proper steps with respect to such contracts or agreements, as their managing director may consider appropriate;
 - 10) A joint shareholders' meeting of the Company's and TTTM's shareholders having been held, and the matters necessary for the Amalgamation stated in the agenda items having been approved by it, within the period prescribed by law;
 - 11) The registration of the Amalgamation having been duly made by the public companies' registrar; and
 - 12) There is no circumstance or change which is or might be adversely or materially detrimental to the success of the Amalgamation, or the operations, financial condition, or assets of the Company and/or TTTM.

3.3. Shareholding structure before and after the Amalgamation

Table 3-4: Major shareholders of LTX before the Amalgamation

No.	Name	No. of shares	%
1	Toray Industries, Inc.	37,215,800	71.79
2	Mr. Veerapun Theepsuwan	1,221,800	2.36
3	Mrs. Chantima Theepsuwan	1,191,300	2.30
4	Thai Toray Synthetics Co., Ltd.	1,066,800	2.06
5	Mr. Kitti Boonphoapichart	996,500	1.92
6	Mr. Pitak noprapun	741,800	1.43
7	Artit-Chan Co., Ltd.	671,000	1.29
8	Mr. Phadet Asai	650,000	1.25
9	Mr. Kamolphat Theepsuwan	553,300	1.07
10	Ms. Anong Theepsuwan	442,300	0.85
11	Other shareholders (apart from 10 major shareholders listed above)	7,089,400	13.68
	Total	51,840,000	100.00

Source: SET and Annual report 1 April 2017 – 31 March 2018

Note: Name of shareholders as of 8 January 2019

Table 3-5: Major shareholders of TTTM before the Amalgamation

No.	Name	No. of shares	%
1	Toray Industries, Inc.	2,087,500	34.79
2	Toyota Tsusho Corporation	812,500	13.54
3	Luckytex (Thailand) Public Company Limited	313,000	5.22
4	Bangkok Bank Public Company Limited	306,850	5.11
5	SMBC Management Service Co., Ltd.	200,000	3.33
6	Mr. Charn Sophonpanich	199,100	3.32
7	Mr. Choedchu Sophonpanich	123,600	2.06
8	Mr. Mana Sripitak	106,500	1.78
9	Mr. Kitti Boonphoapichart	102,000	1.70
10	Toyota Tsusho (Thailand) Co., Ltd.	100,000	1.67
11	Other shareholders (apart from 13 major shareholders listed above)	1,658,950	27.48
	Total	6,000,000	100.00

Note: Name of shareholders as of 8 January 2019

Table 3-6: Major shareholders of NewCo after the Amalgamation

No.	Name	No. of shares ¹	% ¹
1	Toray Industries, Inc. ²	39,361,059	68.05
2	Toyota Tsusho Corporation	1,341,549	2.32
3	Mr. Veerapun Theepsuwan	1,129,721	1.95
4	Mrs. Chantima Theepsuwan	1,101,520	1.90
5	Mr. Kitti Boonphoapichart	1,089,817	1.88
6	Mr. Pitak noprapun	685,896	1.19
7	Artit-Chan Co., Ltd.	620,431	1.07
8	Mr. Phadet Asai	601,014	1.04
9	Mr. Kamolphat Theepsuwan	511,602	0.88
10	Bangkok Bank Public Company Limited	506,651	0.88
11	Other shareholders (apart from 10 major shareholders listed above)	10,890,740	18.83
	Total	57,840,000	100.00

Note: ¹ Number of shares and proportion of share held are calculated from shareholders list as of LTX and TTTM as at 8 January 2019, in the ratio of 1 existing share in LTX to 0.92463689 in NewCo and 1 existing share in TTTM to 1.65113730 in the NewCo. TORAY INDUSTRIES, INC. (TORAY) is the balancer in rounding off of share transactions and shall pay to or receive compensation from the NewCo for such balancing.

² Include TTTM shares that are held by LTX and do not receive additional shares from buying of TTTM and LTX back from dissenting shareholders.

4. RATIONALE FOR THE AMALGAMATION

4.1. Objectives of the Amalgamation

The fact that LTX and TTTM have expertise in the textile business which has continuous and similar nature of business. LTX engages in a comprehensive textile weaving business from spinning thread, weaving and dyeing using cotton and polyester fibre as raw materials. The Company's products are spun cloth, denim, including polyester fabric and filament fabric. In addition, the Company has also expanded its production line to include textile products for the manufacturing industry, namely thread for strengthening rubber and airbag fabric. Meanwhile, TTTM's business operation focuses on production and distribution of textiles, namely woven fabric, knitted fabric and car seat fabric.

The Amalgamation of LTX and TTTM is regarded as part of the reorganization plan of TORAY Group in Thailand which will impact on the shareholding structure of the Company and related companies. Advantages and disadvantages of the Amalgamation are as follows:

4.2. Advantages of the Amalgamation

1) Creating opportunity for revenue growth

The NewCo after the Amalgamation will have greater potential in production, development and the use of various equipment to further production advancement and creation of high value-added products efficiently at lower costs. Since the textile industry is highly competitive, production at lower costs and creating value added products that are distinctive from competitors will enable the setting of higher selling price.

Moreover, the Amalgamation will accelerate and diversity development of the NewCo's products as a result of shared expertise, research and development, human resources and know-how

2) Creating opportunity for cost reduction and enhanced operational efficiency

The Amalgamation will increase more opportunity to reduce operating expenses for LTX and TTTM which may be overlapping such as sales, human resources, finance and accountings, information technology, research and development, etc. In particular, research and development, in which both companies have their own units. After the Amalgamation, both companies can work together, exchange experiences and share expertise to create more variety of products and meet more customers' demands. The Amalgamation will also reduce operating expense for registered companies in the SET.

Such actions will enable the NewCo to reduce redundant operational tasks and eliminate overlapping supporting functions which will lead to decreased operational costs.

Moreover, the NewCo will assume all the assets, liabilities, rights, duties and responsibilities of the Company and TTTM after the completion of the Amalgamation rendering options for the NewCo in doing business, increasing production capability while formulating management plans to effectively reduce the loss rate in the production process, for example during unfavorable economic situation or an economic downturn.

3) Strengthening financial capacity

The NewCo after the Amalgamation will be in a better financial position, having the capacity to use its cashflow more efficiently, for example in debt repayment or in supporting future growth such as improving the efficiency of machinery, expanding the business, etc. Moreover, the aforementioned debt repayment would render the NewCo after the Amalgamation debt to equity ratio and interests-bearing debt to equity ratio of 0.43 times and 0.22 times respectively, the ratios were improved from the debt to equity ratio and interests-bearing debt to equity ratio of LTX over the same period which stood at 0.50 times and 0.28 times respectively. Combined with the fact that the NewCo will have more assets, especially permanent assets such as property, plant and equipment, all of which positively impacts on credit rating by financial institutions. Therefore, the NewCo post amalgamation will likely receive lower financial costs. Pro Forma highlights for the year ended 31 March 2018 and for 6-month period ended 30 September 2018 are represented in Table 3-3: Financial Highlights.

4) Asset management for maximum benefit

Due to the higher valuation of assets of both LTX and TTTM (Please see details on assets valuation in Chapter 5: Share valuation of LTX and Chapter 6: Share valuation of TTTM, Part Orderly Liquidation Value Approach), especially with regard to TTTM's land holding in Nakhon Pathom Province which significantly increased in value because the factory is located in a residential community area. After the completion of the Amalgamation, it is possible that the NewCo will consider to optimize the uses of assets, for example, to manage, or to relocate part of production lines or machine to the site in Samut Prakan Province, which is currently location of LTX factory, and selling the TTTM factory site for optimal return to the shareholders of the NewCo. However, the management has to consider and evaluate whether a certain plan of action is feasible to reduce the potential impact that may occur to the production process, customers, staff, etc.

5) Risk diversification

Compared with LTX's focus on textiles and textile products for the manufacturing industry, the NewCo after the Amalgamation will have more diversified products encompassing woven and knitted fabrics rendering access to a more diversified customer base, thereby diversifying risk to customer groups which will enable the new company to have greater potential to cope with economic fluctuations.

6) Enhancing image in the textile industry

The NewCo after the amalgamation will become a major textile producer, both domestically and internationally, engaged in a comprehensive textile business with products that include knitting, weaving, spinning and dyeing, using a diverse range of raw materials such as cotton, polyester, nylon and synthetic silk. In addition, the NewCo will have comprehensive operations, capable of offering textile products for various purposes with ownership rights in the main trademarks of TORAY Group, namely "Luckytex ®" from LTX and "Thai Toray ®" from TTTM, which are famous brands well known in both domestic and international markets.

7) Raising the level of interest of shares in the NewCo to investors

a) In reducing the complexity of the shareholding structure in the TORAY Group in Thailand, the Amalgamation is part of the Group's reorganization plan which gives rise to clarity in the textile

business structure as well as upgrading the textile business operations of the TORAY Group (Thailand), rendering higher competitive business potential, increased management efficiency in its supply chain management capability, creating added value from business synergy and increasing opportunity for future growth.

- b) As at 24 December 2018, LTX and TTTM posted market capitalization of THB 6,324.48 million and THB 1,161.00 million respectively. Both are listed companies in the SET with market value of securities ranked at 201st and 418th place on the SET index. Following the Amalgamation, the NewCo's registered and paid up capital will be THB 578.4 million, at par value of THB 10 per share, which is equivalent to the combined paid up capital of LTX and TTTM prior to the Amalgamation, rendering its market capitalization at approximately THB 7,485.48 million calculated from the closing price of trading of LTX and TTTM shares as at 24 December 2018 which, according to size, is ranked 185th out of 521 common shares in the SET (rating information from Bloomberg). This would increase investor interest in shares of the new company as well as combining the strengths of LTX's economy of scale and vigor with TTTM's financial liquidity and attractive future growth. When trading in the SET, the NewCo will have higher market capitalization as follows:

Table 4-1: Market capitalization of LTX, TTTM, NewCo and the closest top 10 as of 24 December 2018

Rank	Company	Market capitalization (THB million)	Rank	Company	Market capitalization (THB million)	Rank	Company	Market capitalization (THB million)
180	SAUCE	7,884.00	196	MACO	6,478.89	413	SEED	1,199.35
181	SKR	7,877.36	197	HUMAN	6,460.00	414	APURE	1,188.25
182	SMK	7,850.00	198	PF	6,414.19	415	FMT	1,185.60
183	INOX	7,561.84	199	NOBLE	6,390.60	416	TOPP	1,176.00
184	ALUCON	7,516.80	200	AH	6,363.68	417	FTE	1,170.00
	NewCo¹	7,485.48	201	LTX	6,324.48	418	TTTM	1,161.00
185	OHTL	7,397.92	202	UTP	6,305.00	419	SAMCO	1,155.24
186	BGC	7,222.22	203	NYT	6,200.00	420	SOLAR	1,153.54
187	TWPC	6,999.35	204	DDD	6,198.81	421	JCT	1,147.50
188	JWD	6,885.00	205	LANNA	6,195.00	422	TVI	1,139.28
189	SAT	6,845.62	206	MCOT	6,183.89	423	TNITY	1,129.73

Source: Bloomberg

Note: ¹ The NewCo's market capitalization is a combination of LTX and TTTM's market capitalization for the purpose of considering the appropriateness of the Amalgamation. It is not an estimation of the market capitalization of the NewCo after the Amalgamation to be traded on the SET, which may be higher or lower than the above value. The NewCo's market capitalization will depend on the news and information, supply and demand of investors, market condition and other factors at the time.

4.3. Disadvantages of the Amalgamation

1) Diseconomies of scale in the initial period

Diseconomies of scale is an increase in the average cost from increasing production volumes or expanding production scale due to the delay in management, shortage of production resources, etc. From interviews with management of the Company regarding the changes after the Amalgamation changes, the IFA is of the opinion that it is expected to reduce some sales and administration expenses, while there will be no change on cost of production. The NewCo will incur costs relating to transportation and other expenses including coordination, duration, due to two production bases in different provinces.

Although LTX and TTTM have overlapping production processes such as spinning and dyeing, their production bases are located at different sites. Therefore, cost savings by jointly using machinery may be offset by transportation costs and the time spent in management to prepare and transport products. In

addition, the high utilization rate of machinery for both LTX and TTTM which is almost at full capacity rendering limitations on achieving economy of scale. In the early stage of the Amalgamation, the management, and staff may still have to adjust themselves, therefore there may be a delay in any process.

Table 4-2: Annual production capacity and utilization rate of LTX and TTTM

	Annual production capacity	Utilization rate
LTX		
Spun fabric	96 million yards (8 million yards/month)	88%
Filament fabrics	42 million yards (3.5 million yards/month)	90%
Yarn for denim	4.8 million pounds (0.4 million pounds/month)	70%
Cord for rubber material reinforcement	1,140 tons (95 tons/month)	90%
Fabric for airbag	42 million meters (3.5 million meters/month)	90%
TTTM		
Woven fabrics	30 million yards	90%
Knitted fabrics		80%

2) The impact of share allocation in the NewCo

Existing shareholders of LTX will be allocated shares in the NewCo in the ratio of 1 existing share in LTX per 0.92463689 shares in the NewCo. If there is a fraction of shares arising from the calculation based on the said ratio greater than or equal to 0.5 shares, then the shares will be rounded up to the full amount of 1 share. If the share is less than 0.5 shares, the shares will be rounded off and the NewCo will pay compensation to shareholders who are not allocated new shares of the company only in the fraction of the shares that have been discarded at the price and within the time that will be determined further. However, there may be additional details and principles in rounding the shares as appropriate.

In addition, the allocation of such shares may cause some shareholders to receive allotment of shares, not Board-lot trading units, and must resort to Odd-lot trading which has low liquidity because Board-lot trading must be at the hundred or more units while Odd-lot trading is at discounted price which may cause shareholders to lose benefit.

4.4. Risks from the Amalgamation

1) Risk from delays in the Amalgamation of the companies under the Public Limited Companies Act

The Amalgamation under the Public Limited Companies Act must proceed in compliance with legally prescribed principles including guidelines on disclosure of related information. Important steps which LTX and TTTM are required to follow are 1) The shareholders' meeting of each company must resolve to have the Amalgamation and take actions related to the Amalgamation; 2) Each company must arrange to have a purchaser of dissenting shares from shareholders; 3) Each company must notify their creditors pending the resolution of the Amalgamation the company and the resolution to reduce the paid-up capital (if any) in order for the creditors to have an opportunity to object; 4) A joint meeting of shareholders of LTX and TTTM must be held; 5) Delivery of business, and 6) Register the Amalgamation and the results of the Amalgamation, including the disclosure of information to the SET

In addition, LTX and TTTM, as the case may be, must consult or request approval, permission or waiver from government agencies Organizations or government agencies, officials or related persons relaxation from government agencies, public organizations or agencies, officials or related persons, namely

1) the Stock Exchange of Thailand, 2) Thailand Securities Depository Company Limited, 3) the Board of Investment ("BOI"), 4) the Revenue Department, 5) the Ministry of Commerce, 6) other agencies involved in business licensing, 7) contract parties and 8) all creditors.

Execution of the abovementioned amalgamation procedures require time and involve various organizations and agencies which may result in obstacles or delays that impact on the listing of the NewCo on the SET, causing deviation from the set schedule, during which there could be an occurrence that may affect the value of LTX or TTTM, resulting in a change in the appropriate allocation ratio.

2) Risk pertaining to differences in organizational culture and operating systems

Because LTX and TTTM may have different operating guidelines and procedures including corporate culture, after the Amalgamation both LTX and TTTM must also take into account effective talent retention. (Talent Retention) Such impact may result in the NewCo's operation not running so smoothly in the short term. However, the management of both companies plan to jointly and clearly define the operational guidelines and procedures of the NewCo and promote understanding among employees at all levels, as well as develop talent retention strategies and various incentive measures for personnel they would like to retain with the NewCo after the Amalgamation.

3) Risk of objections regarding the Amalgamation from creditors

In proceeding with the Amalgamation, both the Company and TTTM plan to negotiate with their creditors to create understanding of the Amalgamation. However, the Company may face the risk of creditors' objection to the Amalgamation which could result in obstacles or delays to the Amalgamation in the initial stage.

In the case where a creditor objects to the Amalgamation, the Company will proceed with the debt of such creditor as deemed appropriate by the Board of Directors, the Executive Board, Chairman of the Board, Managing Director and / or persons assigned by the Board of Directors, the Executive Board, the Chairman of the Board or the Managing Director.

4) Risk from unclear post amalgamation business plan

There are other key issues in the Amalgamation which will impact on the future business operation of the NewCo such as the new company's objectives, directors, etc. making it necessary to have an official joint shareholders' meeting for shareholders of LTX and TTTM for the purpose of deciding on these matters. As such, it may not be possible to formulate a clear and specific post amalgamation business plan prior to passing a resolution to proceed with the Amalgamation. Therefore, there is a risk that the business plan may change. Nevertheless, since the majority of the shareholders after the Amalgamation will be the same group (details of the shareholder structure before and after the amalgamation under 3.3) and there is no cause for the NewCo to change the current business plan of both companies. Therefore, it is expected that there should be no significant change in the business plan.

5) Risk from applying for licenses and benefits

At present, the Company and TTTM have licenses and benefits from various agencies for the purpose of their business operation. Even though it may be possible to transfer such licenses and benefits to the NewCo, both the Company and TTTM may be required to file applications with the relevant agencies to amend, append or issue new licenses. Such process can officially start after the meetings of the Board of

Directors and shareholders' meeting of both companies approve the Amalgamation and, therefore, there is a risk of not getting the licenses or delays from what was earlier expected.

6) Risk relating to tax issues

Under provisions of the Public Act, related persons, whether the Company or its shareholders, will be entitled to tax exemption under the Revenue Code. However, the Amalgamation of companies must comply with the rules and conditions of the Revenue Code as well as the relevant Royal Decrees and Notifications of the Director-General of the Revenue Department.

However, for shareholders to benefit from the tax exemption for income from the Amalgamation, there is an important condition in that the Company involved in the Amalgamation must not be a tax debtor to the Revenue Department at the date of the Amalgamation unless there is a guarantee for such debt to the Revenue Department. From interviews with the Company, LTX does not currently have any tax receivable with the Revenue Department.

Nevertheless, the Company and TTTM risk having the Revenue Department check back taxes in the accounting period that is under the age of tax examination prior to the end of their juristic person's status although the Amalgamation does not specify that both companies have to settle their accounts before registration, and the NewCo will have to bear the liabilities that may arise from the tax assessment of the Company and / or TTTM.

The Company and TTTM have hired tax consultants to ascertain whether each company in the past year has any significant tax liability issues that may impact on tax benefits for this Amalgamation. According to the findings of the tax advisor to the Company and TTTM, there is no significant liability and tax risk.

4.5. Summary of rationale for the Amalgamation

Based on the above analysis, this Amalgamation is part of the reorganization plan of the TORAY Group in Thailand which will help to increase its business capability through a synergy of the strengths of both companies for the purpose of enhancing potential in terms of operation, human resources, finance as well as enhancing its image in the textile industry which will help create additional value for the business in the future. In addition, it can lead to increased efficient use of the NewCo's assets after the Amalgamation and help diversify risks from having a variety of products that can meet customers' demand. The Independent Financial Advisor therefore is of the opinion that this Amalgamation is reasonable.

5. SHARE VALUATION OF LUCKYTEX (THAILAND) PCL (“LTX”)

The financial statements of Luckytex (Thailand) PCL for the years ended 31 March 2016 to 31 March 2018 and the financial statements for the six-month period ended 30 September 2018 can be viewed in Appendix 1, Table 9-7: Statement of financial position of LTX and Table 9-8: Statement of Income of LTX

5.1. Book Value Approach

This valuation approach reflects the value shown on the accounting book at a specific point in time. In this case the valuation is based on the book value of LTX from financial statements for six-month period ended 30 September 2018, which were reviewed by Mrs. Munchupa Singsookawat: Certified Public Accountant (Thailand) No. 6112, KPMG Phoomchai Audit Ltd.

Table 5-1: Book Value Approach of LTX

As of 30 September 2018	(THB million)
Issued and paid-up share capital	518.40
Share premium	333.49
Retained earnings	5,063.83
Other components of equity	93.94
Equity attributable to owners of the Company	6,009.66
Number of issued and paid-up share (million shares)	51.84
Book value per share (THB/share)	115.93

Based on the Book Value Approach, the share value of LTX is THB 115.93 per share. However, the IFA does not choose this method because it does not reflect fair value of some assets and important events that occurred after the book closing date. Moreover, it does not reflect the company's ability to generate profits and acquire future projects.

5.2. Adjusted Book Value Approach

This valuation approach determines the fair value by adjusting the book value of LTX as of 30 September 2018 per six-month period ended financial statements with various items to better reflect the intrinsic value or the current financial position.

According to statement of financial position, most assets of LTX are property, plant and equipment which accounts for 47.05%, trade accounts receivable accounts for 16.21% and investment in associate accounts for 15.87%. Most of liabilities consist of long-term loans from financial institution which accounts for 37.51%, trade accounts payable accounts for 22.03% and finance lease liabilities accounts for 13.62%.

Since LTX is a company that has been established for a long time with many items of property, plant and equipment, these items should be updated in order to reflect the true value. Therefore, the appraisal of such assets by the independent property appraiser, Siam City Appraisal Company Limited, was evaluated for public purposes on 31 July 2018. The appraised items are land, buildings and land improvements; machinery and equipment. IFA therefore adjusted the transaction to be in accordance with the fair value by adjusting land, buildings and equipment items to reflect the true value of properties as follows:

Table 5-2: Details of land, building and land improvements, machinery and equipment appraisal of LTX

Properties	Location	Appraisal value (THB million)				Valuation method
		Land	Building and land improvements	Machinery and equipment	Total	
Factory 1	38 Suksawat Road, Bang Phueng Sub-district Phra Pradaeng District, Samut Prakan Province	2,261.89	377.74	1,393.43	4,033.05	Cost approach ¹
Factory 2	99 Sukhumvit Road, Bang Pu Mai Subdistrict, Mueang Samut Prakan District Samut Prakan Province	819.76	282.33	957.87	2,059.96	Cost approach ¹
Factory 3	305 Sukhumvit Road, Bang Pu Mai Subdistrict, Mueang Samut Prakan District Samut Prakan Province	937.53	449.67	1,402.75	2,789.95	Cost approach ¹
Vacant land	Bangpoo Golf and Sport Soi Thetsaban Bang Pu 77, Sukhumvit Road, Phraek Sa Sub-district, Mueang Samut Prakan District, Samut Prakan Province	1.58	-	-	1.58	Market approach
Total		4,020.76	1,109.73	3,754.04	8,884.54	

Note: ¹ Calculated from the replacement cost then deducted by depreciation cost according to the number of holding years. The objective of evaluating is to find the market value

² Factory 1 (for spinning and weaving) is 41,771 square wah or 104.4275 rai, located near industrial, commercial and residential areas which consist of many buildings ranging from 1 to 4 storeys in moderate condition.

³ Factory 2 (for the improvement and decoration of products such as bleaching, dyeing and finishing) is 41,759.1 square wah or 104.39775 rai, located near industrial area which consist of many buildings ranging from 1 to 4 storeys in moderate condition.

⁴ Factory 3 (for the production of yarns for denim and industrial material products) is 46,746 square wah or 116.865 rai, located near industrial area and vacant land which consist of many buildings ranging from 1 to 4 storeys in moderate condition.

⁵ Vacant land is 198 square wah or 0.495 rai, located near vacant lands without useable.

Table 5-3: Adjusted book value of property, plant and equipment of LTX

Items	Net book value for the year ended 31 March 2018 (THB million)	Appraisal value (THB million)	Adjusted book value (THB million)
Land	57.03	4,020.76	3,963.73
Building and land improvements	681.08	1,109.73	428.65
Machinery and equipment	3,503.12	3,754.04	250.92
Furniture, fixtures and office equipment	87.88	N/A	-
Vehicles	0.003	N/A	-
Assets under construction and installation	11.26	N/A	-
Total	4,340.38	8,884.54	4,643.31

Note: ¹ Details of each items of property, plant and equipment for the six-month period ended 30 September 2018 are not specified. The IFA therefore considered details of the financial statements for the year ended 31 March 2018 based on interviews with the management team. There are no significant changes to said property, plant and equipment.

