

# Directors Report



**Mr. Damri Darakananda**  
Chairman

In 2010, the Thai economy expanded at 7.8% due to increasing domestic and overseas demands and the world economic recovery; as a result, the export sector expanded at 28.5%, with main export goods including vehicles and computer parts, electric appliances, para rubber, cassava, corn, etc. Despite the increase of imported goods due to the increasing demands of capital and energy goods, there were still surplus balances of trade in the whole year; meanwhile, the domestic consumption and investment in the private sector was expanding; and there were clear guidelines and solutions for Mab Tapud Industrial Estate problems; as a result, there were more investments in factory construction and machinery purchases than those in 2009; the rates of employment have increased; agriculturists had more incomes; and the interest rates were still low at the beginning of the year. As the Government has continuously issued the measures for economic recovery, the domestic consumption has increased; and the production sector has also expanded. In the agricultural sector, the production volumes have decreased due to climate change and the prices of goods such as para rubber, corn and cassava have increased dramatically. In the industrial sector, the rates of use of production capacity have increased when compared to those in 2009; and the rates of employment have also increased; as a result, there were labour shortages in main industries such as car assembly industry, electric appliances, foods and textile industries.

Other factors affecting the Thai economy included the increase of crude oil prices, with the average price of US\$78.9 per barrel in 2010, which has increased by 27.5% when compared to those in 2009; and tended to increase continuously in 2011

according to the market mechanism and the expanding world economy and China's increasing demands of oils; moreover, the oil supply from the oil producing countries may decrease due to the political unrests in the Middle East countries. One of significant financial factors was the policy interest rate, which remained low in the first half of the year to stimulate the national economic recovery; but in the second half of the year, when the pressure of inflation has increased due to the expansion of demands and supply, as well as the increase of oil prices; as a result, the product prices have increased; and the average inflation rate was at 3.3%; and the policy interest rates have been adjusted for 3 times; and at the end of 2010, the policy interest rate has increased to 2.0%; and the commercial bank interest rates have increased accordingly.

With the expansion of exports and the continuous inflow of foreign capital, though the quantity thereof was less than those in 2009, the currency exchange rates of Thai Baht to US dollars were affected by the Thai Baht appreciation, at the average rate of Baht 31.6 per US dollars in the whole year, which has increased by 7.6% when compared to those in 2009.

Businesses of Saha-Union Group in Thailand expanded in accordance with the economic condition. Though the majority of its products were produced for export and affected by the currency fluctuation, risk prevention measures were provided by executing currency futures trading contracts. Group companies which had the growth of their operating results included the plastic group producing vehicle parts and electric appliances, adhesive tapes; stainless steel products including vacuum bottles and stainless

steel pipes; meanwhile, at the beginning of the year, the business group of textile, clothing and accessories, the prices of main raw materials, i.e., cottons, have increased dramatically partly owing to the shortage of raw materials; as a result, some manufacturing countries had their policy to suspend the export of cottons and there were speculations from the price fluctuation; meanwhile, the prices of synthetic fibers have increased in accordance with the increasing oil prices; however, these group companies have changed to produce value-added and high quality products to meet the market demands; therefore, their operating results were slightly affected. Meanwhile, business groups which had the decrease in their operating results included the rubber business group in which the Company had its businesses covering rubber plantations and production of block rubbers and rubber sheets. In 2010, the domestic rubber prices have increased dramatically due to greater demands from China. However, since the production volumes of rubbers have decreased due to the climate change, the prices of latex have increased and the operators of rubber plantations had their better operating results. Meanwhile, the businesses of rubber sheet production of which main products included rubber threads for the garment industry had the decrease in their operating results due to higher cost of production and the decrease in the volume of purchase orders.

Regarding the business of electronic parts production, the Company has entered into contract manufacturing of electronic components, i.e., hard disk drive (HDD), for Hitachi Global Storage Technology (Thailand) Co., Ltd. ("HGSTT"), which shall expire in late 2011. During the year, HGSTT wished to lease the property, buildings, factories and equipment in connection with the production thereof from the Company in order to operate the production by itself, with the term of lease of 3 years. The Company has approved to change its business type from contract manufacturing to the business of property leasing by taking account of the business impacts after the contract shall expire in the next year; and after having considered the future of HDD business, it has agreed that the business of property leasing will generate proper investment returns.

The business of natural gas power plant in Ratchaburi province which the Company has held 20% of its total shares has been operating commercially for 2 years, with good investment returns as expected; meanwhile, in 2010, the energy business in China has been affected by the increasing oil prices and the larger volumes of coal use in China; as a result, China had to import coals from foreign countries; and the coal prices have increased but the electricity prices were strictly controlled by the Chinese Government in order to solve the inflation problem; however, the prices of steam which power plants have sold to consumers directly could be

increased according to the increasing cost of production; therefore, the power plants which had larger volumes of steam sale could generate their profits; but some power plants which generated a large volume of electricity with few customers of steam could generate less profits. Moreover, the cost of environmental protection has increased dramatically; therefore, the businesses of electricity generation in China had the decrease in their operating results; and in 2010, the Company decided to sell Zhejiang Jiyang-Union Cogeneration Power Plant to the major shareholders of the China's part as the demand for steam use of industries in the area has not expanded and the cost of coal transport was high; meanwhile, the investment returns of the business have decreased; therefore, the Company predicted that it would not receive worthy investment returns in the future.

Regarding the operating results of Saha-Union (Public) Co., Ltd., in 2010, according to the separate financial statements, the Company had the total incomes of Baht 4,309 million including the income from sale and service amounted to Baht 3,022 million and other incomes amounted to Baht 1,287 million, or increased by Baht 808 million when compared to those of 2009; moreover, the Company had its net profits of Baht 1,312 million or increased by Baht 538 million when compared to those of the previous year. When taking account of the consolidated financial statements, the Company had the total incomes of Baht 11,570 million or increased by Baht 2,235 million when compared to those of the previous year; and the net profits of the major shareholders were amounted to Baht 1,824 million, or increased by Baht 842 million when compared to those of the previous year. As of December 31st, 2010, the Company had its total liabilities according to the separate financial statements amounted to Baht 1,436 million; and the shareholder's equity was amounted to Baht 11,235 million, with the ratio of liabilities to shareholder's equity of 0.13:1; meanwhile, in 2009, the Company had the ratio of liabilities to shareholder's equity of 0.28:1, indicating that the Company's financial status has been more secure.

The Board of Directors would like to thank the Management and all employees for their commitments and best efforts in performance of duties for good operating results and continuous growth of the Company; and also would like to thank all shareholders, business partners and all related parties for their continuous and unyielding support to the Company's businesses. The Board of Directors have fully committed to managing the Company's businesses with good corporate governance for sustainable growth, highly secure investments, good investment returns of the Company and for the maximum benefits of all shareholders and the society as a whole.



( Mr. Damri Darakananda )  
Chairman