² Machinery and equipment include 142,164 of ring spinning, 686 of weaving looms (AJL), full range of production for dyeing and finishing machines, 384 of weaving looms for filament and 299 of weaving looms for airbag.

Table 5-4: Adjusted book value of LTX

As of 30 September 2018	(THB million)
Equity attributable to owners of the Company (before the adjustment)	6,009.66
Add Adjusted book value of property, plant and equipment	4,643.31
Equity attributable to owners of the Company (after the adjustment)	10,652.97
Number of issued and paid-up share (million shares)	51.84
Book value per share (THB/share)	205.50

Note: The Company announced a dividend payment at THB 1.50 per share in total of THB 77.76 million on 20 December 2018. The record date to determine shareholders who have a right to receive dividend is on 4 January 2019. However, the IFA evaluated by using the data as of 24 December 2018, which has not yet reached the record date to determine shareholders who have a right to receive dividend. Therefore, the dividend is not deducted from the calculation. In case the dividend payment is taken into

consideration, the shareholders' equity will decrease to THB 10,575.21 million or equivalent to THB 204.00 per share, which will affect the share value of LTX to decrease by 0.73 percent.

Based on the Adjusted Book Value Approach, the share value of LTX is THB 205.50 per share. The IFA does not choose this method because it does not reflect the Company's ability to generate profits and acquire future projects.

5.3. Orderly Liquidation Value Approach

This valuation approach determines the share value from assets value of the Company that can be sold in the event of dissolution and the properties will be put up for auction. The orderly liquidation value approach is a valuation method that is related to the adjusted book value approach. In other words, under the orderly liquidation value approach, assets will be sold at the market price in orderly basis within 1 year (not forced sale basis) and deducting expenses related to the disposition of assets and liquidation e.g. employee's compensation for dissolution of the Company, brokerage fee, various taxes such as specific business tax, value added tax, corporate income tax and also transfer fees.

As orderly liquidation value approach requires the assumptions about the recovery rate of each asset item, IFA has determined the recovery rate of 100 percent from the book value for tangible assets and 0 percent for intangible assets, including those assets items with rights or advance payment.

Moreover, the adjusted fair value of property, plant and equipment has increased from the book value. Also, when these items are sold out, there will be expenses related to sales and various taxes which can summarize the recoverable asset values as follows:

Table 5-5: Recoverable asset values of property, plant and equipment

(THB million)	Net book value for the year ended 31 March 2018	Fair value	Specific business tax ¹	Corporate income tax ²	Value added tax ³	Transfer fees after tax shield ⁴	Brokerage fee after tax shield ⁵	Recoverable asset values
Land	57.03	4,020.76	132.69	792.75	-	32.17	96.50	2,966.67
Building and land improvements	681.08	1,109.73	36.62	85.73	-	8.88	26.63	951.87
Machinery and equipment	3,503.12	3,754.04	-	50.18	262.78	-	90.10	3,350.98
Furniture, fixtures and office equipment	87.89	87.89	-	-	-	-	-	87.89
Vehicles	0.003	0.003	-	-	-	-	-	0.003
Assets under construction and installation	11.26	11.26	-	-	-	-	0.27	10.99
Total	4,340.38	8,983.68	169.31	928.66	262.78	41.04	213.50	7,368.39

Notes: ¹ 3.3 percent of fair value.

² 20 percent of profit from asset disposal.

³ 7 percent of fair value.

⁴ 1 percent of fair value (with the assumption of an equal split between a buyer and a property's seller) and can be used to save on 20 percent corporate income tax, therefore, the actual rate is 0.80 percent.

⁵ 3 percent of fair value and can be used to save on 20 percent corporate income tax, therefore the actual rate is 2.40 percent.

Since the adjusted fair value of available-for-sale investments has increased from the book value and when these items are sold, there will be a corporate income tax from the profit from sales. Hence, the recoverable asset values are as follows:

Table 5-6: Recoverable asset values of available-for-sale investments of LTX

(THB million)	Cost value at the acquisition date	Fair value ¹	Corporate income tax	Recoverable asset values
Thai Toray Textile Mills Plc.	10.00	56.14 ²	9.23	46.91
Bangkok Bank Plc.	4.40	32.23	5.57	26.66
Kasikorn Bank Plc.	3.75	29.13	5.08	24.05
The Siam Commercial Bank Plc.	3.44	12.48	1.81	10.67
Saha-Union Plc.	0.38	0.81	0.09	0.73
The Siam Cement Plc.	0.29	4.26	0.79	3.47
City Sports and Recreation Plc.	1.00	1.78	0.16	1.62
Total available-for-sale investments after tax	23.26	136.83	22.71	114.11

Notes: ¹ Fair value as of 24 December 2018

² Based on the Board of Directors' meeting of the Company No. 6/2018 on 25 December 2018 that has resolved to approve the sale of all ordinary shares of TTTM held by the Company amounting to 313,000 shares, which is equal to 5.22 percent of the total number of issued shares in TTTM, at THB 179.36 per share, with a total value of approximately THB 56.14 million.

Apart from the evaluation for the above items, the valuation of the recoverable assets in proportion to the book values are as follows:

Table 5-7: Recoverable asset values for each item of LTX

(THB million)	Book value as of 30 September 2018	Recovery rate	Recoverable asset values
Assets			
Current assets			
Cash and cash equivalents	253.43	100%	253.43
Trade accounts receivable	1,396.73	100%	1,396.73
Other receivables	1,159.50	100%	1,159.50
Inventories	79.67	100%	79.67
Total current assets	2,889.32		2,889.32
Non-current assets			
Property, plant and equipment - Net	4,053.19 ¹		7,368.39
Land	57.03		2,966.67
Building and land improvements	681.08		951.87
Machinery and equipment	3,503.12		3,350.98
Furniture, fixtures and office equipment	87.89		87.89
Vehicles	0.003		0.003
Assets under construction and installation	11.26		10.99
Investment in associate	1,367.60	100%	1,367.60
Other long-term investments	86.61	100%	86.61
Available-for-sale investments	140.52 ²		114.11
Intangible assets	23.71	0%	-
Deferred tax assets	42.49	0%	-
Other non-current assets	11.82	0%	-
Total non-current assets	5,725.94		8,936.71
Total assets	8,615.26		11,826.03

Notes: ¹ Net book value for the year ended 31 March 2018 as there is no information on land, buildings and equipment on financial statements as of 30 September 2018.

² The cost at the acquisition date is THB 23.26 million according to Table 5-6: Recoverable asset values of available-for-sale investments.

Since the company has liabilities and obligations that have to be paid in full, therefore the value of the remaining liabilities is equal to the book value. Thus, the shareholders' equity will be the remainder from the value of the recoverable assets deducted by total liabilities.

Table 5-8: Calculation of the outstanding values for each item of LTX

(THB million)	Book value	Outstanding rate	Outstanding values
Liabilities			
Current liabilities			
Trade accounts payable	574.00	100%	574.00
Other payables	311.70	100%	311.70
Current portion of finance lease liabilities	19.28	100%	19.28
Current tax payable	41.76	100%	41.76
Total current liabilities	946.74		946.74
Non-current liabilities			
Long-term loans from financial institution	977.30	100%	977.30
Non-current deferred income	354.83	100%	354.83
Finance lease liabilities	39.36	100%	39.36
Provisions for employee benefits	287.37	100%	287.37
Total non-current liabilities	1,658.86		1,658.86
Total liabilities	2,605.60		2,605.60
Total equity	6,009.66		9,220.43

From the above valuation, the share value can be evaluated by the orderly liquidation value approach as follows:

Table 5-9: Summary of the recoverable asset values of LTX

	(THB million)
Equity attributable to owners of the Company	9,220.43
<u>Deduct</u> Employee benefit expenses and compensation for termination of employee contract ¹	627.30
Recoverable asset values	8,593.14
Weighted average cost of capital (WACC)	9.27%
Period (Year)	1
Present value of the recoverable asset values	7,894.40
Number of issued and paid-up share (million shares)	51.84
Orderly liquidation value per share (THB/share)	151.71

Source: ¹ Note to financial statement for the year ended 31 March 2018, increased by 5.0 percent according to the average salary increase rate of the company.

² Additional calculation details can be found in section 5.6.1 valuation for LTX excluding TTTM.

Based on the Orderly Liquidation Value Approach, the share value of LTX is THB 151.71 per share. The IFA chose this method because it reflects the value of the real net asset in the event of dissolution by taking into account of various expenses relating to the disposal of assets and dissolution.

5.4. Weighted Average Market Value Approach

This valuation approach is based on the historical average market price of LTX shares traded on the stock exchange under various time frames from 7 to 360 trading days counting backward from the last trading day before the Company's Board of Directors resolved to approve the Amalgamation (24 December 2018).

Table 5-10: Weighted Average Market Value Approach of LTX

	7 days	15 days	30 days	60 days	90 days	120 days	180 days	270 days	360 days
Weighted average market price (THB per share)	108.08	104.86	103.45	101.97	102.18	98.90	95.72	90.84	89.49
Average daily trading volume (shares)	22,657.14	20,848.87	23,444.73	15,855.60	13,779.36	13,809.81	10,701.93	9,525.99	7,934.98

Source: SETSMART

Based on the Weighted Average Market Value Approach, the share value of LTX is THB 89.49 –108.08 per share. However, the IFA does not choose this method because of relatively low turnover of LTX's stock, based on the turnover ratio of LTX compared to SET. Therefore, this approach may not fully reflect the true value of the Company.

Based on the analysis of LTX shares which were traded on the stock exchange during the past 7 - 360 trading day periods, LTX had a low turnover ratio compared to that of the market as follows:

Table 5-11: Turnover ratio of LTX's shares

	7 days	15 days	30 days	60 days	90 days	120 days	180 days	270 days	360 days
SET	4.61%	9.35%	18.65%	33.78%	48.33%	61.98%	89.99%	133.62%	175.00%
LTX	0.31%	0.60%	1.36%	1.77%	2.30%	3.11%	3.53%	4.44%	4.64%

Source: SETSMART

5.5. Market Comparables Approach

This valuation approach compares various financial ratios of listed companies with similar business to LTX to find the appropriate value. The IFA has selected 5 comparable companies with the criteria as follows:

- Listed company in Asia pacific region.
- Company operating in business related to textile products and industrial material products (IMP) especially spun fabric, filament fabric and fabric for airbag which are similar to LTX.
- Market capitalization is between THB 3,500 million and THB 9,500 million.

Table 5-12: Information on comparable companies of LTX

Company name	Market	Market capitalization as of 24 Dec 2018 (THB million)	Trailing 12 months revenue (THB million)	Business description
Luckytex (Thailand) Public Co Ltd	Stock Exchange of Thailand	6,428.16	8,541.15	Operates full textile business from spinning, weaving and dyeing by using cotton and polyester fiber as raw materials. The company's products include spun fabrics, denims as well as polyester fabrics and filament fabrics. In addition, the company has also expanded the production to produce industrial material product (IMP) such as cord for rubber material reinforcement and fabric for airbag.
Thai Rayon Public Co Ltd	Stock Exchange of Thailand	8,416.80	9,706.07	Manufactures various type of rayon fibers, sold both domestically and internationally, which can be processed into various products such as clothing/apparel, home decoration, accessories, yarn, cleaning cloth, personal use item and hospital supplies.
Gul Ahmed Textile Mills Ltd	Pakistan Stock Exchange	3,987.59	14,107.60	Produces and distributes domestic and foreign textile products. The company divides the operation into 3 sections: 1) Spinning section 2) Weaving section 3) Textile and garment processing section.
Unitika Ltd	Tokyo Stock Exchange	7,496.45	37,689.98	Manufactures and sells synthetic fibers and textile products used as apparel and industrial materials. The Company specializes in cotton, nylon, wool, and polyester textiles. The company also produces non-textile products such as chemical resins, films, medical products, and provides environmental engineering services.

Company name	Market	Market capitalization as of 24 Dec 2018 (THB million)	Trailing 12 months revenue (THB million)	Business description
Jindal Worldwide Ltd	Stock Exchange of India	6,520.08	8,338.70	Manufactures and distributes textile products and also selling denim and other textiles products. The company's products include knitted fabrics, dyed fabrics, fabrics and bedding. In addition, the company also sells other types of textile products such as cotton, cotton bedspreads, denims and many more including linen, 100% cotton and etc.
Indorama Synthetics Tbk Pt	Indonesia Stock Exchange	9,123.33	27,174.65	Manufactures and distributes polyester products. The company divides the operation into 4 sections: 1) Spinning fibers 2) Polyester which consists of polyester yarn, polyester fiber, polyester chips and plastic resins (PET) 3) The fabric section consists of gray polyester fabric and finished polyester fabric. 4) Other parts that consist of trade, investment and other activities.

Source: Bloomberg

Note: Table shown in THB for comparison

5.5.1. Price-to-Earnings Multiple Approach or P/E ratio

This valuation approach is based on the 12-month trailing earnings per share (October 2017 – September 2018) multiplied by the average price-to-earnings ratio (P/E) of comparable listed companies with similar business under various time frames from 7 to 360 trading days counting backward from 24 December 2018, which is the last trading day before the Company's Board of Directors resolved to approve the Amalgamation. Details are as follows:

Table 5-13: Price-to-Earnings Approach (P/E) of LTX and its comparable companies

Comparable companies	P/E ratio by historical number of days								
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	270 days	360 days
Luckytex (Thailand) Plc.	10.00	9.80	9.82	9.49	9.45	9.54	9.20	8.51	8.33
Thai Rayon Public Co Ltd	4.66	4.77	4.82	4.86	4.95	4.91	4.85	4.83	4.77
Gul Ahmed Textile Mills Ltd	6.15	6.22	6.38	6.53	6.46	6.86	7.04	7.72	8.46
Unitika Ltd	4.00	4.18	4.35	4.55	4.87	4.96	4.98	5.01	5.18
Jindal Worldwide Ltd ¹	22.85	22.04	21.52	21.38	22.15	24.06	27.93	31.93	43.22
Indorama Synthetics Tbk Pt	3.52	3.60	3.46	2.86	2.92	4.82	7.30	8.34	7.39
Average P/E excluding LTX	4.58	4.69	4.75	4.70	4.80	5.39	6.04	6.48	6.45
Earnings per share (THB/share) ²	8.06	8.06	8.06	8.06	8.06	8.06	8.06	8.06	8.06
Share price (THB per share)	36.94	37.84	38.32	37.88	38.68	43.42	48.71	52.21	51.98

Notes: ¹ The company has a higher price-to-earnings ratio (P/E) than comparable companies therefore it is considered as an outlier and excluded from the average P/E calculation.

² Calculated from 12-month trailing earnings per share as of September 2018, excluding the minority interest.

Based on the Price-to-earnings multiple approach, the share value of LTX is THB 36.94 – 52.21 per share. However, the IFA does not choose this method because the comparable companies operate in foreign countries with different business fundamental to LTX. Therefore, this method may not reflect the true value of LTX.

5.5.2. Price-to-Book Value Approach or P/BV ratio

This valuation approach is based on the book value per share as of 30 September 2018 multiplied by the average price-to-book value ratio (P/BV) of comparable companies with similar business under various time frames from 7 to 360 trading days counting backward from 24 December 2018, which is the last trading day

before received the Company's Board of Directors resolved to approve the Amalgamation. Details are summarized as follows:

Table 5-14: Price-to-Book Value Approach (P/BV) of LTX and its comparable companies

Comparable companies	P/BV ratio by historical number of days								
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	270 days	360 days
Luckytex (Thailand) Plc.	0.90	0.88	0.88	0.85	0.85	0.86	0.84	0.78	0.74
Thai Rayon Public Co Ltd	0.36	0.37	0.37	0.38	0.38	0.39	0.39	0.41	0.43
Gul Ahmed Textile Mills Ltd	1.24	1.26	1.29	1.32	1.30	1.31	1.28	1.29	1.28
Unitika Ltd	2.20	2.30	2.39	2.50	2.70	2.96	3.17	3.45	2.89
Jindal Worldwide Ltd ¹	4.18	4.03	3.94	3.91	4.05	4.40	5.11	5.84	6.75
Indorama Synthetics Tbk Pt	0.79	0.80	0.77	0.64	0.62	0.67	0.76	0.70	0.59
Average P/BV excluding LTX	1.15	1.18	1.21	1.21	1.25	1.33	1.40	1.46	1.29
Book value per share (THB per share)	115.93	115.93	115.93	115.93	115.93	115.93	115.93	115.93	115.93
Share price (THB per share)	133.02	137.06	139.91	140.14	144.91	154.29	162.36	169.77	149.97

Notes: ¹The company has a higher price-to-book value ratio (P/BV) than comparable companies therefore it is considered as an outlier and excluded from the average P/BV calculation.

Based on price-to-book value approach, the share value of LTX is THB 133.02 – 169.77 per share. However, the IFA does not choose this method because the comparable companies operate in foreign countries with different business fundamental to LTX.

5.6. Discounted Cash Flow: DCF

This valuation approach determines the value of LTX's share based on financial projection and free cash flow to firm (FCFF) in the future, accounting period ending 31 March of every year, with reference of information such as the management interview, research analysis, and statistics including historical data of the Company. The IFA has evaluated the investment in its associate and other company. Details are as follows:

Table 5-15: Summary of evaluation methods used to determine the share value of LTX

Company name	Status	Shareholding	Valuation approach
Luckytex (Thailand) Public Company Limited (LTX)	-	-	Discounted Cash Flow: DCF
Thai Toray Synthetics Company Limited (TTS)	Associate	18.75%	Not separately evaluated because the financial statements that show investment by equity method are used as the basis for calculation and LTX have recognized share of profit and loss from TTS in the forecasted financial statements.
Thai Toray Textile Mills Public Company Limited (TTTM)	Investment in associate	5.22%	Value of sales of ordinary shares in TTTM as per the resolution the Board of Directors as at 25 December 2018

5.6.1. Valuation for LTX excluding TTTM

Based on the discounted cash flow approach, the IFA has estimated the future cash flow until 2022, using the financial forecast prepared by LTX, information and future business plan, interview with relevant management and officers as well as the actual financial and industry data. The assumptions used in preparing the forecast are based on the current economic and industry situations. If any of the factors or other external factors that have impact on the operation of the business significantly changes from the assumptions made herein, the value may also differ.

8) Assumption on revenue valuation

LTX's main business is to produce and distribute spun fabrics, filament fabrics, yarn for denim and industrial material product (IMP) which can be divided into 2 business lines, 1) Textile business 2) Industrial material product (IMP) business. Therefore, IFA assumes the growth of businesses as follows:

Table 5-16: Revenue assumptions of LTX

	Assumption							
1. Textile business								
Spun fabric	Historical sales growth			Sales growth projection				
	2015/16 (A)	2016/17 (A)	2017/18 (A)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)
	N/A	-5.12%	-14.97%	-16.71%	0.00%	0.00%	0.00%	0.00%
	2018: Sales growth of spun fabric is assumed to grow by 16.71%, which is in consistent with the annualized spun fabric sales of 2018. 2019 – 2022: Sales growth of spun fabric is assumed to be constant during the forecast period, due to over the past 2 years, the growth rate of spun fabric has continuously decreased. Although the company plans to change the product line from general fabric market (mass fabric) to a market that adds value to the product (high-value-added), it will take time and the company also has to deal with highly competitive market.							
Filament fabric	Historical sales growth			Sales growth projection				
	2015/16 (A)	2016/17 (A)	2017/18 (A)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)
	N/A	1.29%	6.43%	10.20%	5.98%	5.98%	5.98%	5.98%
	2018: Sales growth of filament fabric is assumed to grow by 10.20%, which is in consistent with the annualized spun fabric sales of 2018. 2019 – 2022: Sales growth of filament fabric is assumed to grow by 5.98%, which is equal to the average growth during 2016 – 2018 (annualized) because the growth rate of filament fabric sales increased every year over the past 2 years and is consistent with the growth of filament fabric during 2016 - 2018 (annualized) (Source: Thailand Textile Institute).							
Yarn for denim	Historical sales growth			Sales growth projection				
	2015/16 (A)	2016/17 (A)	2017/18 (A)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)
	N/A	-41.79%	124.81%	-14.97%	6.40%	6.40%	6.40%	6.40%
	2018: Sales growth of yarn for denim is assumed to reduce by 14.97%, which is in consistent with the annualized yarn for denim sales of 2018. 2019 – 2022: Sales growth of yarn for denim is assumed to growth by 6.4%, which is in line with the growth trend forecast of denim fabric in 2018 - 2023 (Source: Denim market overview by Prescient & Strategic Intelligence Research, October 2018). Average growth during 2016 – 2018 (annualized) was not used because the growth of these sales is highly volatile, due to lower customers' demand. This coupled with one of the company's main trading partner has changed its order amount unexpectedly before return to its normal order, which cause these sales growth to be abnormal and does not represent the current trend of the true denim industry.							
2. Industrial Material Product (IMP) business								
Cord for rubber material reinforcement	Historical sales growth			Sales growth projection				
	2015/16 (A)	2016/17 (A)	2017/18 (A)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)
	N/A	11.17%	-8.20%	15.05%	6.01%	6.01%	6.01%	6.01%
	2018: Sales growth of cord for rubber material reinforcement is assumed to grow by 15.05%, which is in consistent with the annualized cord for rubber material reinforcement sales of 2018. 2019 – 2022: Sales growth of cord for rubber material reinforcement is assumed to grow by 6.01%, which is equal to the average growth during 2016 – 2018 (annualized) and in line with the growth trend forecast of automotive industry from 2018 – 2020, growing between 3 to 8 percent (Source: Business/industry trends in 2018-20 by Krungsri Research as of May 2018), which is the growth forecast for sales volume. While the							

Assumption																																	
	price per unit is stable. Since it is a highly competitive industry, it is difficult to increase prices in significant amount.																																
Fabric for airbag	<table border="1"> <thead> <tr> <th colspan="3">Historical sales growth</th> <th colspan="5">Sales growth projection</th> </tr> <tr> <th>2015/16</th> <th>2016/17</th> <th>2017/18</th> <th>2018/19</th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> </tr> <tr> <th>(A)</th> <th>(A)</th> <th>(A)</th> <th>(E)</th> <th>(F)</th> <th>(F)</th> <th>(F)</th> <th>(F)</th> </tr> </thead> <tbody> <tr> <td>N/A</td> <td>16.56%</td> <td>-3.94%</td> <td>1.83%</td> <td>4.82%</td> <td>4.82%</td> <td>4.82%</td> <td>4.82%</td> </tr> </tbody> </table>	Historical sales growth			Sales growth projection					2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)	N/A	16.56%	-3.94%	1.83%	4.82%	4.82%	4.82%	4.82%
	Historical sales growth			Sales growth projection																													
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23																									
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)																									
N/A	16.56%	-3.94%	1.83%	4.82%	4.82%	4.82%	4.82%																										
<p>2018: Sales growth of fabric for airbag is assumed to grow by 1.83%, which is in consistent with the annualized fabric for airbag sales of 2018.</p> <p>2019 – 2022: Sales growth of fabric for airbag is assumed to grow by 4.82%, which is equal to the average growth during 2016 – 2018 (annualized) and in line with the growth trend forecast of automotive industry from 2018 – 2020, growing between 3 to 8 percent (Source: Business/industry trends in 2018-20 by Krungsri Research as of May 2018), However, due to the small growth of annualized fabric for airbag sales, the growth rate is lower compared to the growth rate of cord for rubber material reinforcement. This is the growth forecast for sales volume while the price per unit is stable. Since it is a highly competitive industry, it is difficult to increase prices in significant amount.</p>																																	
Other income																																	
Dividend income	Based on the dividend income in 2017, deducted by the amount of dividend received from TTTM ¹																																
Interest income	Based on the interest rate of the savings account of the Bank of Thailand (BoT) on cash and cash equivalents items, which amounting to 0.5 percent of the cash and cash equivalents items.																																
Other income	Based on 3-year historical average proportion of other income to the total sales, amounting to 0.4 percent of the total sales.																																
Net foreign exchange gain	Based on the historical average proportion of net foreign exchange gain to the total sales in 2017 and 2018, since it is a year that the Company has gained from foreign exchange rates, which amounting to 0.6 percent of the total sales.																																
Share of profit of associate	Based on 3-year historical average proportion of share of profit of associate to the total sales, amounting to 1.2 percent of the total sales.																																

Note: ¹ The dividend received from TTS has already been included since the financial statements used in the calculation are financial statements in which the equity method is applied and the valuation of TTTM will be valued separately.

9) Assumption on expense

Table 5-17: Expense assumption of LTX

Assumption																																	
Expense																																	
Cost of goods sold:																																	
Spun fabric	<table border="1"> <thead> <tr> <th colspan="3">Historical cost of goods sold/sales</th> <th colspan="5">Cost of goods sold projection/sales</th> </tr> <tr> <th>2015/16</th> <th>2016/17</th> <th>2017/18</th> <th>2018/19</th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> </tr> <tr> <th>(A)</th> <th>(A)</th> <th>(A)</th> <th>(E)</th> <th>(F)</th> <th>(F)</th> <th>(F)</th> <th>(F)</th> </tr> </thead> <tbody> <tr> <td>80.84%</td> <td>83.21%</td> <td>90.46%</td> <td>95.34%</td> <td>95.21%</td> <td>95.08%</td> <td>94.94%</td> <td>94.81%</td> </tr> </tbody> </table>	Historical cost of goods sold/sales			Cost of goods sold projection/sales					2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)	80.84%	83.21%	90.46%	95.34%	95.21%	95.08%	94.94%	94.81%
	Historical cost of goods sold/sales			Cost of goods sold projection/sales																													
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23																									
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)																									
80.84%	83.21%	90.46%	95.34%	95.21%	95.08%	94.94%	94.81%																										
<p>2018: The proportion of cost of goods sold of spun fabric to spun fabric sale of 95.34% has been considered, which is in consistent with the annualized proportion of cost of goods sold of spun fabric to spun fabric sale of 2018.</p> <p>2019 – 2022: The proportion of cost of goods sold of spun fabric to spun fabric sale of previous year has been considered and reduced by 0.14% every year, without considering the proportion of cost of goods sold of spun fabric to spun fabric sale of the past 3 years. This is because the company has invested in reducing the total cost of goods sold since 2016 and plans to invest more in order to reduce the total cost of goods sold in the future. Thus far, the company is able to control the proportion of the main components of the total cost of goods sold such as raw materials and supplies, to be reduced gradually, with an average reduction rate of the last 2 years of 0.14%.</p>																																	
Filament fabric	<table border="1"> <thead> <tr> <th colspan="3">Historical cost of goods sold/sales</th> <th colspan="5">Cost of goods sold projection/sales</th> </tr> <tr> <th>2015/16</th> <th>2016/17</th> <th>2017/18</th> <th>2018/19</th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> </tr> <tr> <th>(A)</th> <th>(A)</th> <th>(A)</th> <th>(E)</th> <th>(F)</th> <th>(F)</th> <th>(F)</th> <th>(F)</th> </tr> </thead> <tbody> <tr> <td>97.97%</td> <td>116.93%</td> <td>85.33%</td> <td>82.78%</td> <td>82.66%</td> <td>82.55%</td> <td>82.43%</td> <td>82.32%</td> </tr> </tbody> </table>	Historical cost of goods sold/sales			Cost of goods sold projection/sales					2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)	97.97%	116.93%	85.33%	82.78%	82.66%	82.55%	82.43%	82.32%
	Historical cost of goods sold/sales			Cost of goods sold projection/sales																													
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23																									
(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)																										
97.97%	116.93%	85.33%	82.78%	82.66%	82.55%	82.43%	82.32%																										

	Assumption							
	<p>2018: The proportion of cost of goods sold of filament fabric to filament fabric sale of 82.78% has been considered, which is in consistent with the annualized proportion of cost of goods sold of filament fabric to filament fabric sale of 2018.</p> <p>2019 – 2022: The proportion of cost of goods sold of filament fabric to filament fabric sale of previous year has been considered and reduced by 0.14% every year, without considering the proportion of cost of goods sold of filament fabric to filament fabric sale of the past 3 years. This is because during 2015 – 2016, the company still lacks experience in producing new type of filament fabrics, resulting in a lot of defective products. Hence, the cost of goods sold of filament fabric was unusually high. At the present, the company has a better control over the cost of goods sold of filament fabric. Additionally, the company has invested in reducing the total cost of goods sold since 2016 and plans to invest more in order to reduce the total cost of goods sold in the future. Thus far, the company is able to control the proportion of the main components of the total cost of goods sold such as raw materials and supplies, to be reduced gradually, with an average reduction rate of the last 2 years of 0.14%.</p>							
Yarn for denim	Historical cost of goods sold/sales			Cost of goods sold projection/sales				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	100.95%	102.30%	84.10%	82.22%	82.11%	81.99%	81.88%	81.76%
	<p>2018: The proportion of cost of goods sold of yarn for denim to yarn for denim sale of 82.22% has been considered, which is in consistent with the annualized proportion of cost of goods sold of yarn for denim to yarn for denim sale of 2018.</p> <p>2019 – 2022: The proportion of cost of goods sold of yarn for denim to yarn for denim sale of previous year has been considered and reduced by 0.14% every year, without considering the proportion of cost of goods sold of yarn for denim to yarn for denim sale of the past 3 years. This is because during 2015 – 2016, customers' demand for yarn for denim has decreased considerably. This coupled with the main trading partner for yarn for denim has changed its order unexpectedly, resulting in a lot of cancelled products and unusually high proportion of cost of goods sold of yarn for denim to yarn for denim sale. At the present, the main trading partner has resumed its normal orders, together with the company has a better control over the cost of goods sold of yarn for denim. Additionally, the company has invested in reducing the total cost of goods sold since 2016 and plans to invest more in order to reduce the total cost of goods sold in the future. Thus far, the company is able to control the proportion of the main components of the total cost of goods sold such as raw materials and supplies, to be reduced gradually, with an average reduction rate of the last 2 years of 0.14%.</p>							
Cord for rubber material reinforcement	Historical cost of goods sold/sales			Cost of goods sold projection/sales				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	68.86%	75.17%	72.68%	71.79%	71.69%	71.59%	71.49%	71.39%
	<p>2018: The proportion of cost of goods sold of cord for rubber material reinforcement to cord for rubber material reinforcement sale of 71.79% has been considered, which is in consistent with the annualized proportion of cost of goods sold of cord for rubber material reinforcement to cord for rubber material reinforcement sale of 2018.</p> <p>2019 – 2022: The proportion of cost of goods sold of cord for rubber material reinforcement to cord for rubber material reinforcement sale of previous year has been considered and reduced by 0.14% every year, without considering the proportion of cost of goods sold of cord for rubber material reinforcement to cord for rubber material reinforcement sale of the past 3 years. This is because the company has invested in reducing the total cost of goods sold since 2016 and plans to invest more in order to reduce the total cost of goods sold in the future. Thus far, the company is able to control the proportion of the main components of the total cost of goods sold such as raw materials and supplies, to be reduced gradually, with an average reduction rate of the last 2 years of 0.14%.</p>							
Fabric for airbag	Historical cost of goods sold/sales			Cost of goods sold projection/sales				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	93.57%	90.46%	90.91%	91.65%	91.53%	91.40%	91.27%	91.14%

	Assumption
	<p>2018: The proportion of cost of goods sold of fabric for airbag to fabric for airbag sale of 91.65% has been considered, which is in consistent with the annualized proportion of cost of goods sold of fabric for airbag to fabric for airbag sale of 2018.</p> <p>2019 – 2022: The proportion of cost of goods sold of fabric for airbag to fabric for airbag sale of previous year has been considered and reduced by 0.14% every year, without considering the proportion of cost of goods sold of fabric for airbag to fabric for airbag sale of the past 3 years. This is because the company has invested in reducing the total cost of goods sold since 2016 and plans to invest more in order to reduce the total cost of goods sold in the future. Thus far, the company is able to control the proportion of the main components of the total cost of goods sold such as raw materials and supplies, to be reduced gradually, with an average reduction rate of the last 2 years of 0.14%.</p>
Selling expense	The proportion of selling expense as a percentage to sales of 3.4% has been considered per year throughout the forecast period based on the historical 3-year average. In the past year, the selling expenses decreased as a result of lower sales. However, the proportion of selling expense as a percentage to sales in the past 3 years is ranging from 2.1% - 6.1%, which consists of commission, freight charges, employee benefit expenses, bank fees, travelling expense, car rental fees and etc.
Administrative expense:	
Employee benefit expenses	Growth of 5.0 percent per year which is in line with the employee benefit policy of the company.
Management service fee	Based on 3-year historical average proportion of management service fee to the total sales, amounting to 0.3 percent of the total sales.
Maintenance and technical fee	Based on 3-year historical average proportion of maintenance and technical fee to the total sales, amounting to 0.2 percent of the total sales.
Transportation and vehicles rent	Based on 3-year historical average proportion of transportation and vehicle rent to the total sales, amounting to 0.2 percent of the total sales.
Insurance expenses	Based on the Company's insurance expenses of the year 2017, amounting to THB 8.44 million
Depreciation and amortisation	Based on 3-year historical average proportion of depreciation and amortization to the total sales, amounting to 0.1 percent of the total sales.
Others	Growth of 1.82 percent per year in accordance with 10-year historical average headline inflation rate of Thailand (Source: Bank of Thailand (BoT)).
<u>Other assumption</u>	
Income tax rate	20 percent of profit before tax according to the corporate income tax rate.
CAPEX	<p>LTX has investment plan estimation as follows:</p> <p>2018 Additional investment of THB 300 million on machineries</p> <p>2019 Additional investment of THB 653 million on machineries</p> <p>2020 – 2022 Addition investment in maintenance buildings and machines at THB 500 million</p>
Net working capital	Determined various current assets and liabilities according to account receivable turnover, inventory turnover and account payable turnover for the past 3 years as appropriate.

Financial forecast of LTX

From the above assumptions regarding revenues, expenses, the financial forecast of LTX from 2018 to 2022 is as follows:

Table 5-18: Financial forecast of LTX

(THB million)	2018/19 (E)	%	2019/20 (F)	%	2020/21 (F)	%
Sales	8,325.14	97.68%	8,618.10	97.67%	8,926.47	97.70%
Other income	197.77	2.32%	205.85	2.33%	210.45	2.30%
Total revenues	8,522.91	100.00%	8,823.95	100.00%	9,136.92	100.00%
Cost of goods sold ¹	(7,546.86)	-90.65%	(7,793.41)	-90.43%	(8,052.69)	-90.21%
Gross profit¹	778.28	9.35%	824.69	9.57%	873.79	9.79%
Selling expense	(286.56)	-3.36%	(296.68)	-3.36%	(307.21)	-3.36%
Administrative expense	(199.97)	-2.35%	(207.26)	-2.35%	(214.86)	-2.35%
EBITDA	1,161.27	13.63%	1,247.92	14.14%	1,280.88	14.02%
Depreciation and amortization	(671.75)	-7.88%	(721.33)	-8.17%	(718.72)	-7.87%

(THB million)	2018/19 (E)	%	2019/20 (F)	%	2020/21 (F)	%
EBIT	489.51	5.74%	526.59	5.97%	562.17	6.15%
Finance cost	(28.83)	-0.34%	(28.41)	-0.32%	(7.22)	-0.08%
EBT	460.69	5.41%	498.18	5.65%	554.95	6.07%
Tax expense	(92.14)	-1.08%	(99.64)	-1.13%	(110.99)	-1.21%
Profit (loss) for the period	368.55	4.32%	398.54	4.52%	443.96	4.86%

(THB million)	2021/22 (F)	%	2022/23 (F)	%
Sales	9,251.09	97.67%	9,592.80	97.64%
Other income	220.61	2.33%	231.54	2.36%
Total revenues	9,471.69	100.00%	9,824.33	100.00%
Cost of goods sold ¹	(8,325.33)	-89.99%	(8,612.04)	-89.78%
Gross profit¹	925.75	10.01%	980.76	10.22%
Selling expense	(318.46)	-3.36%	(330.32)	-3.36%
Administrative expense	(222.86)	-2.35%	(231.25)	-2.35%
EBITDA	1,363.75	14.40%	1,449.44	14.75%
Depreciation and amortization	(758.72)	-8.01%	(798.72)	-8.13%
EBIT	605.03	6.39%	650.72	6.62%
Finance cost	(6.80)	-0.07%	(6.39)	-0.07%
EBT	598.23	6.32%	644.33	6.56%
Tax expense	(119.65)	-1.26%	(128.87)	-1.31%
Profit (loss) for the period	478.58	5.05%	515.46	5.25%

Note: ¹ Calculated as proportion to sales whereas other items are calculated as proportion to total revenues.

Discount Rate of LTX

The IFA has calculated the discount rate used in calculating the present value of cash flows of LTX by using the weighted average cost of Capital: WACC as follows:

$$WACC = (D/(D+E) \times K_D \times (1 - T)) + (E/(D+E) \times K_E)$$

Where:

D	Value of interest-bearing debt ¹
E	Value of shareholders' equity ²
T	Corporate income tax rate
K _D	Cost of debt
K _E	Cost of equity calculated using Capital Asset Pricing Model ("CAPM")

Notes: The capital structure was based on the information on 31 March 2018 due to insignificant difference from 30 September 2018.

¹ Value of interest-bearing debt as of 31 March 2018 is THB 1,639.59 million.

² Value of shareholders' equity as of 31 March 2018 is THB 6,009.66 million.

K_E is calculated under CAPM as follows:

$$K_E = R_F + \beta \times (R_M - R_F)$$

Where:

R _F	Risk free rate based on the historical yield of the 10-year government bond at 2.6840%
Beta	Beta (β) is the average volatility between SET Market return and the comparable companies (Calculated from 2-years historical data of the comparable companies) at 0.7500 (Source: Bloomberg) (As independent financial advisor has considered 2 years historical data (weekly) being appropriated data in term of amount and frequent of data. It was suitable for statistic calculation which will reflect a business risk such competition and consumer behavior etc.)
R _M	Market return calculated from the total return from investing in SET during the past 9 years historical data (monthly) since 2009 at 14.0940% (Source: Bloomberg). Since Subprime Financial Crisis occurred in 2008, the calculation excludes the use of numbers in that year for appropriateness.

Based on the above assumptions of discount rate, cost of equity (K_E) is 11.24% and cost of interest-bearing debt (K_D) is 2.53% which is derived from the financial cost divided by the average interest-bearing debt between 2016 and 2017. Therefore, WACC is equal to 9.27%.

Terminal Value

Terminal value is calculated from the growth rate of cash flow after the projection period (Terminal Growth Rate). The IFA determined appropriate growth rate in accordance with 10-year historical average headline inflation rate of Thailand at 1.82% (Source: Bank of Thailand (BoT)) as the Company's raw materials include chemicals from the petrochemical industry, which has fluctuating prices along with competitive conditions in the textile industry, which consists of several major competitors and other retailers. As a result, operators, especially large operators, need to maintain their market share affected the future textile price growth rate. The IFA has set the growth rate at 1.82% (terminal growth).

Discounted free cash flow of LTX

Table 5-19: Forecast free cash flow to firm of LTX

(THB million)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)
EBIT	489.51	526.59	562.17	605.03	650.72
Income tax (20% of EBIT)	(97.90)	(105.32)	(112.43)	(121.01)	(130.14)
Net operating profit after tax (NOPAT)	391.61	421.27	449.73	484.02	520.58
Depreciation and amortization	671.75	721.33	718.72	758.72	798.72
Change in net working capital (NWC)	(16.13)	(68.13)	(71.69)	(75.44)	(79.39)
Capital expenditure (CAPEX)	(300.00)	(653.00)	(500.00)	(500.00)	(500.00)
Free cash flow to firm (FCFF)	747.23	421.47	596.76	667.30	739.90
Terminal value: TV					10,117.38
Sum of present value of FCFF and Terminal value	714.84	369.01	478.17	489.35	7,286.74

Note: ¹ Terminal value is calculated from $FCFF_{2022/23} \times (1 + \text{terminal growth}) / (WACC - \text{terminal growth})$

Calculation LTX's equity value

Based on the above cash flow, the equity value of LTX without investment in associate can be calculated as follows:

Table 5-20: Enterprise value of LTX using the Discounted Cash Flow Method

	(THB million)
Enterprise value	9,338.11
<u>Add</u> Cash and cash equivalent	153.76
<u>Deduct</u> Financial liabilities	(1,325.53)
Equity value of LTX (before including investment in associate)	8,166.35

Based on the DCF approach, the equity value of LTX (excluding investment in associate) is THB 8,166.35 million.

5.6.2. Investment valuation in TTTM

As for the investment valuation in TTTM, the IFA evaluated the investment value by evaluating the value of the sale of ordinary shares of TTTM to TORAY based on the Board of Directors' meeting of the Company No. 6/2018 on 25 December 2018 that has resolved to approve the sale of all ordinary shares of TTTM held by the Company amounting to 313,000 shares, which is equal to 5.22 percent of the total number of TTTM issued shares, at THB 179.36 per share, with a total value of approximately THB 56.14 million. The IFA has also considered the tax on the sale of investments.

Table 5-21: Value of TTTM shares sold

	(THB million)
Value of sale of ordinary shares in TTTM (THB million)	56.14
Gain on sale of investment in TTTM (THB million) ¹	46.14
Corporate income tax rate (%)	20%
Deduct Tax on sale of investment in TTTM (THB million)	9.23
Proceeds from sale of investment in TTTM after tax (THB million)	46.91

Note: ¹ The initial investment of TTTM is THB 10.00 million

Thus, the proceeds from sale of investment in TTTM after tax are THB 46.91 million.

Valuation by discounted cash flow approach

Table 5-22: Share valuation of LTX using the discounted cash flow approach

	(THB million)
LTX	8,166.35
TTTM	46.91
Total	8,213.26
Number of LTX's shares (Million shares)	51.84
Share value of LTX (THB per share)	158.43

Note: The Company announced a dividend payment at THB 1.50 per share in total of THB 77.76 million on 20 December 2018. The record date to determine shareholders who have a right to receive dividend is on 4 January 2019. However, the IFA evaluated by using the data as of 24 December 2018, which has not yet reached the record date to determine shareholders who have a right to receive dividend. Therefore, the dividend is not deducted from the calculation. In case the dividend payment is taken into consideration, the shareholders' equity will decrease to THB 8,135.50 million or equivalent to THB 156.93 per share, which will affect the share value of LTX to decrease by 0.95 percent.

Based on the discounted cash flow approach, the equity value of LTX is THB 158.43 per share. The IFA chose this method because this method reflects the value of the firm by separately valuing each project with the appropriate valuation method for each project and combining them together at the firm equity's stake. Therefore, it can reflect the fair value to a certain extent. However, this method mostly based on cash flow projection under current industry and economic which may change significant in the future and may affect the valuation value.

5.6.3. Sensitivity analysis

The IFA performs the sensitivity analysis by varying key assumption which has significant impact on the share value of LTX, namely Weighted Average Cost of Capital (WACC).

Table 5-23: Sensitivity analysis of LTX's share valuation

THB per share	Weighted Average Cost of Capital (WACC)				
	WACC – 0.5%	WACC – 0.25%	WACC	WACC + 0.25%	WACC + 0.5%
LTX	171.33	164.66	158.43	152.62	147.17

Based on sensitivity analysis, the share value of LTX is between THB 147.17 – 171.33 per share.

5.7. Valuation summary of share value of LTX

Valuation results of LTX share under various approaches are summarized as follows:

Table 5-24: Valuation results and comparison of pros and cons for each valuation approach

Valuation method	Share price	Pros	Cons
Book Value Approach	115.93	Reflect financial position at a point in time of the Company	Does not reflect fair value of some assets and important events that occurred after the book closing date. Moreover, it does not reflect the company's ability to generate profits and acquire future projects.
Adjusted Book Value Approach	205.50	Reflect fair value of assets and important event that occurred after the book closing date	Does not reflect the Company's ability to generate profits and acquire future projects.
Orderly Liquidation Approach	151.71	Reflect the value of the real net asset in the event of dissolution by taking into account of various expenses relating to the disposal of assets and dissolution.	If the company does not plan to liquidate, the liquidation value may not reflect the actual value that shareholders will receive today.
Weighted Average Market Value Approach	89.49 – 108.08	Market price is determined from the demand and supply of the investors that the investors have considered from information and various expectations, as well as overall market condition.	Due to relatively low turnover of LTX's stock, based on the turnover ratio of LTX compared to SET, this approach may not fully reflect the true value of the Company.
Price-to-Earnings Approach	36.94 – 52.21	Reflect operating performance during a period of time in contrast to average ratio of the comparable group.	The comparable companies operate in foreign countries with different business fundamental to LTX. On this basis, the P/E ratio may not reflect the true value of LTX.
Price-to-Book Value Approach	133.02 – 169.77	Reflect operating performance in the past and financial position at a period of time in contrast to average ratio of the comparable group.	The comparable companies operate in foreign countries with different business fundamental to LTX. In addition, the P/B ratio is not generally a good financial indicator of LTX business.
Discounted Cash Flow Approach	147.17 – 171.33	Reflect the value of the firm by separately valuing each project with the appropriate valuation method for each project and combining them together at the firm equity's stake. Therefore, it can reflect the fair value to a certain extent.	This method mostly based on cash flow projection under current industry and economic. Significant changing in industry and economic affect the valuation value.

Based on the above reasons, the IFA views that the appropriate method to value LTX share is discounted cash flow approach and orderly liquidation approach. In other words, if the company intends to continue its business, the appropriate share value of LTX is THB 147.17 – 171.33 per share. Furthermore, LTX is in the textile and apparel industry, which has high uncertainty due to the highly competitive industry. Thus, in the case of dissolution, the appropriate share value of LTX is THB 151.71 per share as LTX is a company that has been operating for a long time with a lot of assets which the market value is higher than the book value, especially the land items. Since the factory is located near the communities which are the residential areas, if the company does not use the property to its highest and best use, this could cause the share value from discounted cash flow approach to be lower than orderly liquidation approach. Therefore, the IFA chooses to use both methods to show the true value of LTX which equal to THB 151.71 – 171.33 per share.

6. SHARE VALUATION OF THAI TORAY TEXTILE MILLS PCL (“TTTM”)

The financial statements of Thai Toray Textile Mills PCL for the year ended 31 March 2016 to 31 March 2018 and the financial statements for the six-month period ended 30 September 2018 can be viewed in Appendix 2, Table 9-17: Statement of financial position of TTTM and Table 9-18: Statement of Income of TTTM.

6.1. Book Value Approach

This valuation approach reflects the value shown on the accounting book at a specific point in time. In this case, the valuation is based on the book value of TTTM from financial statements for six-month period ended 30 September 2018, which were reviewed by Mr. Sakda Kaotanthong: Certified Public Accountant (Thailand) No. 4628, KPMG Phoomchai Audit Ltd.

Table 6-1: Book Value Approach of TTTM

As of 30 September 2018	(THB million)
Issued and paid-up share capital	60.00
Share premium	-
Appropriated retained earnings – legal reserve	21.00
Appropriated retained earnings – other reserves	614.00
Unappropriated retained earnings	831.20
Other components of equity	0.59
Equity attributable to owners of the Company	1,526.79
Number of issued and paid-up share (million shares)	6.00
Book value per share (THB/share)	254.47

Based on the Book Value Approach, the share value of TTTM is THB 254.47 per share. However, the IFA does not choose this method because it does not reflect fair value of some assets and important events that occurred after the book closing date. Moreover, it does not reflect the company's ability to generate profits and acquire future projects.

6.2. Adjusted Book Value Approach

This valuation approach determines the fair value by adjusting the book value of TTTM as of 30 September 2018 per six-month period ended financial statements with various items to better reflect the intrinsic value or the current financial position.

According to statement of financial position, most assets of TTTM are property, plant and equipment which accounts for 39.05%, cash and cash equivalents accounts for 26.94% and Trade receivable accounts for 14.59%. Most of liabilities consist of Trade payable which accounts for 51.98%, Employee benefit obligations accounts for 13.85% and Accrued operating expenses accounts for 12.46%

Since TTTM is a company that has been established for a long time with many items of land, buildings and equipment, these items should be updated in order to reflect the true value. Therefore, the appraisal of such assets by the independent property appraiser, Siam City Appraisal Company Limited, was evaluated for public purposes on 31 August 2018. The appraised items are land, buildings and land improvements; machinery and equipment. IFA therefore adjusted the transaction to be in accordance with the fair value by adjusting land, buildings and equipment items to reflect the true value of properties as follows:

In addition, the Independent Financial Advisor has considered to adjust the long-term investments which are not marketable securities recognized as cost in the financial statements and significant to the value of

TTTM, namely, Thai Toray Synthetics Company Limited ("TTS"), in which TTTM holds 0.31% of the total shares by updating such items to be in accordance with the fair value.

Adjustment of property, plant and equipment include a total of 146 rai and 3 square wah of land with 15 title deeds and 1 factory building in Nakhon Pathom province, machinery and equipment used in business such as dyeing machines, spinning machines, weaving machines, knitting machines and etc. can be summarized as follows:

Table 6-2: Details of property, plant and equipment value adjustment of TTTM

Items	Net book value for the year ended 31 March 2018 (THB million)	Appraisal value (THB million)	Adjusted value (THB million)	Valuation method
Land	6.92	507.31	500.39	Market Approach
Factory buildings and improvements	132.04	302.48	170.44	Cost Approach ¹
Machinery and equipment	509.17	795.12	285.95	Cost Approach ¹
Total			956.78	

Note: ¹ Details of each items of property, plant and equipment for the six-month period ended 30 September 2018 are not specified. The IFA therefore considered details of the financial statements for the year ended 31 March 2018. Based on interviews with the management team, there are no significant changes to said property, plant and equipment.

² Calculated from the replacement cost then deducted by depreciation cost according to the number of holding years. The objective of evaluating is to find the market value

³ Size of the land is 136 rai and 3 square wah. The surrounding area is industrial, commercial and residential area with convenient transportation. There are 48 buildings in total.

⁴ There are 793 machinery and equipment, including 282 of spinning machines, 275 of weaving machines, 71 of knitting machines, 102 of dyeing machines and 63 of other machines.

Adjustment of long-term investments are as follows:

As at 31 March 2018, TTTM holds shares in TTS, which is engaged in the production and distribution of polyester fibers, nylon filament yarns and polyester filament yarns, plastic pellets for industry, clear polypropylene film and aluminium coated film, with a shareholding ratio of 0.31%. The independent financial advisor evaluates the investment value in TTS by using a comparison method with businesses in the same industry by analyzing the average EV / EBITDA ratio of companies in the same industry and similar businesses (Source: Bloomberg)

However, comparable companies are large and listed on the stock exchange. The Independent Financial Advisor therefore reduced the EV / EBITDA ratio by 25 percent (Reference: Research on Marketability and Value: Measuring the Illiquidity Discount, 2005 and Investment Valuation: Tools and Techniques for Determining the Value of Any Asset 3rd Edition, 2016 Aswath Damodaran) to reflect the lack of liquidity of a limited company, which can sell securities more difficult than securities listed on the stock exchange. EV / EBITDA ratio used in the valuation of investments in TTS are as follows:

Table 6-3: Average of textile fiber and yarn industry of TTTM

Name	Business	EV/EBITDA
XINFENGMING GROUP CO LTD-A	Xinfengming Group Co., Ltd. manufactures and distributes textile materials. The Company produces polyester filament, slice spinning, and polyester yarns. Xinfengming Group operates worldwide.	7.93
FAZAL CLOTH MILLS LTD	Fazal Cloth Mills Limited manufactures and sells yarn.	7.05
INDO RAMA SYNTHETICS (I)	Indo Rama Synthetics (India) Limited manufactures synthetic yarn, partially oriented yarn, polyester stable fiber and drawn textured yarn for both domestic and export sales.	7.88
Average of comparables		7.62
Average of comparables after discount		5.71

Source: Bloomberg

Ratio of comparable companies after the above reduction can be used to calculate the value of TTS as follows:

Table 6-4: Valuation of long-term investment of TTTM

	TTS
EBITDA	1,190.43
<u>Deduct</u> interest income and dividend received	9.84
EBITDA Multiple (times) after discount	5.71
Enterprise value	6,746.45
<u>Add</u> Cash and Short-term investment	277.96
<u>Deduct</u> Liabilities	849.96
Shareholder equity	6,174.46
Percentage of shareholding by TTTM (%)	0.31
Investment Value (THB million)	19.14

Note: TTS is a limited company therefore there is a limited access to information and public information disclosure. The IFA used the financial statements for the period ended 31 March 2018 to evaluate, couple with not receiving the confirmation of the dividend payment during the year of TTS. However, the change in the value of TTS from such dividend payment is not significant to the value of TTTM because dividend payment of TTS is considered very small compared to the value of TTTM.

Based on the above valuation, the value of TTS equals THB 19.14 million.

Table 6-5: Adjustment of long-term investment of TTTM

Name	Book value for the year ended 31 March 2018 (THB million)	Fair value (THB million)	Adjustment (THB million)	Valuation method
TTS	9.56	19.14	9.58	Market Comparables Approach by analyzing EV/EBITDA
Total			9.58	

The valuation by adjusted book value approach is as follows:

Table 6-6: Adjusted book value of TTTM

	(THB million)
Equity attributable to owners of the Company (before the adjustment)	1,526.79
<u>Add</u> Adjustment of property, plant and equipment	956.78
<u>Add</u> Adjustment of long-term investment	9.58
Equity attributable to owners of the Company (after the adjustment)	2,493.15
Number of issued and paid-up share (million shares)	6.00
Book value per share (THB/share)	415.53

Note: The Company announced a dividend payment at THB 2.50 per share in total of THB 15 million on 20 December 2018. The record date to determine shareholders who have a right to receive dividend is on 27 December 2019. However, the IFA evaluated by using the data as of 24 December 2018, which has not yet reached the record date to determine shareholders who have a right to receive dividend. Therefore, the dividend is not deducted from the calculation. In case the dividend payment is taken into consideration, the shareholders' equity will decrease to THB 2,478.15 million or equivalent to THB 413.03 per share, which will affect the share value of TTTM to decrease by 0.60 percent.

Based on the Adjusted Book Value Approach, the share value of TTTM is THB 415.53 per share. The IFA does not choose this method because it does not reflect the Company's ability to generate profits and acquire future projects.

6.3. Orderly Liquidation Value Approach

This valuation approach determines the share value from assets value of the Company that can be sold in the event of dissolution and the properties will be put up for auction. The orderly liquidation value approach is a valuation method that is related to the adjusted book value approach. In other words, under the orderly liquidation value approach, assets will be sold at the market price in orderly basis within 1 year (not forced sale basis) and deducting expenses related to the disposition of assets and liquidation e.g. employee's

compensation for dissolution of the Company, brokerage fee, various taxes such as specific business tax, value added tax, corporate income tax and also transfer fees.

As orderly liquidation value approach requires the assumptions about the recovery rate of each asset item, IFA has determined the recovery rate of 100 percent from the book value for tangible assets and 0 percent for intangible assets, including those assets items with rights or advance payment.

Moreover, the adjusted fair value of property, plant and equipment has increased from the book value. Also, when these items are sold out, there will be expenses related to sales and various taxes and the recoverable asset values can be summarized as follows:

Table 6-7: Recoverable asset values of property, plant and equipment of TTTM

(THB million)	Net book value for the year ended 31 March 2018	Fair value	Specific business tax ¹	Corporate income tax ²	Value added tax ³	Transfer fees after tax shield ⁴	Brokerage fee after tax shield ⁵	Recoverable asset values
Land	6.92	507.31	16.74	100.08	-	4.06	12.18	374.25
Building and land improvements	132.04	302.48	9.98	34.09	-	2.42	7.26	248.73
Machinery and equipment	509.17	795.12	-	57.19	55.66	-	19.08	663.19
Furniture, fixtures and office equipment	7.80	7.80	-	-	-	-	-	7.80
Vehicles	1.57	1.57	-	-	-	-	-	1.57
Assets under construction and installation	62.28	62.28	-	-	-	-	1.49	60.78
Total	719.78	1,676.56	26.72	191.36	55.66	6.48	40.01	1,356.33

Notes: ¹ 3.3 percent of fair value.

² 20 percent of profit from asset disposal.

³ 7 percent of fair value.

⁴ 1 percent of fair value (with the assumption of an equal split between a buyer and a seller of the property) and can be used to save on 20 percent corporate income tax, therefore, the effective rate is 0.80 percent.

⁵ 3 percent of fair value and can be used to save on 20 percent corporate income tax, therefore the effective rate is 2.40 percent.

Since the adjusted fair value of long-term investments has increased from the book value and when these items are sold, there will be a corporate income tax from the profit from sales. Hence, the recoverable asset values are as follows:

Table 6-8: Recoverable asset values of long-term investments of TTTM

(THB million)	Book value	Fair value	Corporate income tax	Recoverable asset values
TTS	9.56	19.14	1.92	17.22
CMT ¹	1.08	1.08	-	1.08
รวม	10.64	20.22	1.92	18.31

Source: Book value as at 31 March 2018

Notes: ¹ CMT stands for CMT Dyeing Co., Ltd. which TTTM invested for THB 1.08 million.

Apart from the evaluation for the above items, the valuation of the recoverable assets in proportion to the book values are as follows:

Table 6-9: Recoverable asset values for each item of TTTM

(THB million)	Book value as at 30 September 2018	Recovery rate	Recoverable asset values
Assets			
Current assets			
Cash and cash equivalents	463.91	100%	463.91
Trade Receivables	251.28	100%	251.28
Inventory	219.48	100%	219.48
Other receivables	27.45	100%	27.45
Total current assets	962.12		962.12
Non-current assets			
Property, plant and equipment - net	719.78 ¹		1,356.33
Land	6.92		374.25
Buildings and land improvements	132.04		248.73
Machinery and equipment	509.17		663.19
Furniture, fixtures and office equipment	7.80		7.80
Vehicles	1.57		1.57
Asset under construction	62.28		60.78
Long-term investments	10.64		18.31
Available-for-sale investment	0.99	100%	0.99
Intangible assets	61.59	0%	-
Leasehold right	3.74	0%	-
Other non - current assets	2.81	0%	-
Total non-current assets	799.54		1,375.63
Total assets	1,761.66		2,337.75

Notes: ¹ Net book value for the year ended 31 March 2018 as there is no information on land, buildings and equipment on financial statements as of 30 September 2018.

Since the company has liabilities and obligations that have to be paid in full, therefore the value of the remaining liabilities is equal to the book value. Thus, the shareholders' equity will be the remainder from the value of the recoverable assets deducted by total liabilities.

Table 6-10: Calculation of the outstanding values for each item of TTTM

(THB million)	Book value as at 30 September 2018	Outstanding rate	Outstanding values
Liabilities			
Current liabilities			
Trade and other payables	101.50	100%	101.50
Other payables	21.78	100%	21.78
Accrued operating expenses	24.32	100%	24.32
Income tax payable	11.35	100%	11.35
Other current liabilities	4.71	100%	4.71
Total current liabilities	163.66		163.66
Non-current liabilities			
Deferred tax liabilities	4.56	100%	4.56
Employee benefit obligations	27.04	100%	27.04
Total non-current liabilities	31.60		31.60
Total liabilities	195.27		195.27
Total Shareholders' equity	1,566.39		2,142.48

From the above valuation, the share value can be evaluated by the orderly liquidation value approach as follows:

Table 6-11: Summary of the recoverable asset values of TTTM

	(THB million)
Equity attributable to owners of the Company	2,142.48
<u>Deduct</u> Employee benefit expenses and compensation for termination of employee contract ¹	198.50
Recoverable asset values	1,943.98
Weighted average cost of capital (WACC) ²	6.10%
Period (Year)	1
Present value of the recoverable asset values	1,832.22
Number of issued and paid-up share (million shares)	6.00
Orderly liquidation value per share (THB/share)	305.37

Source: ¹ Note to financial statement for the year ended 31 March 2018, increased by 4.50 percent according to the average salary increase rate of the company

² Additional calculation details can be found in section 6.6.1 valuation of TTTM.

Based on the Orderly Liquidation Value Approach, the share value of TTTM is THB 305.37 per share. The IFA chose this method because it reflects the value of the real net asset in the event of dissolution by taking into account of various expenses relating to the disposal of assets and dissolution.

6.4. Weighted Average Market Value Approach

This valuation approach is based on the historical average market price of TTTM shares traded on the stock exchange under various time frames from 7 to 360 trading days counting backward from the last trading day before the Company's Board of Directors resolved to approve the Amalgamation (24 December 2018).

Table 6-12: Weighted Average Market Value Approach of TTTM

	7 days	15 days	30 days	60 days	90 days	120 days	180 days	270 days	360 days
Weighted average market price (THB per share)	191.28	189.75	187.12	184.88	180.63	175.00	165.14	158.65	151.85
Average daily trading volume (Thousand shares)	12.84	15.21	9.62	5.88	5.84	5.11	4.34	3.81	3.74

Based on the Weighted Average Market Value Approach, the share value of TTTM is THB 151.85 –191.28 per share. However, the IFA does not choose this method because of relatively low turnover of LTX's stock, based on the turnover ratio of LTX compared to SET. Therefore, this approach may not fully reflect the true value of the Company.

Based on the analysis of TTTM shares which were traded on the stock exchange during the past 7 - 360 trading day periods, TTTM had a low turnover ratio compared to that of the market as follows:

Table 6-13: Turnover ratio of TTTM's shares

	7 days	15 days	30 days	60 days	90 days	120 days	180 days	270 days	360 days
SET	4.61%	9.35%	18.65%	33.78%	48.33%	61.98%	89.99%	133.62%	175.00%
TTTM	1.50%	3.81%	4.68%	5.05%	7.92%	9.34%	11.81%	13.35%	15.37%

Source: SETSMART

6.5. Market Comparables Approach

This valuation approach compares various financial ratios of listed companies with similar business to TTTM to find the appropriate value. The IFA has selected 5 comparable companies with criteria as follows:

- Listed company in Asia Pacific region.

- Company operating in business related to textile and clothing which contains similar products and revenue structure such as knitted and woven fabrics to be made for costumes for domestic trade and for export.
- Market capitalization is less than THB 1,500 million

Table 6-14: Information on comparable companies of TTTM

Company name	Market	Market capitalization as of 24 Dec 2018 (THB million)	Trailing 12 months revenue (THB million)	Business description
Thai Toray Textile Mills Plc.	SET (Stock Exchange of Thailand)	1,218.00	1,264.51	The principal businesses are the manufacturing, national distribution and exporting of textiles comprising woven fabrics, knitting fabrics and car seat fabrics.
Thai Textile Industry Plc.	SET (Stock Exchange of Thailand)	1,325.00	3,780.14	Thai Textile Industry Public Company Limited manufactures and distributes textile products including yarns and fabrics. The Company exports its products to many countries around the world including the USA, France, Germany, the United Kingdom, Hong Kong, South Korea, China and Australia.
Union Textile Industries Plc.	SET (Stock Exchange of Thailand)	630.00	758.43	Union Textile Industries Public Company Limited manufactures textile products including cotton, polyester, rayon polyester, and rayon blended fabrics under Venus brand name.
Hwa Well Textiles Bd Ltd	DSEX (Bangladesh Stock Exchange)	817.52	530.70	HWA Well Textiles (BD) Limited manufactures textile goods and items. The Company offers oriented knitting, dyeing and finishing of textile goods.
Nandan Denim Ltd	SENSEX (India Stock Exchange)	1,384.16	8,150.11	Nandan Denim Limited manufactures and exports textiles. The Company produces fabrics for saris and dresses, denim, and woven material for trousers, jackets, and other outerwear.
Shinnaigai Textile Ltd	TPX (Japan Stock Exchange)	461.05	1,461.51	Shinnaigai Textile Ltd. manufactures cotton and mixed yarn. The Company, specializes in the production of fancy yarn and synthetic fiber from dyed cotton yarn. Shinnaigai also produces and sells textile fabric, knit goods, and apparel.

Source: Bloomberg

6.5.1. Price-to-Earnings Multiple Approach or P/E ratio

This valuation approach is based on the 12-month trailing earnings per share (October 2017 – September 2018) multiplied by the average price-to-earnings ratio (P/E) of comparable listed companies with similar business under various time frames from 7 to 360 trading days counting backward from 24 December 2018, which is the last trading day before the Company's Board of Directors resolved to approve the Amalgamation. Details are summarized as follows:

Table 6-15: Price-to-Earnings Approach (P/E) of TTTM and its comparable companies

Comparable companies	P/E ratio by historical number of days								
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	270 days	360 days
Thai Toray Textile Mills Plc.	32.36	32.19	31.51	29.52	28.65	28.88	27.53	30.45	87.48
Thai Textile Industry Plc.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Union Textile Industries Plc.	23.64	23.90	24.06	24.00	24.37	25.70	26.92	28.21	28.45
Hwa Well Textiles Bd Ltd	16.10	16.10	16.10	16.10	16.10	16.17	16.33	16.18	16.34
Nandan Denim Ltd	6.64	6.56	6.60	6.85	6.97	7.31	7.44	8.88	9.09
Shinnaigai Textile Ltd	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Average P/E excluding TTTM	15.46	15.52	15.58	15.65	15.82	16.39	16.90	17.76	17.96
Earnings per share (THB/share)	9.60	9.60	9.60	9.60	9.60	9.60	9.60	9.60	9.60
Share price (THB per share)	148.40	148.96	149.59	150.20	151.80	157.34	162.21	170.47	172.40

Note: The calculation of Thai Textile Industry Plc. and Shinnaigai Textile Ltd are not included because these companies have loss performance during the said period.

Based on the Price-to-earnings multiple approach, the share value of TTTM is THB 148.40 – 172.40 per share. However, the IFA does not choose this method because the comparable companies operate in foreign countries with different business fundamental to TTTM. Besides, TTTM has no debt therefore this method may not reflect the true value of TTTM.

6.5.2. Price-to-Book Value Approach or P/BV ratio

This valuation approach is based on the book value per share as of 30 September 2018 multiplied by the average price-to-book value ratio (P/BV) of comparable companies with similar business under various time frames from 7 to 360 trading days counting backward from 24 December 2018, which is the last trading day before the Company's Board of Directors resolved to approve the Amalgamation. Details are summarized as follows:

Table 6-16: Price-to-Book Value Approach (P/BV) of TTTM and its comparable companies

Comparable companies	P/BV ratio by historical number of days								
	7 days	15 days	30 days	60 days	90 days	120 days	180 days	270 days	360 days
Thai Toray Textile Mills Plc.	0.77	0.76	0.75	0.70	0.68	0.68	0.65	0.60	0.56
Thai Textile Industry Plc.	0.50	0.50	0.50	0.68	0.80	0.86	0.91	0.95	0.98
Union Textile Industries Plc.	0.78	0.79	0.80	0.80	0.79	0.79	0.78	0.78	0.79
Hwa Well Textiles Bd Ltd	1.27	1.25	1.26	1.28	1.28	1.30	1.33	1.32	1.33
Nandan Denim Ltd	0.65	0.65	0.65	0.67	0.69	0.72	0.73	0.87	1.06
Shinnaigai Textile Ltd	0.57	0.58	0.60	0.61	0.60	0.60	0.60	0.62	0.64
Average P/BV excluding TTTM	0.75	0.75	0.76	0.81	0.83	0.85	0.87	0.91	0.96
Book value per share (THB per share)	254.47	254.47	254.47	254.47	254.47	254.47	254.47	254.47	254.47
Share price (THB per share)	191.80	191.78	193.54	205.43	212.16	217.24	221.78	231.81	244.14

Based on price-to-book value approach, the share value of TTTM is THB 191.78 – 244.14 per share. However, the IFA does not choose this method because the comparable companies operate in foreign countries with different business fundamental to LTX.

6.6. Discounted Cash Flow: "DCF"

This valuation method can result in the value of TTTM's shares based on the financial projection and free cash flow to firm (FCFF) in the future with the information that the independent financial advisor can find appropriately, such as the management interview, research analysis, and statistics including historical data of the company. Ultimately, the cash flow is discounted to the present value. The accounting period of TTTM ended on 31 March of every year.

6.6.1. Valuation of TTTM

In assessing the value of TTTM by DCF, the Independent Financial Advisor has to estimated cash flow to firm that will occur in the future until 2022, using data from TTTM's financial projections, data and plans for future operations, executive and related staff interview, financial and tax due diligence documents prepared by KPMG AZSA LLC and other relevant materials. In addition, IFA has considered the actual financial information in the past and related industry information. The assumptions used in the estimation were considered under current economic conditions and information that can be recognized at present, if such factors or other external factors that affects the operation of the business has changed significantly from the assumptions made herein, the value may also differ.

1) Core assumption in financial projection

- Revenue

Table 6-17: Revenue assumption of TTTM

	Assumption						
<u>Woven fabrics</u>							
	Historical growth		Projected growth				
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	-0.57%	-4.02%	17.77%	-8.00%	-1.24%	-1.24%	-1.24%
TR fabric for domestic sales	<p>2018 Estimated growth rate of 17.77%, consistent with the annualized half-year results and expanding customer base to other types of uniforms apart from school uniforms and receiving special orders from customers this year.</p> <p>2019 Estimated growth rate of -1.24% according to the average contraction rate of the number of students in the school system in Thailand for the past 10 years (Source: Office of the National Economic and Social Development Board) after deducting income received from special orders in 2018, thus making the actual growth rate to be - 8.00%, which is an estimate of sales volume growth while the price per unit is stable.</p> <p>2020-2022 Estimated growth rate of -1.24% according to the average contraction rate of the number of students in the school system in Thailand for the past 10 years (Source: Office of the National Economic and Social Development Board). Since the past of the company showed tendency in the same direction as the number of students in the school system of Thailand, which represents the declining demand of school uniforms which is a large proportion of the textile fabric of the company.</p>						
	Historical growth		Projected growth				
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	-0.57%	-4.02%	17.77%	-8.00%	-1.24%	-1.24%	-1.24%
TR fabric for export	<p>2018 Estimated growth rate -27.82% in line with the annualized half-year results and estimates from the company which shows a rapid and continuous decline. In addition, the company plans to reduce the amount of exports of this type of product, which is an estimate of sales volume growth while the price per unit is stable.</p>						

Assumption																													
	<p>2019 Estimated growth rate -64.96% in line with the company estimates and plans to reduce the export volume of this product due to high competition.</p> <p>2020-2022 Estimated no growth in accordance with estimates from the company and plans to reduce the amount of product exports due to high competition.</p>																												
TR Grey fabric	<table border="1"> <thead> <tr> <th colspan="2">Historical growth</th> <th colspan="5">Projected growth</th> </tr> <tr> <th>2016/17 (A)</th> <th>2017/18 (A)</th> <th>2018/19 (E)</th> <th>2019/20 (F)</th> <th>2020/21 (F)</th> <th>2021/22 (F)</th> <th>2022/23 (F)</th> </tr> </thead> <tbody> <tr> <td>-40.10%</td> <td>11.37%</td> <td>0.00%</td> <td>0.00%</td> <td>0.00%</td> <td>0.00%</td> <td>0.00%</td> </tr> <tr> <td colspan="7">Estimated zero growth rate consistent with past operations and because income from this type of product represents a very small proportion compared to all revenue</td> </tr> </tbody> </table>	Historical growth		Projected growth					2016/17 (A)	2017/18 (A)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)	-40.10%	11.37%	0.00%	0.00%	0.00%	0.00%	0.00%	Estimated zero growth rate consistent with past operations and because income from this type of product represents a very small proportion compared to all revenue						
	Historical growth		Projected growth																										
	2016/17 (A)	2017/18 (A)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)																						
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	Historical growth		Projected growth																										
	2016/17 (A)	2017/18 (A)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)																						
-36.30%	4.92%	6.39%	0.00%	0.00%	0.00%	0.00%																							
Estimated zero growth rate because the information in the past shows that other incomes vary only slightly due to the constant income received which does not vary according to sales such as rent, interest and others																													

- Expense

Table 6-18: Expense assumption of TTTM

Assumption	
Cost of goods sold (COGS)	
<u>Woven fabrics</u>	

	Assumption							
TR fabric for domestic sales	Historical cost of goods sold/sales ratio			Projected cost of goods sold/sales ratio				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	92.09%	92.04%	92.65%	85.02%	86.22%	86.22%	86.22%	86.22%
	<p>2018 Estimated cost of goods sold to sales ratio of 85.02% in line with the annualized half-year results of the company and expanding the customer base to other products apart from school uniforms and receiving special orders from customers. Such expansion results in a lower proportion of cost of goods sold per sales compared to the past due to economies of scale from having high fixed costs such as depreciation.</p> <p>2019-2022 Estimated the higher proportion of 86.22% in line with the decrease in sales due to no special income received during the year 2019-2022, resulting in a higher cost per unit sales</p>							
TR fabric for export	Historical cost of goods sold/sales ratio			Projected cost of goods sold/sales ratio				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	88.87%	87.05%	92.33%	78.93%	86.08%	86.08%	86.08%	86.08%
	<p>2018 Estimated cost of goods sold to sales ratio of 78.93% in line with the annualized half-year results of the company and the company's strategy to reduce sales in this segment and focus on only certain groups of customers that can make good profits.</p> <p>2019-2022 Estimated cost of sales to sales ratio of 86.08% in line with company estimates and the company's strategy to reduce sales in this segment and focus on only certain groups of customers that can make good profits. But because the company has high fixed cost, such as depreciation items. This results in high cost of goods sold to sales ratio. However, the company can generate better cash flow from selecting only potential customers because depreciation is a non-cash expense item.</p>							
TR Grey fabric	Historical cost of goods sold/sales ratio			Projected cost of goods sold/sales ratio				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	85.00%	75.38%	82.44%	83.21%	83.21%	83.21%	83.21%	83.21%
	2018-2022 Estimated to be 83.21% in accordance with the annualized half-year results and constant sales estimates throughout the projection period resulting in a fixed ratio of cost of goods sold to sales							
Canvas	Historical cost of goods sold/sales ratio			Projected cost of goods sold/sales ratio				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	73.83%	70.67%	78.72%	81.38%	81.38%	81.38%	81.38%	81.38%
	2018-2022 Estimated to be 81.38% in accordance with the annualized half-year results and constant sales estimates throughout the projection period resulting in a fixed ratio of cost of goods sold to sales							
Knitted fabrics								
Knitted fabrics	Historical cost of goods sold/sales ratio			Projected cost of goods sold/sales ratio				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(A)	(A)	(A)	(E)	(F)	(F)	(F)	(F)
	89.90%	88.11%	85.53%	86.50%	84.38%	84.38%	84.38%	84.38%
	<p>2018 Estimated cost of goods sold per sales of 86.50%, consistent with the first half year results of the company.</p> <p>2019-2022 Estimated the proportion at 84.38%, consistent with the strategy of the company that focuses on this segment resulting in lower cost of goods sold to sales ratio. The proportion will be reduced by the average of the past 3 years.</p>							
Selling, general and administrative expenses (SG&A)								

	Assumption
<u>Selling expense</u>	
	Estimated by being proportional to sales of the company according to 5-year historical average at 5.11%.
<u>Administrative expense</u>	
	Employee benefit expenses: Estimated growth rate of 4.5% (information from management interviews) which is the average annual salary adjustment rate.
	Items related to sales such as fees: Estimates are proportional to sales.
	Other items that are not related to sales were set to grow at 1.82% which is the inflation rate (Source: Bank of Thailand).

- Capital Expenditure: CAPEX

Table 6-19: CAPEX assumption of TTTM

Items	Assumption
Property, plant and equipment	2018 Investment THB 84.3 million for machinery improvement Including investment in machinery for knitted fabrics 2019 Investment THB 159 million for machinery improvements Including investment in machinery for knitted fabrics 2020 Investment of THB 250 million for machinery improvements Including investment in machinery for knitted fabrics 2021 Investment THB 150 million for machinery improvement Including investment in machinery for knitted fabrics 2022 Investment THB 150 million for machinery improvements Including investment in machinery for knitted fabrics

- Other forecasts

Items	Assumption
Corporate income tax rate	20 percent of profit before tax.
Net working capital	Determined various current assets and liabilities according to account receivable turnover, inventory turnover and account payable turnover for the past 5 years as appropriate.

2) Financial forecast of TTTM

From the above assumptions regarding revenues, expenses, the financial forecast of TTTM from 2018 to 2022 is as follows:

Table 6-20: Financial forecast of TTTM

(THB million)	2018/19 (E)	%	2019/20 (F)	%	2020/21 (F)	%	2021/22 (F)	%	2022/23 (F)	%
Sales	1,327.08	98.21%	1,321.57	98.21%	1,333.69	98.22%	1,346.49	98.24%	1,359.99	98.25%
Other income	24.15	1.79%	24.15	1.79%	24.15	1.78%	24.15	1.76%	24.15	1.75%
Total revenues	1,351.23	100.00%	1,345.73	100.00%	1,357.85	100.00%	1,370.65	100.00%	1,384.15	100.00%
Cost of goods sold ¹	1,124.50	84.74%	1,124.29	85.07%	1,134.39	85.06%	1,145.06	85.04%	1,156.33	85.02%
Gross profit¹	202.57	15.26%	197.28	14.93%	199.30	14.94%	201.43	14.96%	203.67	14.98%
Selling expense	67.86	5.02%	67.58	5.02%	68.20	5.02%	68.85	5.02%	69.54	5.02%
Administrative expense	64.81	4.80%	66.90	4.97%	69.09	5.09%	71.36	5.21%	73.76	5.33%
EBITDA	211.85	15.68%	215.35	16.00%	222.93	16.42%	230.62	16.83%	239.51	17.30%
Depreciation and amortization	117.79	8.72%	128.39	9.54%	136.76	10.07%	145.25	10.60%	154.99	11.20%
EBIT	93.86	6.95%	86.76	6.45%	85.97	6.33%	85.17	6.21%	84.32	6.09%
Finance cost	0.20	0.01%	0.20	0.01%	0.20	0.01%	0.20	0.01%	0.20	0.01%
EBT	93.86	6.95%	86.76	6.45%	85.97	6.33%	85.17	6.21%	84.32	6.09%
Tax expense	18.77	1.39%	17.35	1.29%	17.19	1.27%	17.03	1.24%	16.86	1.22%
Profit (loss) for the period	75.09	5.56%	69.41	5.16%	68.78	5.07%	68.14	4.97%	67.46	4.87%

Notes: ¹ Calculated as proportion to sales whereas other items are calculated as proportion to total revenues.

3) Discount Rate

The IFA has calculated the discount rate used in calculating the present value of cash flows of TTTM by using the weighted average cost of Capital: WACC as follows:

$$WACC = (D/(D+E) \times K_D \times (1 - T)) + (E/(D+E) \times K_E)$$

Where:

D	Value of interest-bearing debt
E	Value of shareholders' equity
T	Corporate income tax rate
K _D	Cost of debt
K _E	Cost of equity calculated using Capital Asset Pricing Model ("CAPM")

K_E is calculated under CAPM as follows:

$$K_E = R_F + \beta \times (R_M - R_F)$$

Where:

R _F	Risk free rate based on the historical yield of the 10-year government bond at 2.6840%
Beta	Beta (β) is the average volatility between SET Market return and the comparable companies (Calculated from 2-years historical data of the comparable companies) at 0.299 (Source: Bloomberg) (As independent financial advisor has considered 2 years historical data (weekly) being appropriated data in term of amount and frequent of data. It was suitable for statistic calculation which will reflect a business risk such competition and consumer behavior etc.)
R _M	Market return calculated from the total return from investing in SET during the past 9 years historical data (monthly) since 2009 at 14.094% (Source: Bloomberg). Since Subprime financial crisis occurred in 2008, the calculation excludes the use of numbers in that year for appropriateness.

Based on the above assumptions of discount rate, cost of equity (K_E) is 6.10%, however TTTM has no outstanding interest-bearing debt. Therefore, WACC is equal to the cost of equity at 6.10%

4) Terminal value

Terminal value is calculated from the total cash flow after the projection period by assuming that cash flow after the projection period will grow 1% perpetually, considering the competitive environment in the industry with many competitors both domestic and export sales which directly affect future growth rates. In addition, the company has knitted fabric products that have a higher growth rate than woven fabric products. While the revenue from woven products has a continuous contraction rate, consistent with the number of students in the school system of Thailand, dating back 10 years. In addition, at the end of the projection period, revenue structure between woven fabrics and knitted fabrics will remain approximately at 50 percent to 50 percent. Therefore, the growth rate of terminal cash flow will be the average growth of 2 products after the estimation period which is 1 percent.

5) Discounted cash flow of TTTM

Table 6-21: Forecast free cash flow to firm of TTTM

(THB million)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)
<u>TTTM</u>					
EBIT	94.06	86.96	86.17	85.37	84.52
Net operating profit after tax (NOPAT) ¹	75.25	69.57	68.94	68.30	67.62

(THB million)	2018/19 (E)	2019/20 (F)	2020/21 (F)	2021/22 (F)	2022/23 (F)
Depreciation and amortization	117.79	128.39	136.76	145.25	154.99
Change in net working capital (NWC)	(31.15)	3.27	(1.77)	(1.94)	(1.88)
Capital expenditure (CAPEX)	(84.30)	(159.00)	(150.00)	(150.00)	(150.00)
Free cash flow to firm (FCFF)	77.60	42.23	53.93	61.60	70.73
Terminal value: TV²					1,400.73
Sum of present value of FCFF and Terminal value	75.33	38.64	46.51	50.07	1,127.27

Notes: ¹ NOPAT = EBITx(1-%tax rate)

² Terminal value is calculated from $FCFF_{2022/23} \times (1 + \text{terminal growth}) / (WACC - \text{terminal growth})$

Based on the above cash flow, the equity value of TTTM can be calculated as follows:

Table 6-22: Share valuation of TTTM using DCF approach

	(THB million)
Enterprise value	1,337.83
<u>Deduct</u> Financial liabilities	0.00
<u>Add</u> Cash and cash equivalent	416.46
Equity value of TTTM	1,754.29
Number of TTTM's shares (Million shares)	6.00
Share value of TTTM (THB per share)	292.38

Note: The Company announced a dividend payment at THB 2.50 per share in total of THB 15 million on 20 December 2018. The record date to determine shareholders who have a right to receive dividend is on 27 December 2019. However, the IFA evaluated by using the data as of 24 December 2018, which has not yet reached the record date to determine shareholders who have a right to receive dividend. Therefore, the dividend is not deducted from the calculation. In case the dividend payment is taken into consideration, the shareholders' equity will decrease to THB 1,739.29 million or equivalent to THB 289.88 per share, which will affect the share value of TTTM to decrease by 0.86 percent.

Based on the discounted cash flow approach, the equity value of TTTM is THB 1,754.29 million or THB 292.38 per share. The IFA chose this method because this method reflects the value of the firm by separately valuing each project with the appropriate valuation method for each project and combining them together at the firm equity's stake. Therefore, it can reflect the fair value to a certain extent. However, this method mostly based on cash flow projection under current industry and economic which may change significant in the future and may affect the valuation value.

6.6.2. Sensitivity analysis

The IFA performs the sensitivity analysis by varying key assumption which has significant impact on the share value of TTTM, namely Weighted Average Cost of Capital (WACC).

Table 6-23: Sensitivity analysis of TTTM's share valuation

THB per share	Weighted Average Cost of Capital (WACC)				
	WACC -0.5%	WACC - 0.25%	WACC	WACC + 0.25%	WACC + 0.5%
TTTM	316.58	303.86	292.38	281.98	272.51

Based on sensitivity analysis, the share value of TTTM is between THB 272.51 – 316.58 per share.

6.7. Valuation summary of share value of TTTM

Table 6-24: Valuation results and comparison of pros and cons for each valuation approach of TTTM

Valuation method	Share price	Pros	Cons
Book Value Approach	254.47	Reflect financial position at a point in time of the Company	Does not reflect fair value of some assets and important events that occurred after the book closing date. Moreover, it does not reflect the company's ability to generate profits and acquire future projects.
Adjusted Book Value Approach	415.53	Reflect fair value of assets and important event that occurred after the book closing date	Does not reflect the Company's ability to generate profits and acquire future projects.
Orderly Liquidation Approach	305.37	Reflect the value of the real net asset in the event of dissolution by taking into account of various expenses relating to the disposal of assets and dissolution.	If the company does not plan to liquidate, the liquidation value may not reflect the actual value that shareholders will receive today.
Weighted Average Market Value Approach	151.85 – 191.28	Market price is determined from the demand and supply of the investors that the investors have considered from information and various expectations, as well as overall market condition.	Due to relatively low turnover of TTTM's stock, based on the turnover ratio of TTTM compared to SET, this approach may not fully reflect the true value of the Company.
Price-to-Earnings Approach	148.40 – 172.40	Reflect operating performance during a period of time in contrast to average ratio of the comparable group.	The comparable companies operate in foreign countries with different business fundamental to TTTM. On this basis, the P/E ratio may not reflect the true value of TTTM.
Price-to-Book Value Approach	191.78 – 244.14	Reflect operating performance in the past and financial position at a period of time in contrast to average ratio of the comparable group.	The comparable companies operate in foreign countries with different business fundamental to TTTM. On this basis, the P/E ratio may not reflect the true value of TTTM.
Discounted Cash Flow Approach	272.51 – 316.58	Reflecting the value of the business by evaluating each product separately in order to forecast future cash flows based on reasonable assumptions. Therefore, this method is able to reflect the true value of the stock at a certain level	This method mostly based on cash flow projection under current industry and economic. Significant changing in industry and economic will affect the valuation of stock value.

Based on the above reasons, the IFA views that the appropriate methods to value TTTM share are discounted cash flow approach and orderly liquidation approach. In other words, if the company intends to continue its business, the appropriate share value of TTTM is THB 272.51 – 316.58 per share. Furthermore, TTTM is in the textile and apparel industry, which has high uncertainty due to the highly competitive environment. In the case of dissolution, the appropriate share value of TTTM is THB 305.37 per share as TTTM is a long-established company with a lot of assets which the market value is considerably higher than the book value, especially the land items. Since the factory is located among the communities which are the residential areas, if the company does not use the property to its highest and best use, this could cause the share value from discounted cash flow approach to be lower than orderly liquidation approach. Therefore, the IFA chooses to use both methods to show the true value of TTTM which equals to THB 305.37 – 316.58 per share.

7. APPROPRIATENESS OF ALLOCATION RATIO OF NEW SHARES IN LTX

7.1. Summary of share valuation result

From the above share valuation by the IFA using the Orderly Liquidation Value Approach and Discounted Cash Flow Approach, LTX has share value of THB 151.71 – 171.33 per share or equity value of THB 7,864.40 – 8,881.79 million. TTTM has share value of THB 305.37 – 316.58 per share or equity value of THB 1,832.22 – 1,899.49 million.

Table 7-1: Summary of share valuation result

	LTX	TTTM	NewCo ¹
Share price (THB/share)	151.71 – 171.33	305.37 – 316.58	167.65 – 186.40
Existing number of shares (Million shares)	51.84	6.00	–
Equity value (THB million)	7,864.40 – 8,881.79	1,832.22 – 1,899.49	9,696.62 – 10,781.28
Number of shares in NewCo (Million shares)	46.59 – 47.95	9.89 – 11.25	57.84

Notes: ¹ Value of the NewCo is a combination of values of LTX and TTTM as appraised by the IFA for the purpose of considering the appropriateness of the allocation ratio of NewCo's shares to LTX's shareholders. It is not a forecast of NewCo's market price after the Amalgamation to be traded on the SET, which may be higher or lower than the appraised value by the IFA. The market price of the NewCo will depend on the information, demand and supply of the investors, market condition, and other factors at the period.

If the above appraised values of LTX and TTTM are combined together, the NewCo will have total equity value of THB 9,696.62 – 10,781.28 million or share price of THB 167.65 – 186.40 per share. However, the range of NewCo value above is only for the purpose of considering the appropriateness of the share allocation ratio. It is not a forecast of NewCo's market price to be traded on the SET after the Amalgamation, which may be higher or lower than the appraised value by the IFA. The market price of the NewCo will depend on the information, demand and supply of the investors, market condition, and other factors at the period.

7.2. Appropriateness of the share allocation ratio

If shares in the NewCo of 57.84 million shares are allocated to the existing shareholders of LTX and TTTM using the appraised fair value above, the existing shareholders of LTX will receive a total of 46.59 – 47.95 million shares for all of LTX's existing shares and the existing shareholders of TTTM will receive a total of 9.89 – 11.25 million shares for all of TTTM's existing shares. Thus, the allocation ratio is equal to 1 existing share in LTX to 0.89868184 – 0.92493620 shares in the NewCo and 1 existing share in TTTM to 1.64855125 – 1.87538889 shares in the NewCo.

Table 7-2: Appropriateness of the share allocation ratio

	LTX	TTTM
Share allocation ratio as appraised by the IFA - ①	1 existing share in LTX to 0.89868184 – 0.92493620 shares in the NewCo	1 existing share in BECL to 1.64855125 – 1.87538889 shares in the NewCo
Share allocation ratio as specified in the Amalgamation - ②	1 existing share in LTX to 0.92463689 shares in the NewCo	1 existing share in TTTM to 1.65113730 shares in the NewCo

Note: If calculate the share allocation ratio with the share value of LTX and TTTM deducted by dividend payment according to the board resolution, the share allocation ratio of LTX and TTTM are 0.89833046 - 0.92484554 and 1.64933455 - 1.87842485, respectively. The share allocation ratio as specified in the Amalgamation - ② will remain within the range of appraised share allocation ratio.

From the above analysis, the IFA views that the “Share allocation ratio as specified in the Amalgamation - ②” is appropriate as it is within the range of the “Share allocation ratio as appraised by the IFA - ①”

8. CONCLUSION OF THE IFA'S OPINION

Based on the study of relevant information, including the conditions of the Amalgamation, advantages and disadvantages of the Amalgamation and the appropriateness of the share allocation ratio, the IFA can be summarized as follows:

1) The Amalgamation will increase the operational capability of the new company through the combined strength and cooperation in cost management as well as business strategies to serve the best interest of shareholders in both companies in terms of creating opportunities to increase revenue by responding to customer needs with value-added products that are different from competitors, creating potential cost saving opportunities and increasing operational efficiency, enhancing financial potential, more efficient assets management to maximize benefits, diversifying business risks with a wider customer base while raising its image in the textile industry. In addition, the Amalgamation should render the shares of the new company more attractive to investors.

2) The Amalgamation may have certain disadvantages namely diseconomies of scale in the initial period due to the production capacity, which is currently almost full, and impacts from the allocation of shares of the new company. There could also be added risks of delays in the Amalgamation of the company under the Public Act, risks pertaining to differences in corporate culture and operation systems, the risk of opposition to the Amalgamation from creditors, the risk from unclear business plan following the Amalgamation, risks pertaining to applications for licenses and benefits of the new company, as well as the risk relating to tax issues. The Company has formulated the Amalgamation plan and held consultations with all related parties and therefore expects that the Amalgamation will proceed smoothly. Regarding the post-Amalgamation business plans, these will be considered by shareholders of LTX and TTTM in a joint shareholders' meeting.

3) The allotment of shares valuation in this Amalgamation is appropriate with the share value of LTX as assessed by the IFA equivalent to THB 151.71 – 171.33 per share and the share value of TTTM at THB 305.37 – 316.58 per share. From the aforementioned fair value appraisal, the allocation ratio will be equal to 1 existing share in LTX per 0.89868184 – 0.92493620 share in the new company and 1 existing share in TTTM per 1.64855125 – 1.87538889 shares in the new company which, when compared with the ratio of shares as specified in the amalgamation at 1 existing share in LTX per 0.92463689 shares in the new company and 1 existing share in TTTM per 1.65113730 shares in the new company. In conclusion, the share allocation ratio is appropriate because the rate is in the range of fair value.

From all the reasons stated herein, **the IFA is of the opinion that the shareholders should pass the resolution to approve the Amalgamation.** However, the decision to approve or disapprove the Amalgamation is subject to the shareholders' discretion. The shareholders should study the information attached to this meeting invitation letter in order to exercise discretion in determining the appropriate resolution.

Yours faithfully,

[Monvalai Rachatakul]

Monvalai Rachatakul
Supervisor
Grant Thornton Services Ltd.

[Julaporn Namchaisiri]

Julaporn Namchaisiri
Managing Director, Corporate Finance
Grant Thornton Services Ltd.

9. APPENDIX

Appendix 1: Luckytex (Thailand) Public Company Limited

1.1. Background and significant developments

Luckytex (Thailand) Public Company Limited (“LTX”) is a company in the TORAY Group (Thailand) whose parent company is TORAY Industries Inc. (Japan). TORAY Group engages in diverse businesses comprising fiber and textiles business, plastics and chemicals, IT products, carbon fiber materials, environmental and engineering products, as well as life science. In Thailand, in addition to LTX, TORAY Group (Thailand) also comprises Toray Industries (Thailand) Co. Ltd. (TTH), Thai Toray Textile Mills Public Company Limited (TTTM), Toray International Trading (Thailand) Co., Ltd. (TITH), Thai Toray Synthetics Co., Ltd. (TTS), Carbon Magic (Thailand) Co., Ltd. (CMTH), Toray Plastics Precision (Thailand) Co., Ltd. (TPPT), Toray Hybrid Cord (Thailand) Co., Ltd. (THCT), Cellulosic Biomass Technology Co., Ltd. (CBT) and Soda Namsiang Aromatic (Thailand) Co., Ltd. (SNA). TTH was established to oversee the management of the Toray Group of Companies in Thailand while the other companies are engaged in fiber, textile, plastics, trading, carbon fiber and flavoring and food additive businesses.

The Company is a public limited company listed in the Stock Exchange of Thailand on 17 March 1989 with TORAY Industries Inc. (Japan), which is a company listed on the Tokyo Stock Exchange in Japan, as the major shareholder. The main business of the company is the production and distribution of spun fabrics. Filament fabrics, denim and textile products for the manufacturing industry. The registered address and head office of the company is located on the 5th floor of Bupphit Building, No. 20 North Sathorn Road, Silom, Bang Rak, with 3 factories located in Samut Prakan Province.

LTX is listed in the Stock Exchange of Thailand presently with registered capital of THB 518,400,000 fully paid up and par value of THB 10 per share.

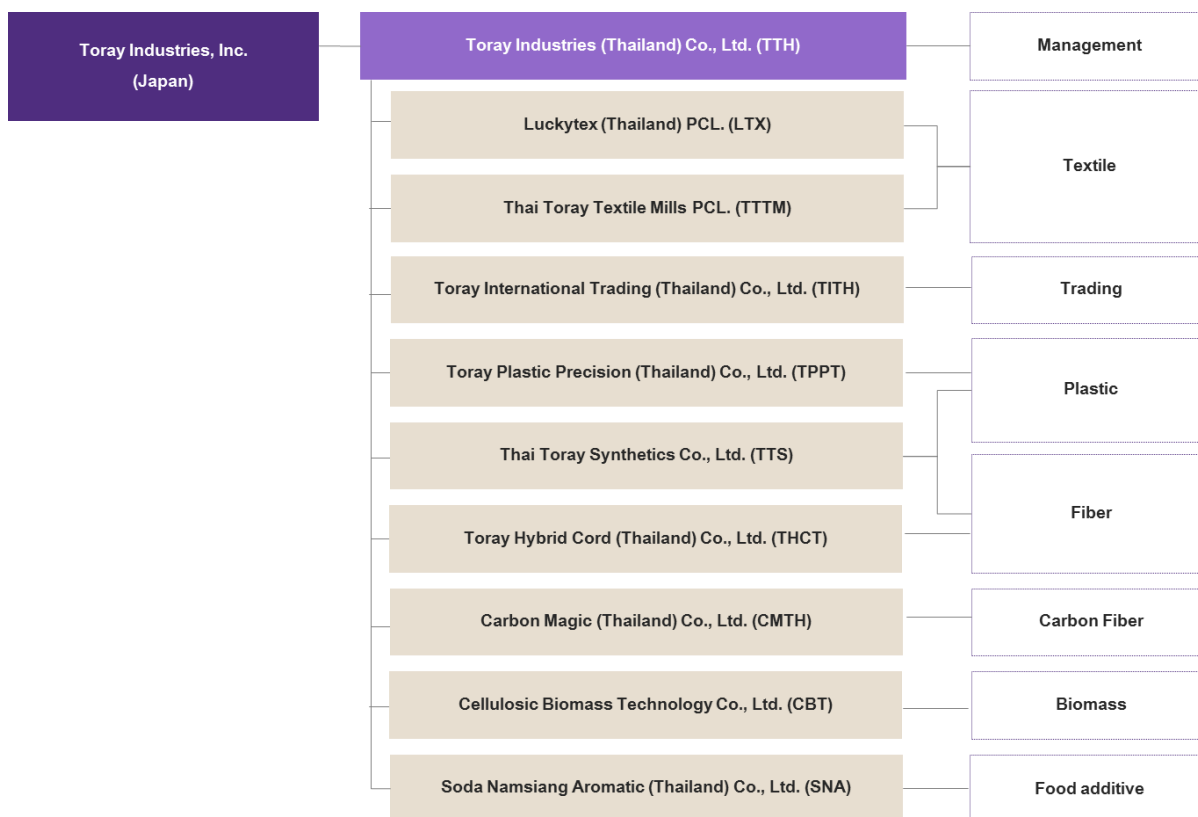
Table 9-1: Important changes and developments

Year	Details
1960	Luckytex (Thailand) Public Company Limited was first established in March 1960 by Hong Kong entrepreneur and Chinese merchant living in Thailand with initial registered capital of Baht 5 Million.
1961	The company started to operate spinning and weaving in Mill No. 1 and operated dyeing and finishing fabric in Mill No. 2 at Prapradaeng, Samutprakarn.
1972	Toray Industries, Inc. (Japan) acquired almost half of shares of the company and increased registered capital from THB 72 Million to THB 200 Million
1976	The company opened Mill 3 and relocated Mill 2 from Prapradaeng to Bangpoo, Samutprakarn.
1989	The company listed on the Stock Exchange of Thailand with the registered capital of Baht 518,400,000 Million. Since the beginning, the company operated in textile industry under a vertical production system from spinning, weaving up to dyeing and finishing.
1998	The company expanded the business in the line of industrial material product which is included cord for rubber material reinforcement and airbag fabric.

TORAY Group (Thailand)

TORAY Industries Inc. (Japan) is a leading producer of synthetic fibers and textile which has a number of subsidiaries, associate companies and branches throughout the world including the TORAY Group (Thailand) whose businesses comprise the following:

Figure 9-1: Thailand’s TORAY Group

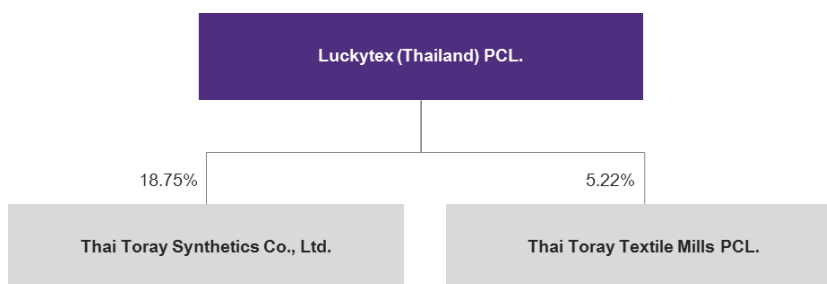


Source: Annual registration statement (Form 56-1) of the Company

The companies operating textile businesses in the TORAY Group, consist of Luckytex (Thailand) Public Company Limited (LTX) and Thai Toray Textile Mills Public Company Limited (TTTM).

1.2. The shareholding structure of LTX

As at 31 March 2018, LTX has invested in other juristic persons as follows:



Source: Annual registration statement (Form 56-1) of the Company

Table 9-2: Brief information of companies that LTX invested in

Company name	Registered capital (THB million)	Paid-up capital (THB million)	Type of business
Thai Toray Synthetics Company Limited	3,078.14	3,078.14	Manufactures and distributes fibers and plastics
Thai Toray Textile Mills Public Company Limited	60.00	60.00	Produces and distributes textiles products which includes woven fabrics, knitting fabrics and car seat fabrics, both domestically and internationally.

Source: Annual registration statement (Form 56-1) of the Company

1.3. Business overview

LTX is a fully integrated textile business, from spinning, weaving, dyeing, using cotton and polyester fibers as raw materials. The company's products include spun fabrics, denim, as well as polyester and wholly filament fabrics. In addition, the Company has expanded the production line to produce products for the manufacturing industry and fabric for making airbags as well. The company's business line can be divided as follows:

1) Textile business

- Spun Fabric includes polyester, cotton-blended polyester and pure cotton fabric for shirts, school uniforms, national dress of middle eastern countries, etc.
- Filament Fabric includes wholly polyester-filament fabrics used for lining as well as outerwear, twill, satin and nylon for making jackets.
- Yarn for Denim includes pure denim yarn or cotton yarn blended with lycra for regular or stretch jeans.

2) Industrial material products (IMP) include thread for strengthening rubber and fabric used in making airbags.

1.4. Revenue structure

The Company's revenue structure in the period 2015 – 2017 (as at March 2006 – March 2018) is as follows:

Table 9-3: Revenue structure of the Company

Product	Product sales (THB million)					
	March 2016	%	March 2017	%	March 2018	%
Domestic Sales						
Textile	1,896	21.31	1,733	18.84	1,832	21.08
Industrial material products	2,817	31.65	2,970	32.29	3,051	35.10
Total	4,713	52.96	4,703	51.13	4,883	56.18
International Sales						
Textile	3,411	38.33	3,289	35.75	2,855	32.85
Industrial material products	776	8.72	1,207	13.12	953	10.97
Total	4,187	47.05	4,496	48.87	3,808	43.82
Both domestic sales and international sales						
Textile	5,307	59.64	5,022	54.59	4,687	53.93
Industrial material products	3,593	40.37	4,177	45.41	4,004	46.07
Grand Total	8,900	100.01	9,199	100.00	8,691	100.00
Increase (decrease) of sales (%)		293.81		3.36		-5.52

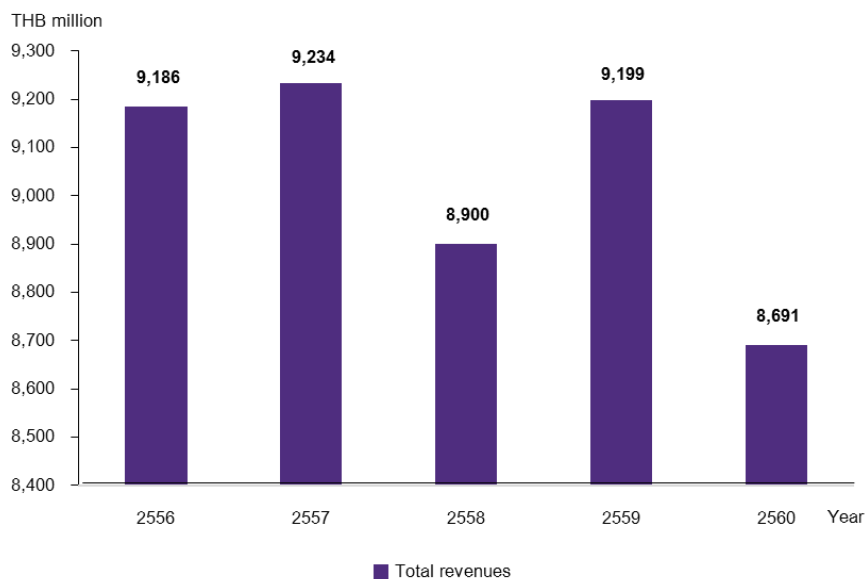
Source: Annual registration statement (Form 56-1) of the Company

Products sold in foreign countries can be classified by country as follows:

Country/Financial year	March 2016	March 2017	March 2018
Thailand	53.00%	51.10%	56.20%
Japan	16.60%	21.30%	18.20%
Bangladesh	7.90%	6.70%	4.90%
United Arab	5.70%	3.90%	2.90%
Other	16.80%	17.00%	17.80%

Source: Annual registration statement (Form 56-1) of the Company

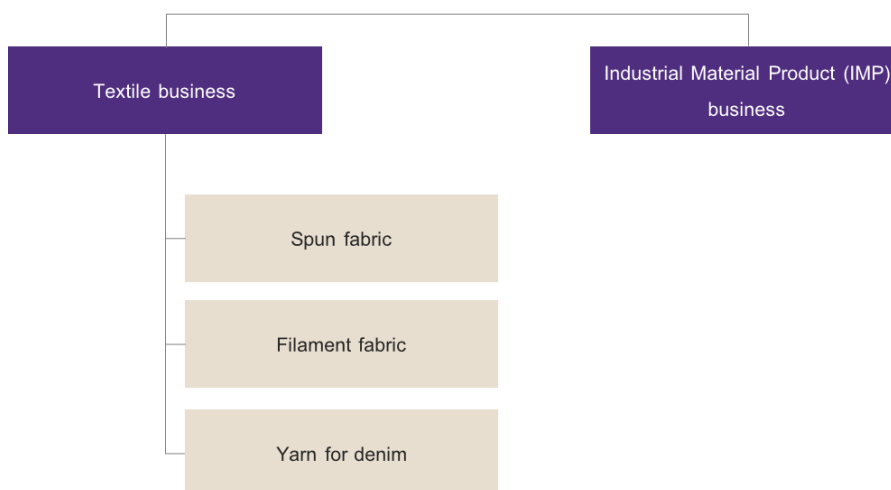
Figure 9-2: Graph showing total revenue of the company in 2013 - 2017 (March 2014 - March 2018)



Source: Annual registration statement (Form 56-1) of the Company

1.5. Characteristics of products and services

Figure 9-3: Business lines and products of the company



Source: Annual registration statement (Form 56-1) of the Company

1. Textile business

1.1 Spun fabric

polyester, cotton-blended polyester and pure cotton

1.2 Filament fabric

wholly polyester-filament fabrics, twill and satin

1.3 Denim

Pure cotton for jeans, stretch denim and colored denim

LTX is a full-service denim factory starting from the spinning process to the finished fabric that is ready for delivery to the customer. LTX's denim products are diverse, for example 1005 cotton, cotton-blended polyester – both stretch yarn and regular, for example Modal, Tencel, Rayon, Lycra, T400 and synthetic fibers with

various unique properties imported from abroad such as fibers that feel soft to the skin, fibers that warm the wearer which is suitable for cold climates, fibers that are well ventilated and moisture resistant, etc. LTX utilizes a variety of weaving processes such as woven pattern 1/1, 2/1, 3/1, 2 / 2,3 / 3, Satine pattern, fishbone pattern, both light (5 oz / sqyd) and thick fabric (17 oz/sqyd) with varying stretch properties from non-stretch, one-way stretch and two-way stretch which can be used to make shirts and slacks, or even bags and other products.

2. Industrial material product (IMP) business

The nature of business is that of selling coated thread for strengthening rubber and fabric used in making airbags, as well as coated thread for strengthening water pipes, air ducts, oil pipes and brake hoses. This type of coated thread is made from polyester yarn coated with a special coating which adheres to rubber. In addition, LTX also distributes coated yarns to enhance the strength of rubber for many automotive pipe manufacturers.

1.6. Shareholder structure

As at 8 January 2019, LTX had registered and fully paid-up capital of THB 518,400,000.00 divided into 51,840,000 ordinary shares, at par value of THB 10 per share. The list of shareholders and proportion of their shareholding are as follows:

Table 9-4: Major shareholders of LTX

No.	Name	No. of shares	%
1	Toray Industries, Inc.	37,215,800	71.79
2	Mr. Veerapun Theepsuwan	1,221,800	2.36
3	Mrs. Chantima Theepsuwan	1,191,300	2.30
4	Thai Toray Synthetics Co., Ltd.	1,066,800	2.06
5	Mr. Kitti Boonphoapichart	996,500	1.92
6	Mr. Pitak noprapun	741,800	1.43
7	Artit-Chan Co., Ltd.	671,000	1.29
8	Mr. Phadet Asai	650,000	1.25
9	Mr. Kamolphat Theepsuwan	553,300	1.07
10	Ms. Anong Theepsuwan	442,300	0.85
11	Other shareholders (apart from 10 major shareholders listed above)	7,089,400	13.68
	Total	51,840,000	100.00

Source: SET and Annual report 1 April 2017 – 31 March 2018

Note: Name of shareholders as of 8 January 2019

1.7. The Board of Directors and management

As at 6 July 2018, the Board of Directors of LTX comprises 11 directors as follows:

Table 9-5: The Board of Directors of LTX

No.	Name	Position
1	Mr. Akihiro Maekawa	Chairman and Managing Director
2	Mr. Ken Nakajima	Director
3	Mr. Ryo Kitahara	Director
4	Mr. Yoshihiro Hamaguchi	Director
5	Miss Sitang Suengamornkiat	Director
6	Mr. Kriangsak Kongsiri	Director
7	Mr. Kazuaki Takabayashi	Director
8	Mr. Prakrit Pradipasen	Independent Director and Chairman of Audit Committee
9	Mr. Chaleo Wanasawat	Independent Director and Audit Committee
10	Mr. Ekchai Chansue	Independent Director and Audit Committee

Source: SET

Any 2 out of the following 4 directors are authorized signatory of the company, consisting of Mr. Akihiro Maekawa, Mr. Ken Nakajima, Mr. Ryo Kitahara and Mr. Yoshihiro Hamaguchi. The signatures of 2 out of 4 of these directors together with the company seal affixed is binding on the company. The management of LTX comprises 6 persons as follows:

Table 9-6: Management Team of LTX

No.	Name	Position
1	Mr. Akihiro Maekawa	Chairman and Managing Director
2	Mr. Ken Nakajima	General Manager of Administrative Division
3	Mr. Ryo Kitahara	General Manager of Sales Division
4	Mr. Yoshihiro Hamaguchi	General Manager of Production Division
5	Miss Sitang Suengamornkiat	General Manager of Accounting Department
6	Mr. Kriangsak Kongsiri	Manager of Plant 2 and 3

1.8. Financial status and performance

Table 9-7: Statement of financial position of LTX

	31 March 2016		31 March 2017		31 March 2018		30 September 2018	
	THB Million	%	THB Million	%	THB Million	%	THB Million	%
Cash and cash equivalents	72.73	0.76%	70.55	0.74%	153.76	1.76%	253.43	2.94%
Trade accounts receivable	1,602.27	16.65%	1,674.91	17.45%	1,365.88	15.59%	1,396.73	16.21%
Other receivables	84.33	0.88%	63.94	0.67%	32.03	0.37%	79.67	0.92%
Inventories	1,810.77	18.82%	1,396.68	14.55%	1,213.49	13.85%	1,159.50	13.46%
Total current assets	3,570.10	37.10%	3,206.08	33.40%	2,765.16	31.56%	2,889.32	33.54%
Investments held as available-for-sale	106.21	1.10%	112.51	1.17%	120.14	1.37%	140.52	1.63%
Investment in associate	1,234.72	12.83%	1,314.60	13.70%	1,361.71	15.54%	1,367.60	15.87%
Other long-term investments	64.12	0.67%	80.64	0.84%	86.61	0.99%	86.61	1.01%
Property, plant and equipment	4,580.71	47.60%	4,823.11	50.25%	4,340.38	49.54%	4,053.19	47.05%
Intangible assets	29.97	0.31%	29.26	0.30%	25.73	0.29%	23.71	0.28%
Deferred tax assets	21.80	0.23%	19.23	0.20%	48.86	0.56%	42.49	0.49%
Other non-current assets	14.70	0.15%	12.91	0.13%	12.59	0.14%	11.82	0.14%
Total non-current assets	6,052.22	62.90%	6,392.24	66.60%	5,996.00	68.44%	5,725.94	66.46%
Total assets	9,622.32	100.00%	9,598.32	100.00%	8,761.17	100.00%	8,615.26	100.00%
Short-term loans from financial institutions	1,549.07	16.10%	881.14	9.18%	314.06	3.58%	0.00	0.00%
Trade accounts payable	644.18	6.69%	728.02	7.58%	610.98	6.97%	574.00	6.66%
Other payables	324.85	3.38%	312.07	3.25%	304.89	3.48%	311.70	3.62%
Current portion of long-term loans from financial institution	-	0.00%	534.17	5.57%	-	0.00%	0.00	0.00%
Current portion of finance lease liabilities	-	0.00%	17.67	0.18%	18.73	0.21%	19.28	0.22%
Current tax payable	49.01	0.51%	12.35	0.13%	70.90	0.81%	41.76	0.48%
Total current liabilities	2,567.11	26.68%	2,485.43	25.89%	1,319.56	15.06%	946.74	10.99%
Long-term loans from financial institution	1,608.63	16.72%	1,038.43	10.82%	942.19	10.75%	977.30	11.34%
Non-current deferred income	0.00	0.00%	0.00	0.00%	18.83	0.21%	39.36	0.46%
Finance lease liabilities	0.00	0.00%	383.34	3.99%	364.61	4.16%	354.83	4.12%
Provisions for employee benefits	265.28	2.76%	284.49	2.96%	290.41	3.31%	287.37	3.34%
Total non-current liabilities	1,873.91	19.47%	1,706.27	17.78%	1,616.05	18.45%	1,658.86	19.25%
Total liabilities	4,441.02	46.15%	4,191.69	43.67%	2,935.61	33.51%	2,605.60	30.24%
Authorised share capital	518.40	5.39%	518.40	5.40%	518.40	5.92%	518.40	6.02%

	31 March 2016		31 March 2017		31 March 2018		30 September 2018	
	THB Million	%	THB Million	%	THB Million	%	THB Million	%
Issued and paid-up share capital	518.40	5.39%	518.40	5.40%	518.40	5.92%	518.40	6.02%
Share premium	333.49	3.47%	333.49	3.47%	333.49	3.81%	333.49	3.87%
Retained earnings - Appropriated	262.84	2.73%	262.84	2.74%	262.84	3.00%	262.84	3.05%
- Unappropriated	4,001.28	41.58%	4,221.56	43.98%	4,634.39	52.90%	4,800.99	55.73%
Other components of equity	65.29	0.68%	70.34	0.73%	76.44	0.87%	93.94	1.09%
Total equity	5,181.30	53.85%	5,406.63	56.33%	5,825.56	66.49%	6,009.66	69.76%
Total liabilities and equity	9,622.32	100.00%	9,598.32	100.00%	8,761.17	100.00%	8,615.26	100.00%

Source: LTX audit financial statement for the year ended 31 March 2016 – 2018 and financial statement for six-month periods ended 30 September 2018.

Assets

As at 31 March 2017, current assets stood at THB 3,206 million, a decrease of THB 364 million or 10 percent, due to a decline in inventory of THB 415 million or 23 percent from the policy to reduce inventories especially old or obsolete products and products of diminishing quality.

Non-current assets stood at THB 6,392 million, an increase of THB 340 million or 6 percent, due to a rise of THB 80 million or 6 percent in investment in associate companies compared to the previous year which came from increased profit share recognition in 2017; while tangible assets namely property, plant and equipment increased by THB 242 million or 5 percent from additional investment in production equipment, both in its textile business and textiles for manufacturing industry business.

As at 31 March 2018, the Company posted current assets of THB 2,765 million, an increase by THB 441 million or 14 percent, with higher cash and cash equivalent items amounting to THB 83 million or 118 percent, while trade account receivable declined by THB 309 million or 18 percent in the same direction as sales before the end of the year.

Other receivables declined by THB 32 million or 50 percent due to depreciation of assets in the form of derivatives from forward foreign exchange contracts by THB 17 million, a decrease in advance payment for products by THB 8 million and the drop in value-added tax waiting to be refunded from the Revenue Department by THB 4 million.

Inventory declined by THB 183 million or 13 percent due to the Company's efforts to ensure timely production and delivery of products to meet customer needs and the policy to reduce the storage amount of inventory, especially old or obsolete products and products of diminishing quality. In doing so, the Company had considered the value of such inventories and devalued to net realizable worth.

As for non-current assets, this stood at THB 5,996 million, a decrease of THB 396 million or 6 percent, due to an increase of investment in associate companies of THB 47 million or 4 percent compared to the previous year from increased recognition of profits from associates in 2018. Property, plant and equipment declined by THB 483 million or 10 percent due to the Company's policy of selling and disposal of machinery and equipment that has deteriorated, become obsolete and non-operational. Nevertheless, during the year the Company also invested in procurement of new machinery worth THB 182 million.

Deferred tax assets increased by THB 30 million or 154 percent due to the difference between accounting and income tax on unrealized losses from derivatives worth THB 24 million.

Total assets as at 30 September 2018 stood at THB 8,615 million, a decrease from 31 March 2017 of THB 146 million consisting of current assets at 34 percent and non-current assets at 67 percent of total assets.

Main items posting increase were cash and cash equivalents, trade and other receivables of THB 100 million, THB 31 million and THB 48 million respectively. Moreover, the Company had additional available-for-sale investments of THB 20 million for trade and other receivables, accounting for 17 percent of total assets, an increase from March 2018 by THB 79 million.

Liabilities

The Company's total liabilities as at 31 March 2017 stood at THB 4,191 million, a reduction of THB 250 million or 6 percent, due to a decrease in short-term loans from financial institutions by THB 668 million or 43 percent because of the Company's effort to reduce the principal and interest from loans. Finance lease liabilities increased by THB 383 million or 100 percent because during the year the Company entered into an energy supply agreement with a local company.

As at 31 March 2018, the Company had total liabilities amounting to THB 2,936 million, a decrease by THB 1,255 million or 30 percent, due to reduced short-term and long-term loans from financial institutions by THB 567 million and THB 630 million respectively, or equivalent to 64 and 40 percent respectively, because the Company had higher net cash flows and was able to effectively reduce the principal and interest paid on its loans.

LTX's total liabilities as at 30 September 2018 was THB 2,601 million, equivalent to 30 percent of liabilities and shareholders' equity, a decrease from 31 March 2018 by 3 percent, mainly from the decrease in short-term loans from financial institutions, trade payables and income tax payable.

In the corporate overview, current assets are higher than current liabilities; the Company therefore has liquidity to repay the creditors of the business.

Shareholders' equity

The Company's shareholders' equity as at 31 March 2017 was THB 5,407 million, an increase of THB 226 million or 4 percent, due to the increase of THB 269 million of net profit after tax and THB 109 million from share of profits from investments in associate companies under the equity method. In addition, the Company appreciated its fair value of available-for-sale investments by THB 5 million, had actuarial losses for employee benefits projects amounting to THB 27 million and dividend payments during the year of THB 130 million.

From the above list of items, the Company's book value per share in 2017 was THB 104.29, increased by 4.34 baht per share or 4 percent. Meanwhile debt to equity ratio decreased from 0.86 times in the previous year to 0.78 times in 2017 or equivalent to 10 percent decrease.

As at 31 March 2018, the Company's shareholders' equity was THB 5,826 million, an increase of THB 419 million or 8 percent, due to the increase in net profit after income tax by THB 440 million and the share of profit from investment in associate companies according to equity method was THB 103 million. In addition, the fair value of available-for-sale investments appreciated by THB 6 million and dividend payment during the year amounted to THB 130 million.

From the above list of items, the Company's book value per share in 2018 amounted to THB 112.38, increasing by THB 8.09 per share or 8 percent, and debt to equity ratio decreased from 0.78 times in the previous year to 0.50 times in 2018 or equivalent to 35 percent decrease.

As at 30 September 2018, shareholders' equity stood at THB 6,010 million or 70 percent of liabilities, an increase of THB 184 million from 31 March 2018, resulting from operational profit and other components of shareholders' equity which appreciated.

Table 9-8: Statement of income of LTX

	31 March 2016		31 March 2017		31 March 2018		30 September 2018	
	THB Million	%	THB Million	%	THB Million	%	THB Million	%
Revenue from sale of goods	8,899.99	99.71%	9,199.25	98.53%	8,690.76	99.11%	4,162.57	98.54%
Dividend income	-	0.00%	3.02	0.03%	3.04	0.03%	2.73	0.06%
Interest income	-	0.00%	1.38	0.01%	3.53	0.04%	0.57	0.01%
Other income	26.29	0.29%	56.35	0.60%	28.93	0.33%	27.07	0.64%
Net foreign exchange gain	-	0.00%	76.25	0.82%	42.13	0.48%	31.37	0.74%
Total revenues	8,926.28	100.00%	9,336.25	100.00%	8,768.40	100.00%	4,224.31	100.00%
Cost of sales of goods	7,827.31	87.69%	8,327.17	89.19%	7,764.70	88.55%	3,773.43	89.33%
Distribution costs	334.77	3.75%	376.14	4.03%	201.85	2.30%	109.78	2.60%
Administrative expenses	276.75	3.10%	241.88	2.59%	202.23	2.31%	87.04	2.06%
Net foreign exchange loss	34.98	0.39%	-	0.00%	-	0.00%	0.00	0.00%
Total expenses	8,473.82	94.93%	8,945.19	95.81%	8,168.77	93.16%	3,970.25	93.99%
Share of profit of associate	122.70	1.37%	109.02	1.17%	102.58	1.17%	57.51	1.36%
Profit before finance costs and income tax expense	575.17	6.44%	500.08	5.36%	702.20	8.01%	311.57	7.38%
Finance costs	42.02	0.47%	56.14	0.60%	56.91	0.65%	22.52	0.53%
Profit before income tax expense	533.15	5.97%	443.94	4.76%	645.29	7.36%	289.06	6.84%
Tax expense	83.37	0.93%	66.11	0.71%	102.87	1.17%	44.69	1.06%
Profit for the year	449.78	5.04%	377.83	4.05%	542.42	6.19%	244.36	5.78%

Source: LTX audit financial statement for the year ended 31 March 2016 – 2018 and financial statement for six-month periods ended 30 September 2018.

Revenue

LTX's revenue is mainly derived from sales. In 2016, 2017 and 2018 revenue from sales amounted to THB 8,900 million, THB 9,199 million and THB 8,691 million respectively, equivalent to 99.71 percent, 98.53 percent and 99.11 percent of total revenue.

For the annual period which ended on 31 March 2017, the Company posted net profit of THB 378 million, down by THB 72 million or 16 percent compared to the net profit of THB 450 million in the financial statements of the same period of the previous year, and basic earnings per share was THB 7.29, down by THB 1.39 per share in 2017.

Gross profit of textile fabrics decreased by THB 353 million or 44 percent compared to the same period of the previous year. Revenue from the sale of textile fabrics, which is the Company's main revenue (approximately 55 percent of total revenue from sales), in this period amounted to THB 5,022 million, a decrease of THB 285 million or 5 percent compared to the same period of the previous year, with domestic and foreign sales declining by THB 163 million and THB 122 million respectively due to the decrease in average selling price per unit resulting from the Baht appreciation against the US Dollar, as well as increased product costs, resulting in lower gross profit.

Gross profit of textile products for the manufacturing industry grew by THB 152 million or 55 percent compared to the same period of the previous year due to the Company's expansion of its capacity in response to the demand in the automotive industry, resulting in sales revenue in 2017 from products for the manufacturing

industry totaling THB 4,178 million (approximately 45 percent of total sales revenue), a growth of THB 584 million or 16 percent over the same period of the previous year.

Net foreign exchange gain amounted to THB 76 million, rising by THB 111 million from the same period of the previous year when the Company suffered a loss from foreign exchange rate in the net amount of THB 35 million due to foreign currency liabilities from the appreciation of the Baht against the US Dollar resulting in unrealized gains from foreign exchange rates.

Other revenue amounted to THB 61 million, an increase of THB 35 million or 131 percent compared to the same period of the previous year, due to compensation in the amount of THB 27 million received from insurance companies for damage from the flooding of its factory in the previous year. Moreover, revenue from the sale of scrap fabric increased by THB 3 million; rental income increased by THB 2 million and gain on sales of fixed assets increased by THB 1 million.

For the annual period which ended on 31 March 2018, the Company posted net profit amounting to THB 542 million, an increase of THB 164 million or 44 percent compared to the net profit of THB 378 million in the same period of the previous year, with basic earnings per share at THB 10.46, an increase of THB 3.17 per share in 2018.

Gross profit from sale of textile fabrics increased by THB 85 million or 19 percent compared to the same period of the previous year. Revenue from the sale of textile fabrics, which is the Company's main revenue (approximately 54 percent of total revenue from sales), in this period amounted to THB 4,687 million, down by THB 335 million or 7 percent from the same period of the previous year, with increasing revenue from domestic sales by THB 100 million while foreign sales declined by THB 435 million from the strengthening of the Baht as well as higher competition resulting in declining sales. Nevertheless, the Company was able to increase production efficiency and implemented effective quality control over its products to better serve customers' demands. Such measures resulted in much lower cost of sales, thereby reflected in an increase in the gross profit from sale of textile fabrics.

Gross profit from sale of textile products for the manufacturing industry declined by THB 31 million or 7 percent compared to the same period of the previous year. In 2018, sale of textile products for the manufacturing industry amounted to THB 4,004 million (approximately 46 percent of total sales revenue), down by THB 174 million or 4 percent compared to the same period of the previous year, due to lower market demand resulting in lower sales volume and decreasing gross profit.

Net gain from foreign exchange amounted to THB 42 million, down by THB 34 million from the same period of the previous year, due to higher loss from foreign exchange hedging against the same period last year resulting in the decrease of unrealized gains from foreign exchange rates.

Other revenue totaled THB 29 million, down by THB 28 million or 49 percent compared to same period of the previous year, due to fact that in that period, the Company had received compensation for flood damage to its factory from insurance companies amounting to THB 27 million.

LTX had revenue from sales in the first 6 months of 2018 and 2017 amounting to THB 4,163 million and THB 4,312 million respectively, a decrease of 4 percent due to continued impacts from the economic slowdown in the Middle East which is the main market for spun fabrics and the Company was relatively inexperienced in production of new filament fabrics for export, thereby making it necessary to sell defective products at deducted

prices. The Company also had to deal with impacts resulting from a highly competitive market and foreign exchange fluctuations.

Selling cost

In 2016, 2017 and 2018, LTX had selling cost amounting to THB 7,827 million, THB 8,327 million and THB 7,765 million respectively, equivalent to 88 percent, 89 percent and 89 percent of total revenue. Selling cost in 2017 increased by THB 500 million or 6 percent mainly resulting from the Company's inexperience in production of the new filament fabrics, resulting in abnormally high selling cost for filament fabrics while in 2018, selling cost decreased by THB 562 million or 7 percent, consistent with the decrease in sales revenue together with the Company's effective and improved control over selling cost.

In the first 6 months of 2018, selling cost amounted to THB 3,773 million, a decrease of 2 percent compared to the same period of the previous year. The ratio of cost of sales to total revenue was 89 percent higher than the previous year (at 88 percent) as a result of rising raw material prices.

Expenses

For the annual period ended on 31 March 2017, sales expenses amounted to THB 376 million, an increase of THB 41 million or 12 percent compared to the same period of the previous year due to the increase in expenses on compensation for product quality of THB 38 million and the increase in shipping cost by THB 9 million. However, commission declined by THB 6 million while administrative expenses was THB 242 million, down by THB 35 million or 13 percent compared to the same period of the previous year due to decreasing loss by THB 26 million from sale of raw materials which could not be used in net production. Moreover, expenses relating to employees declined by THB 19 million; legal expenses declined by THB 2 million, postal and advertising expenses went down by THB 2 million and rental expenses decreased by THB 1 million. Nevertheless, management fees and computer service fees increased by THB 17 million because the Company transferred information system staff to related companies in the past year.

The Company had financial cost of THB 56 million, an increase of THB 14 million or 34 percent compared to the same period of the previous year due to an increase of THB 6 million in payment of interest on loans as well as an increase of THB 8 million in payment of interest on financial lease. However, the Company's share of profits from investments under equity method decreased by THB 14 million or 11 percent compared to the same period of the previous year due to lower operating profit of associated companies, resulting in the Company's recognized share of profit from investment in associated companies by the equity method amounting to THB 109 million.

For the annual period which ended on 31 March 2018, sales expenses amounted to THB 202 million, a decrease of THB 174 million or 46 percent compared to the same period of the previous year due to a decrease of THB 104 million in expenses on compensation for product quality, lower commission expenses of THB 28 million, declined expenses on transport by THB 25 million and expenses relating to employees decreasing by THB 7 million. Meanwhile, the Company's management expenses amounted to THB 202 million, declining by THB 40 million or 16 percent compared to the same period of the previous year resulting from decreasing loss by THB 12 million from sale of raw materials which could not be used in net production, decreasing loss from the empty capacity of denim yarn by THB 6 million, decrease in travel expenses by THB 6 million, decrease in insurance expenses by THB 2 million and decrease in miscellaneous expenses by THB 7 million. As for income tax expenses, these increased by THB 37 million or 56 percent.

The Company's share of profit from investments under the equity method decreased by THB 6 million or 6 percent compared to the same period of the previous year due to lower operational profit of associate companies resulting in the Company's recognized share of profit from investment in associated companies by the equity method amounting to THB 103 million.

Despite higher raw material prices and foreign exchange fluctuations, continued strengthening of the Baht against the US Dollar has rendered a decline in sales for the Company. However, the Company continued its effort to increase production efficiency and control the quality of products to meet the needs of customers and, at the same time, trying to control production expenses, distribution expenses and management expenses, resulting in higher operational profit for the Company in 2018.

In the period of the first 6 months of 2018, the Company's sales expenses amounted to THB 110 million and management expenses came to THB 87 million, decreasing by 5 percent and 20 percent respectively compared to the same period of the previous year, representing more effective and efficient management of costs and operating expenses.

Table 9-9: Statement of cash flow summary of LTX

THB million	Period ended 31 March			30 September
	2016	2017	2018	2018
Net cash from operating activities	742.17	1,393.36	1,463.93	462.49
Net cash used in investing activities	(900.79)	(541.66)	(103.43)	60.29
Net cash used in financing activities	85.23	(853.89)	(1,278.47)	(423.74)
Net increase (decrease) in cash and cash equivalents	(73.39)	(2.19)	82.04	99.04

Source: LTX audit financial statement for the year ended 31 March 2016 – 2018 and financial statement for six-month periods ended 30 September 2018

Cash flow

For the annual period which ended on 31 March 2017, the Company had net cash flow from operating activities of THB 1,393 million, an increase of THB 651 million or 88 percent compared to the corresponding previous period.

Net cash flow used in investing activities in 2017 was THB 542 million with the Company investing in machinery and equipment worth THB 553 million, mainly machinery used in production of textile and textile products for the manufacturing industry, and intangible assets worth THB 4 million. The Company also had other long-term investment amounting to THB 17 million, dividend payment from associated companies totaling THB 32 million. Capital source used by the Company for the purpose of business expansion came mainly from cash flow from operations. However, if this is insufficient, the Company will seek loans domestically from financial institutions.

For net cash flow used in financing activities as working capital in the business amounting to THB 854 million, the Company repaid short-term loans from financial institutions worth THB 665 million, including interest payment of THB 49 million, interim dividend payment of THB 130 million and payment of finance lease liabilities amounting to THB 10 million.

Based on the above, the Company had cash and cash equivalents at the end of 2017 amounting to THB 71 million, a decrease of THB 2 million or 3 percent compared to the previous year. The Company maintained cash in the amount of THB 53 million in THB and equivalent to THB 18 million in USD at the end of the period for use in the next operating period of the Company.

For the annual period which ended on 31 March 2018, the Company had net cash flow from operating activities of THB 1,464 million, an increase of THB 73 million or 5 percent compared to the previous period.

Net cash flow used in investing activities in 2018 amounted to THB 103 million with the Company investing in machinery and equipment worth THB 182 million, mainly for its textile business and its textile products for the manufacturing industry business, including other long-term loans totaling THB 6 million, payment of dividend from associate companies amounting to THB 59 million. The Company also received cash subsidies for greenhouse gas reduction projects from its parent company in Japan, resulting from the Company's investment in new machinery that can reduce air pollution from production. Such subsidies totaled THB 24 million, as well as interest income of THB 3 million. Capital source used by the Company for the purpose of business expansion came mainly from cash flow from operations. However, if this is insufficient, the Company will seek loans domestically from financial institutions.

For net cash flow used in financing activities as working capital in the business amounting to THB 1,278 million, the Company repaid short-term and long-term loans from financial institutions worth THB 568 million and THB 500 million respectively, including interest payment of THB 40 million, interim dividend payment of THB 130 million and payment of finance lease liabilities amounting to THB 40 million.

Based on the above, the Company had cash and cash equivalents at the end of 2018 amounting to THB 154 million, an increase of THB 83 million or 118 percent compared to the previous year. The Company maintained cash in the amount of THB 133 million in THB and amounting to THB 21 million in USD at the end of the period for use in the next operating period of the Company.

As at 30 September 2018, the Company had net cash flow from operating activities of THB 463 million, an increase of 38 percent compared to the same period of the previous year due to the decrease in the amount of trade and other receivables. Net cash flow from investing activities was THB 60 million, an increase of THB 106 million, from cash received from deferred income, proceeds from the sale of equipment and increased dividends. In terms of net cash flows used in financing activities totaling THB 424 million, decreasing by THB 275 million due to a decline in short-term loans from financial institutions.

Table 9-10: Key financial ratios of LTX

	Year ended 31 March			30 September
	2016	2017	2018	2018
Liquidity ratios				
Current ratio (Times)	1.39	1.29	2.10	3.05
Cash flow current ratio (times)	0.25	0.55	0.77	0.41
Accounts Receivable Turnover (times)	5.55	5.49	6.36	6.12
Average collection period (days)	65.77	66.48	57.39	59.66
Inventory turnover ratio (times)	4.32	5.96	6.40	5.89
Average selling period (days)	84.49	61.24	57.03	61.96
Payable turnover ratio (times)	12.15	11.44	12.71	12.74
Average payment period (days)	30.04	31.91	28.72	28.64
Cash Cycle (days)	120.22	95.81	85.70	92.99
Profitability Ratios				
Gross profit margin (%)	12.05	9.48	10.66	9.35
Net profit margin (%)	5.05	4.11	6.24	5.71
Return on equity (%)	8.92	7.14	9.66	9.30
Efficiency ratios				
Return on assets (%)	6.13	5.20	7.65	7.66
Asset turnover (times)	0.95	0.96	0.95	0.99

	Year ended 31 March			30 September
	2016	2017	2018	2018
Financial Policy Ratios				
Debt to equity ratio (times)	0.86	0.78	0.50	0.43

Source: Annual registration statement (Form 56-1) of the Company and SET

Note: Calculation based on SET's manual guides

Financial ratio

The overall liquidity ratio of the Company has always been at a good level. In 2017 and 2018, it stood at 1.29 times and 2.10 times respectively, posting an increase from 1.39 times in 2016 mainly due to the continuous decrease of the average selling period for products from 85 days in 2016 to 58 days in 2018, resulting in the Company's cash cycle being reduced from 121 days in 2016 to only 86 days in 2018.

In 2017, LTX had a lower gross profit margin than in 2016, mainly due to the increase in selling cost while the rise in sales expenses and higher financial cost burden, resulting in a lower gross profit margin as well. The Company had a net profit margin of 4.11 percent from 5.05 percent in 2016. In addition, the Company had a return on equity of 7.14 percent compared to 8.92 percent in 2016.

In 2018, LTX's gross profit margin increased compared to 2017 mainly as a result of the decrease of selling cost due to more effective control. Diminishing selling and management costs, combined with a decline of the financial cost burden, have helped to increase net profit margin to 6.24 percent from 4.11 percent in the previous year; with a return on equity of 9.66 percent from 7.14 percent in the previous year.

The Company's total debt to equity ratio has continuously declined. In 2017 and 2018, total debt to equity ratio stood at 0.78 times and 0.50 times respectively, down from 0.86 times in 2016, with debt to equity ratio also declining as LTX repaid its short-term and long-term loans from financial institutions.

Appendix 2: Thai Toray Textile Mills Public Company Limited

2.1. Background and significant developments

TORAY Industries Inc. (Japan), a major Japanese manufacturing corporation whose products include textiles, with branches around the world, initiated the establishment of textile production in Thailand as part of its business expansion, thereby partnering in a joint investment in the ratio of 60 :40 with Toyo Menka Kaisha Co., Ltd., a major distributor of industrial machinery. The joint venture registered as a company in 1963, with registered capital of THB 30,000,000 comprising 30,000 ordinary shares, at par value of THB 1,000 per share, and granted investment promotion privileges for 5 years from the date of operation.

Thai Toray Textile Mills Public Company Limited (“TTTM”) was established in March 1963, the first foreign company in the TORAY Group. The Company was registered on the Stock Exchange of Thailand in 1981 with a factory situated in Nakhon Pathom Province which is approximately 45 kilometers west of Bangkok and consisting of manufacturing plants for spinning, weaving, knitting, dyeing, finishing, weight reduction and water repellent.

TTTM was registered on the Stock Exchange of Thailand on 26 October 1981 and became a public listed company on 16 May 1994. Its current registered capital is THB 60,000,000 comprising 6,000,000 ordinary shares at par value of THB 10 per share.

Table 9-11: Important changes and developments

Year	Details
1963	Thai Toray Textile Mills was established
1981	Thai Toray Textile Mills was listed in the stock exchange of Thailand

TORAY Group (Thailand)

TTTM is part of the TORAY Group (Thailand), details of which are presented in Figure 9-1: TORAY Group (Thailand) in Appendix 1

2.2. Shareholding structure of TTTM

As at 31 March 2018, TTTM has invested in the following juristic persons:

Table 9-12: Brief information of companies that TTTM invested in

Company name	Shareholding proportion (percent)	Registered capital (THB million)	Paid-up capital (THB million)	Type of business
Thai Toray Synthetics Company Limited	0.31	3,078.14	3,078.14	Manufactures and distributes fibers and plastics

Source: Information memorandum of amalgamation between LTX and TTTM

2.3. Business overview

TTTM engages in textile businesses including spinning, weaving, knitting, dyeing and finishing, categorized into 3 main types as follows:

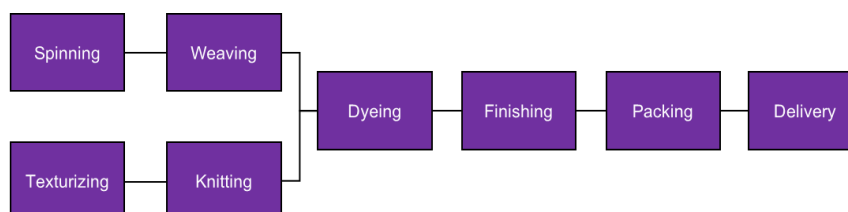
- Woven fabrics from rayon blended polyester for making uniforms under the trademark “Golden Eagle” and “TETREX”
- Knitted fabrics from polyester, rayon and other synthetic fibers for making sportswear
- Car seat fabric from 100% polyester with finishing that include scraping, scratching and trimming

Product sourcing

Production

The Company has 1 factory in Nakhon Pathom Province with a total production capacity of approximately 30,000,000 yards per year. However, the Company has accelerated improvement of production efficiency, mitigation of waste in the production process to reduce costs and increase production capacity in accordance with market demand in each period.

Manufacturing process



Sourcing of raw material Suppliers and proportion of raw material purchases

- Thread – orders are placed from both domestic and international sources. Foreign sources include suppliers in Indonesia, China and Japan.
- Polyester is sourced mainly from Indonesia and Malaysia.
- Rayon is sourced from domestic producers.
- Dye and chemicals in production process are sourced mainly from importers.

2.4 Revenue structure

Details of TTTM's revenue structure between 2015 – 2017 (as at March 2015 – March 2018) are as follows:

Table 9-13: Revenue structure of TTTM

Product	Product sales (THB million)					
	March 2016	%	March 2017	%	March 2018	%
Domestic Sales						
Woven fabrics	575	49.87	549	50.55	536	45.46
Knitted fabrics	72	6.24	78	7.18	87	7.38
Car seat fabrics	29	2.52	16	1.47	20	1.69
Total	676	58.63	643	59.21	643	54.53
International Sales						
Woven fabrics	368	31.92	301	27.72	258	21.88
Knitted fabrics	109	9.45	142	13.08	278	23.58
Car seat fabrics	-	0.00	-	0.00	-	0
Total	477	41.37	443	40.79	536	45.46
Both domestic sales and international sales						
Woven fabrics	943	81.79	850	78.27	794	67.35
Knitted fabrics	181	15.70	220	20.26	107	9.08
Car seat fabrics	29	2.52	16	1.47	20	1.70
Grand total	1,153	100.00	1,086	100.00	1,179	100.00
Increase (decrease) of sales (%)				(5.81)		8.56

2.4. Characteristics of products

1. Woven fabric produced from 65% polyester and 35% rayon for making various uniforms under the trademark "Golden Eagle" and "TETREX" (Toray Industries, Inc. own the mark). In addition, there is also

fabric for winter clothing, two-way fabric, fabric woven from dyed thread, rayon rich fabric for making corporate uniforms and casual wear.

2. Knitted fabric produced from polyester, rayon and acrylic for making sportswear.
3. Car seat fabric produced from 100 % polyester with finishing which include machinery that scratches (using needles/sandpaper), prints, trims for making automotive seat covers.

Rights related to business operation

The Company was granted investment promotion privileges from the Board of Investment under the rules and methods prescribed in the Investment Promotion Act on 6 March 1963 in businesses relating to the textile industry including spinning, bleaching, dyeing, etc. Benefits received by the Company included the following:

- Benefits according to Section 28 of the Investment Promotion Act, in the exemption of import duty for energy-saving machinery
- Benefits of the ASEAN Free Trade Area (AFTA) for the exemption of duties and the reduction of customs duties in the ASEAN Free Trade Area for raw materials such as yarns used in production
- Thai-Japan Economic Partnership Agreement (JTEPA) to reduce import duty rates for machinery and spare parts used in the textile industry
- The right to bring aliens into the Kingdom for work in positions of skilled workers in jobs which will transfer knowledge and technology to Thai personnel, including extension of their stay in the Kingdom.

2.6 Shareholding structure

As at 8 January 2019, TTTM had registered capital of THB 60 million, fully paid, comprising 6 million ordinary shares at par value of THB 10 per share. The list of shareholders and shareholding ratio are as follows:

Table 9-14: Major shareholders of TTTM

No.	Name	No. of shares	%
1	Toray Industries, Inc.	2,087,500	34.79
2	Toyota Tsusho Corporation	812,500	13.54
3	Luckytex (Thailand) Public Company Limited	313,000	5.22
4	Bangkok Bank Public Company Limited	306,850	5.11
5	SMBC Management Service Co., Ltd.	200,000	3.33
6	Mr. Charn Sophonpanich	199,100	3.32
7	Mr. Choedchu Sophonpanich	123,600	2.06
8	Mr. Mana Sripitak	106,500	1.78
9	Mr. Kitti Boonphoapichart	102,000	1.70
10	Toyota Tsusho (Thailand) Co., Ltd.	100,000	1.67
11	Other shareholders (apart from 13 major shareholders listed above)	1,658,950	27.48
	Total	6,000,000	100.00

Note: Name of shareholders as of 8 January 2019

2.5. The Board of Directors and management

As at 30 November 2018, the Board of Directors of TTTM consisted of the following 11 directors:

Table 9-15: The Board of Directors of TTTM

No.	Name	Position
1	Mr. Norikazu Masui	Chairman
2	Mr. Kazuaki Takabayashi	Chairman of Executive Director/Director
3	Mr. Atsushi Horiuchi	Director

No.	Name	Position
4	Mr. Pichai Amranun	Director
5	Mr. Tatsuo Amano	Director
6	Mr. Chiaki Kojima	Director
7	Mr. Mamoru Minabe	Director
8	Mr. Ken Nakajima	Director
9	Mr. Yanchai Tantiratapong	Independent Director/Chairman of Audit Committee
10	Mr. Panukorn Chantaraprapab	Independent Director/Audit Committee
11	Miss Acharaporn Manasarn	Independent Director/Audit Committee

Source: SET

The following 5 directors are authorized signatory of the company, consisting of Mr. Norikazu Masui, Mr. Chiaki Kojima, Mr. Atsushi Horiuchi, Mr. Pichai Amranun and Mr. Kazuaki Takabayashi. The signatures of 2 out of 5 of these directors together with the company seal affixed is binding on the company.

Table 9-16: Management Team of TTTM

No.	Name	Position
1	Mr. Kazuaki Takabayashi	Chairman of executive director
2	Mr. Norikazu Masui	President
3	Mr. Atsushi Horiuchi	Quality Assurance Director
4	Mr. Pichai Amranun	Factory Manager and Production Director
5	Mr. Chiaki Kojima	Sales Director
6	Mr. Ken Nakajima	Director of Accounting and Financial Department
7	Mr. Takashi Yanagihara	Associated Director, Finance & Accounting Division Manager
8	Ms. Wantana Mangkhalasawat	Accounting Department Manager (General and Finance)

Source: TTTM

2.6. Financial status and performance

Table 9-17: Statement of financial position of TTTM

	31 March 2016		31 March 2017		31 March 2018		30 September 2018	
	THB Million	%	THB Million	%	THB Million	%	THB Million	%
Cash and cash equivalents	285.02	17.33%	390.50	23.89%	416.46	24.46%	463.91	26.94%
Trade and other receivables	205.47	12.49%	169.70	10.38%	251.97	14.80%	251.28	14.59%
Advances and short-term loans	6.47	0.39%	-	0.00%	-	0.00%	5.62	0.33%
Inventories	208.45	12.68%	196.87	12.04%	204.29	12.00%	219.48	12.75%
Other short-term receivables - net	1.14	0.07%	18.70	1.14%	26.61	1.56%	3.25	0.19%
Other current assets	5.92	0.36%	-	0.00%	-	0.00%	18.58	1.08%
Total current assets	712.45	43.32%	775.78	47.45%	899.33	52.83%	962.12	55.87%
Investments recorded by the cost method	11.26	0.68%	11.24	0.69%	11.29	0.66%	11.63	0.68%
Related parties	12.98	0.79%	-	0.00%	-	0.00%	12.98	0.75%
Available-for-sale investments	0.32	0.02%	0.60	0.04%	0.66	0.04%	1.41	0.08%
Long-term investment	-	0.00%	10.64	0.65%	10.64	0.62%	-	0.00%
Less allowance for impairment of investments	2.04	0.12%	-	0.00%	-	0.00%	2.75	0.16%
Property, plant and equipment - net	876.95	53.33%	788.49	48.23%	719.78	42.28%	680.18	39.50%
Leasehold rights-net	5.70	0.35%	4.91	0.30%	4.13	0.24%	3.74	0.22%
Intangible assets - net	35.92	2.18%	49.39	3.02%	62.95	3.70%	61.59	3.58%
Deferred tax assets	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Other non-current assets	2.22	0.13%	4.99	0.31%	4.89	0.29%	2.81	0.16%
Total non-current assets	932.05	56.68%	859.02	52.55%	803.05	47.17%	759.94	44.13%

	31 March 2016		31 March 2017		31 March 2018		30 September 2018	
	THB Million	%	THB Million	%	THB Million	%	THB Million	%
Total assets	1,644.50	100.00%	1,634.80	100.00%	1,702.38	100.00%	1,722.06	100.00%
Trade and other payables	51.92	3.16%	66.69	4.08%	117.02	6.87%	101.50	5.70%
Other short-term creditors - net	42.53	2.59%	24.45	1.50%	25.89	1.52%	21.78	1.22%
Other current liabilities	25.84	1.57%	24.50	1.50%	32.64	1.92%	40.38	2.27%
Total current liabilities	120.29	7.31%	115.65	7.07%	175.55	10.31%	163.66	9.18%
Employee benefit obligations after termination - net of current portion	-	0.00%	34.04	2.08%	26.31	1.55%	-	0.00%
Deferred tax liabilities	3.31	0.20%	5.28	0.32%	7.09	0.42%	4.56	0.26%
Other non-current liabilities	36.72	2.23%	-	0.00%	-	0.00%	27.04	1.52%
Total non-current liabilities	40.03	2.43%	39.32	2.41%	33.40	1.96%	31.60	1.77%
Total liabilities	160.33	9.75%	154.97	9.48%	208.95	12.27%	195.27	10.96%
Registered capital	60.00	3.65%	60.00	3.67%	60.00	3.52%	60.00	3.37%
Issued and fully paid capital	60.00	3.65%	60.00	3.67%	60.00	3.52%	60.00	3.37%
Retained earnings	1,423.88	86.58%	1,419.55	86.83%	1,433.11	84.18%	1,466.20	82.28%
Retained earnings - Allocated	635.00	38.61%	635.00	38.84%	635.00	37.30%	635.00	35.63%
Legal reserve	21.00	1.28%	21.00	1.28%	21.00	1.23%	21.00	1.18%
Other reserves	614.00	37.34%	614.00	37.56%	614.00	36.07%	614.00	34.45%
Accumulated profit (loss) - not yet allocated	788.88	47.97%	784.55	47.99%	798.11	46.88%	831.20	46.64%
Other components of shareholders' equity	0.29	0.02%	0.28	0.02%	0.32	0.02%	0.59	0.03%
Total shareholders' equity	1,484.17	90.25%	1,479.83	90.52%	1,493.43	87.73%	1,586.79	89.04%
Total liabilities and shareholders' equity	1,644.50	100.00%	1,634.80	100.00%	1,702.38	100.00%	1,782.06	100.00%

Source: SETSMART

Assets

As at 31 March 2016, TTTM had total assets of THB 1,644.50 million with main assets accounting for 95.83 percent of total assets. Main assets consisted of property, plant and equipment accounting for - 53.33 percent of total assets while cash and cash equivalents accounting for 17.33 percent, inventory 12.68 percent, and trade accounts and other receivables 12.49 percent

As at 31 March 2017, TTTM had total assets of THB 1,634.80 million, a decrease of 0.58 percent, with net non-current assets amounting to THB 859.02 million, down from the previous year by THB 73.03 million. The main non-current assets were property, plant and equipment – net which, as at 31 March 2017 amounted to THB 788.49 million, a decrease of THB 88.46 million due to amortization of depreciation for the period of THB 114.60 million and additional investment in machinery and equipment of THB 37.50 million as well as impairment of machinery and equipment in the amount of THB 11.30 million, with the Company deferring its plan to invest in some machinery and equipment until necessary for new products with added value.

As at 31 March 2017, main assets in proportion to total assets consisted of property, plant and equipment – net of 48.23 percent, cash and cash equivalents of 23.89 percent, inventories of 12.04 percent and trade account and other receivables of 10.38 percent, with such main assets accounting for 94.54 of total assets.

As at 31 March 2018, TTTM had total assets amounting to THB 1,702.38 million, an increase of 4.13 percent compared to the end of 2017 due mainly to the increase of current assets in proportion to total assets

of 52.83 percent as TTTM had increasing cash and cash equivalents from THB 390.50 million as at 31 March 2017 to THB 416.46 million as at 31 March 2018, an increase of THB 26 million from net cash from operating activities of THB 94 million and net cash used in investing activities of THB 56 million as well as net cash used in financing activities of THB 12 million. Trade accounts receivable increased by THB 82.27 million as at 31 March 2018, due to increasing sales revenue, combined with increased collection period as the sales credit period is 30 days, 60 days and 90 days. Most of the sales credited to debtors were in the range of 60 days to 90 days.

As at 31 March 2018, the Company's main assets as proportion of total assets, consisting of property, plant and equipment - net 42.28 percent, cash and cash equivalents 24.46 percent, trade accounts and other receivables 14.80 percent and inventories 12.00 percent, accounting for 93.54 percent of total assets.

As at 30 September 2018, TTTM had total assets of THB 1,722.06 million, an increase of 1.16 percent compared to total assets at end of 2017 mainly due to an increase in current assets equivalent to 55.87 percent of total assets, an increase in cash and cash equivalents from THB 416.46 million on 31 March 2018 to THB 463.91 million, an increase of THB 47.45 million from net cash from operating activities less net cash used in investing activities and financing activities.

Liabilities

As at 31 March 2016, TTTM had total liabilities of THB 160.33 million. The main liabilities in proportion to total liabilities and shareholders' equity consisted of trade and other liabilities equivalent to 3.16 percent, other short-term liabilities - net 2.59 percent and other non-current liabilities of 2.23 percent. Such liabilities as a proportion of total liabilities and shareholders' equity accounted for 7.98 percent (because the actual total debt really was only 9.75 percent, while 90.25 percent was the equity).

As at 31 March 2017, TTTM had total liabilities of THB 154.97 million, a decrease of 3.34 percent compared to total liabilities on 31 March 2016, due to the decline of other short-term liabilities – net by 42.51 percent compared to 31 March 2016, and TTTM did not have other non-current liabilities as at 31 March 2017.

As at 31 March 2017, the main liabilities in proportion to total liabilities and shareholders' equity consisted of trade and other liabilities equivalent to 4.08 percent, EMPLOYEE BENEFIT OBLIGATIONS - net of current portion due within one year equivalent to 2.08 percent, other short-term creditors – net of 1.50 percent and other non-current liabilities of 1.50 percent. Such main liabilities as a proportion of total liabilities and shareholders' equity accounted for 9.16 percent.

As at 31 March 2018, the main liabilities in proportion to total liabilities and shareholders' equity consisted of trade and other liabilities equivalent to 6.87 percent, other current liabilities of 1.92 percent and other short-term creditors – net of 1.52 percent. Such main liabilities as a proportion of total liabilities and shareholders' equity accounted for 10.31 percent.

As at 30 September 2018, TTTM had total liabilities of THB 195.27 million, down by 6.54 percent compared to total liabilities on 31 March 2018, mainly due to the decrease of trade and other liabilities of 13.26 percent, other short-term creditors – net declining by 18.87 percent and a reduction of deferred tax liabilities by 55.48 percent compared to 31 March 2018.

As at 30 September 2018, the main liabilities in proportion to total liabilities and shareholders' equity consisted of trade and other liabilities equivalent to 5.70 percent, other liabilities 2.27 percent, other non-current

liabilities 1.52 percent and other short-term creditors – net 1.22 percent. Such main liabilities as a proportion of total liabilities and shareholders' equity accounted for 10.71 percent.

Shareholders' equity

As at 31 March 2016 and 31 March 2017, TTTM's shareholders' equity stood at THB 1,484.17 million and THB 1,479.83 million respectively. As at end of 2017, shareholders' equity declined by 0.29 percent compared to 2016 because TTTM's retained earnings from net profit from operations for the year 2017, decreased by 0.30 percent or THB 4.33 million.

As at 31 March 2018, TTTM had shareholders' equity of THB 1,493.43 million, an increase of 0.92 percent compared to 31 March of 2017 mainly caused by the increase in retained earnings from the net profit from operations as of March 31, 2018 by 0.96 percent or equivalent to THB 13.56 million.

As at 30 September 2018, TTTM had shareholders' equity of THB 1,586.79 million, an increase of 6.25 percent compared to shareholders' equity as at 31 March 2018 due to the increase in retained earnings from the net profit from operations as of September 30, 2018 by 2.31 percent or equivalent to approximately THB 33.09 million.

Table 9-18: Statement of income of TTTM

	31 March 2016		31 March 2017		31 March 2018		30 September 2018	
	THB Million	%	THB Million	%	THB Million	%	THB Million	%
Core revenues	1,153.28	97.14%	1,086.90	98.05%	1,179.61	98.11%	665.40	97.88%
Other revenues	33.97	2.86%	21.64	1.95%	22.70	1.89%	14.41	2.12%
Total revenues	1,187.26	100.00%	1,108.54	100.00%	1,202.31	100.00%	679.81	100.00%
Cost of goods sold	1,036.59	87.31%	967.19	87.25%	1,054.38	87.70%	563.63	82.91%
Selling, general and administrative expenses	115.03	9.69%	135.23	12.20%	122.00	10.15%	67.38	9.91%
Selling expenses	64.57	5.44%	66.21	5.97%	60.09	5.00%	32.41	4.77%
Administrative expenses	50.46	4.25%	69.02	6.23%	61.92	5.15%	34.97	5.14%
Total expenses	1,151.62	97.00%	1,102.42	99.45%	1,176.38	97.84%	631.01	92.82%
Earnings before interest and tax	35.64	3.00%	6.12	0.55%	25.93	2.16%	48.80	7.18%
Finance cost	0.19	0.02%	0.19	0.02%	0.20	0.02%	0.09	0.01%
Corporate income tax	7.13	0.60%	1.23	0.11%	5.28	0.44%	9.62	1.42%
Net profit	28.32	2.38%	4.70	0.42%	20.45	1.70%	39.09	5.75%
Unrealized gain (loss) from available-for-sale securities	0.04	0.00%	(0.02)	0.00%	0.04	0.00%	0.27	0.04%
Actuarial gains (losses) on defined employee benefit plans	(5.29)	-0.45%	2.97	0.27%	5.10	0.42%		0.00%
Total comprehensive income (loss) for the period	23.07	1.94%	7.66	0.69%	25.60	2.13%	39.36	5.79%

Revenue

TTTM's revenue mainly comes from sales revenue and / or revenue from services. As at 31 March 2016, 30 March 2017, 31 March 2018 and 30 September 2018 (6 months ending), TTTM's main revenue amounted to THB 1,153.28 million, THB 1,086.90 million, THB 1,179.61 million and THB 665.40 million respectively, equivalent to 97.14 percent, 98.05 percent, 98.11 percent and 97.88 percent of total revenue.

As at 31 March 2017, revenue from sales and/or services declined by 5.76 percent compared to such revenue at 31 March 2016, mainly due to the decrease in total sales of woven fabrics by THB 93 million or 9.8 percent, down from THB 943 million to THB 850 million. Domestic sales declined by THB 26 million or 4.5

percent compared to that as of 31 March 2016 because the overall economy had not yet recovered, some consumer groups still had debt repayment burdens resulting in lower purchasing power and rendering fierce price competition from both domestic and foreign manufacturers such as China and India. The economic slump also impacted export of woven textiles such as high value fabric for making corporate uniforms as the economic situation in trading-partner countries, especially Japan which is the main market, had not improved and there was higher price pressure from customers. Therefore, foreign sales as at 31 March 2017 decreased by THB 67 million or equivalent to 18 percent.

TTTM had other revenue from interest income on foreign exchange transactions in foreign currencies, income from provident fund benefits, revenue from sales of used equipment, revenue from inter-company transactions in terms of utility service fees and rental of building and land which are revenue not impacted by sales of goods.

As at 31 March 2018, revenue from sales and/or services increased by 8.53 percent compared to 2017, mainly due to an increase in revenue from exports by THB 93 million from THB 444 million in 2017 to THB 537 million in 2018 or by approximately 20.95 percent, because the Company's efforts to maintain the customer base and product quality to the standard level. In addition, the company also expanded its exports to more diverse countries, including in Asia and the Middle East.

As at 30 September 2018, 6 months ending, revenue from sales and/or services increased by THB 130.60 million or equivalent to 24.42 percent due to the rise in domestic and international sales.

As at 30 September 2018, 6 months ending, other revenue increased by THB 2.4 million from that of the same period of the previous year, or equivalent to 20.00 percent due to gain from exchange rate.

Cost of sales of goods and services

Cost of sales of goods and services increased by THB 87.19 million, from THB 967.19 million as at 31 March 2017 to THB 1,054.38 million as at 31 March 2018, due to export sales growth.

Selling and administrative expenses

TTTM's selling and administrative expenses in 2016 and 2017 amounted to THB 115.03 million and THB 135.23 million respectively. Selling and administrative expenses in 2017 increased over the previous year by THB 20.20 million or 17.56 percent due to the Company's effort in developing a diverse range of value-added products in response to current changing market demand, rendering higher expenses. As for administrative expenses, the proportion increased because the company has developed a new computer system, for both the production and the sales systems, which required continuous consulting and system maintenance fees in order for the systems to work efficiently.

As at 31 March 2018, TTTM had selling and administrative expenses totaling THB 122.00 million, a decrease of THB 13.23 million or 9.78 percent compared to end of 2017. The decrease of sales expenses is due to the Company's focus on development of product quality, rendering a decline in terms of product claims, combined with the fact that labor cost also decreased compared to the previous year.

As at 30 September 2018, 6 months ending, selling and administrative expenses increased by THB 7.30 million from the same period of the previous year or equivalent to 12.13 percent.

Financial cost

Financial costs are fees paid to the banks to provide a bank guarantee for the payment of electricity to the Provincial Electricity Authority. The Company does not have any financial costs in terms of interest on loans.

Table 9-19: Statement of cash flow summary of TTTM

THB million	Period ended 31 March		
	2016	2017	2018
Net cash from operating activities	129.33	184.62	94.18
Net cash used in investing activities	(90.28)	(66.95)	(56.03)
Net cash used in financing activities	(15.20)	(12.19)	(12.20)
Net increase (decrease) in cash and cash equivalents	23.85	105.49	25.96

As at 31 March 2017, TTTM's cash and cash equivalents had net increase of THB 105.49 million, up by THB 81.64 million or 342.31 percent compared to 31 March 2016, mainly due to the increase of cash from operating activities amounting to THB 55.29 million or equivalent to 42.75 percent, resulting from the decline in trade accounts receivables because of increasing efficiency in tracking debt payments. Net cash used in investing activities decreased by THB 23.33 million, from THB 90.28 million in 2016 to THB 66.95 million.

As at 31 March 2018, TTTM had an increase in cash and cash equivalents net of THB 25.96 million, an increase of THB 79.51 million, or a decrease of 75.40 percent compared to 2017, mainly due to a decrease of cash from operating activities amounting to THB 90.44 million or 48.99 percent because trade accounts receivable increased from the increase of average collection period from 62 days to 64 days. As the credit duration is 30 days, 60 days and 90 days, the sales amount that is credited to most debtors is between 60 days to 90 days. Combined with other factors, namely the increase in inventories to support sales from customer orders, the increase in paid-out employee benefits from THB 3.41 million to THB 5.75 million, a decrease in cash used in investing activities by THB 23.33 million compared to 2017 attributed to cash payment for the purchase of property, plant and equipment which declined from THB 53.87 million to THB 42.69 million. Moreover, in 2018, TTTM received less dividend income by 46.28 percent compared to 2017. The cash used in financing activities was mainly for dividend payments and the Company had no obligations with financial institutions.

Table 9-20: Key financial ratios of TTTM

THB million	Year ended 31 March		
	2016	2017	2018
Liquidity ratios			
Current ratio (Times)	5.92	6.71	5.12
Cash flow current ratio (times)	1.08	1.57	0.65
Profitability Ratios			
Gross profit margin (%)	10.12	11.01	10.62
Net profit margin (%)	2.46	0.42	1.70
Return on equity (%)	1.91	0.32	1.38
Efficiency ratios			
Return on assets (%)	2.19	0.37	1.55
Return on fixed assets (%)	3.04	0.56	2.55
Asset turnover (times)	0.72	0.68	0.72
Financial Policy Ratios			
Debt to equity ratio (times)	0.11	0.10	0.14
Interest coverage ratio (times)	187.58	32.21	129.65

Liquidity ratio of TTTM as at 31 March 2017 and at 31 March 2018 stood at 6.17 times and 5.12 times respectively, from 5.92 times as at 31 March 2016. The increase of TTTM's liquidity ratio as at 31 March 2017 resulted from the decrease in current liabilities as other short-term creditors decreased by THB 18.08 million or 42.51 percent compared to 31 March 2016. As at 31 March 2018, TTTM's liquidity ratio decreased due to the increase in current liabilities as trade and other payables increased by THB 50.33 million or 75.49 percent compared to 31 March 2017.

As at 31 March 2017, TTTM had a higher gross profit margin compared to March 31, 2016 because in 2017 the sales costs of goods or services decreased by 6.70 percent compared to 2016 which resulted in a profit. The gross profit margin in 2017 increased. In 2018 the gross profit margin of TTTM decreased due to the increase of costs of sales of goods or services by THB 87.19 million or 9.01 percent compared to 2017, resulting in the decrease in gross profit in 2018.

As at 31 March 2016 and 31 March 2017, TTTM had total debt to equity ratio at 0.11 times and 0.10 times respectively. This declining debt to equity ratio resulted from the decrease in other short-term creditors. As at 31 March 2018, TTTM's total debt to equity ratio increased to 0.14 times due to rising current liabilities of THB 59.90 million from THB 115.65 million as at 31 March 2017, to THB 175.55 million on 31 March 2018.

Appendix 3: Industry Trend

The value of textile and apparel exports between January to June 2018 amounted to USD 3,270.26 million, registering growth of 8.65 percent from the same period of 2017, of which USD 2,346.38 million was derived from textile exports, a growth of 11.75 percent, and USD 1,206.82 million was derived from apparel exports, a growth of 3.10 percent, resulting from the recovery of the global economy led by the major economies, with the majority of the exports going to the United States, Japan and China respectively.

Future trends of the textile industry remain fiercely competitive, especially in terms of price from manufacturers in countries with low labour cost, such as China. This causes a number of inefficient and uncompetitive manufacturers to gradually withdraw from the textile business. Nevertheless, the current demand for Thai textiles in foreign markets indicates a more positive trend with most buyers expressing interest in textiles with higher market value, especially functional textiles and innovative textiles (Innovative-Smart Textile) which is a product group that has higher potential for long-term growth rather than traditional textiles in the market as evident from the proportion of export of Thai technical textiles that are higher than other textile products especially technical textiles for use in the textile and garment industry whether it is a lightweight fabric that is fire resistant, electrically conductive, connectivity to electronic devices or enhance the wearer's performance, including health/medical benefits, reducing resource use or being environmentally friendly, such as providing protection against germs, chemicals and radiation, or measuring heart rate, etc., especially from such businesses in the fashion or sportswear industry, industrial garments and furniture etc. This demonstrates market demand for this group of specialized products and a growing trend for the future in response to a more diversified customer base.

Moreover, even though the textile and garment industry are not among S-Curve industries according to the Ministry of Industry's 20-year 4.0 Thai Industrial Development Strategy (2017-2026) which encompasses industries of the future, the innovative and technical segment of the textile and garment industry certainly has potential for growth and positive beneficial gains in the same way as the S-Curve industries. Such segment includes Meditech technical textiles such as sterile apparel kits for physicians and patients that will grow with the integrated medical industry, Mobitech textiles for such equipment as safety airbags and seatbelts that will grow with the modern automotive industry, and Protech for such products as protective gloves, bullet-proof vests, military attire, fire-fighting suits that will grow with the food, agriculture and biotechnology industries etc.

Sources:

Statistical data – Ministry of Commerce

Statistical database of textiles and garments – Institute of Textile Industry Development

Economic report, textile industry development techniques to support the S-Curve industry – Division of Industrial Policy Division 2, Office of Industrial Economics



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