



# **Vinythai Public Company Limited**

*Annual Report 2002*



*PVC Resins and Chlor-Alkali Producer*

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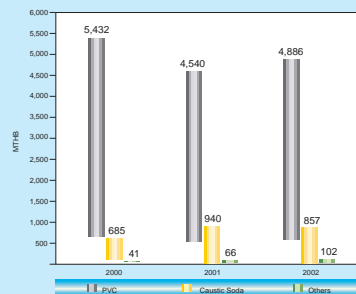
## FINANCIAL HIGHLIGHTS

(in Million THB)	2000	2001	2002
Sales Revenues	6,158	5,546	5,845
Total Revenues	6,180	5,606	5,874
Gross Margin	2,101	1,399	1,861
Earnings before Interest and Taxes	644	686	1,253
Net Profit	(135)	88	802
Depreciation	366	378	390
Cash Flow from Operating Activities	833	529	1,379
Capital Expenditures	106	70	58
Total Assets	12,808	12,153	11,574
Total Liabilities	8,293	7,550	6,169
Total Loan/Debentures	7,419	6,808	5,446
Shareholders' Equity	4,515	4,603	5,405
Persons Employed as of Year End	422	415	402
Production in Thousands of Tons			
PVC	174	184	184
VCM	174	186	186
NaOH	117	112	121

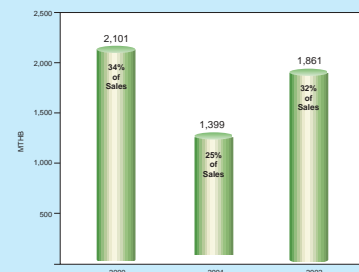
## Information per Share & Financial Ratio

(in THB)	2000	2001	2002
Profit (loss) per Share	(0.17)	0.10	0.89
Book Value per Share	5.71	5.10	5.99
Dividend per Share	-	-	-
Weighted Average Number of Share	791,157,000	903,010,187	903,010,187
Gross Profit Margin (in % of Sales)	34%	25%	32%
Net Profit Margin	-2.2%	1.6%	13.7%
Return on average equity (ROE)	-4.4%	1.9%	16.0%
Return on average assets (ROA)	-1.1%	0.7%	6.8%

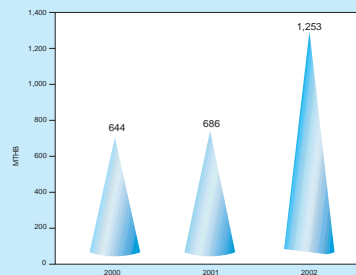
### SALES BY PRODUCTS



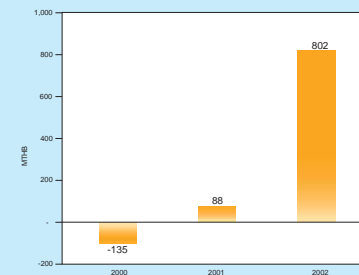
### GROSS MARGIN



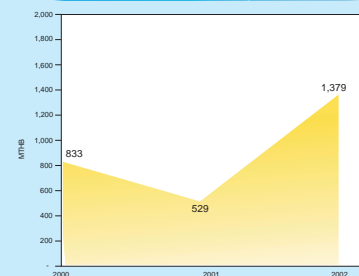
### EBIT



### NET PROFIT



### CASH FLOWS FROM OPERATING ACTIVITIES



A Year of Growth



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# COMPANY PROFILE

## Vision, Mission and Values

### Our Vision

Vinythai is an ethical entity with sustainable profitability and growing businesses :

- ▶ Vinythai is a customers' partner in supplying high quality products at competitive price and supports the customers' growth.
- ▶ Vinythai provides employees with the opportunity to develop their potential.
- ▶ Vinythai gives due consideration to health, safety and the environment.

### Our Mission

- ▶ To provide customers in Thailand and Asia with high-quality Polyvinyl Chloride resins and Caustic Soda, backed by world-class technology, and to ensure satisfactory returns for the shareholders.

### Our Values

We firmly believe in :

- ▶ **Excellence**
  - Maximizing the value of all company activities, while respecting ethical practices, based on fairness and integrity.
- ▶ **Creativity**
  - Providing an environment that enables the emergence of virtually any idea, to bring added value to core competencies and to give the Company a competitive edge.
- ▶ **Empowerment**
  - Fostering a culture that encourages delegation, taking responsibility, speed of response, accountability and flexibility in order to answer effectively and efficiently to a challenging and competitive environment.
- ▶ **Teamwork**
  - Developing an efficient organization by building teamwork with open communication throughout the Company, sharing knowledge, technologies, and best practices.



## Nature of Business Operation

The production facilities, which are located at Map Ta Phut, Rayong Province, include, two PVC plants (emulsion and suspension resins), one Vinyl Chloride monomer (VCM) plant, one Ethylene Dichloride (EDC) plant and one Chlor-Alkali (MCA) plant. The purpose of those last three units is to integrate upstream the production of PVC, in order to rely as much as possible on locally purchased raw materials and utilities, such as ethylene from Thai Olefins Company Limited (TOC), salt from Pimai Salt Company Limited (PSC), and electricity from The Cogeneration Public Company Limited (COCO). In order to further secure the availability of raw materials, Vinythai is a minority shareholder of both TOC and PSC.

Apart from the Chlorine which is consumed downstream in the production processes, the Chlor-Alkali plant also produces significant quantities of Caustic Soda (0.67 t / t PVC) as well as Hydrogen and Sodium Hypochlorite. These products are also sold on the markets.

In addition to its own sources, the site has the capability of importing either EDC or VCM when needed.

## Income Structure

Vinythai obtains the major part of its income from the manufacture and distribution of PVC resins, under the “SIAMVIFC” trademark, and from Caustic Soda. The income structures of Vinythai and its associated company are as follows:

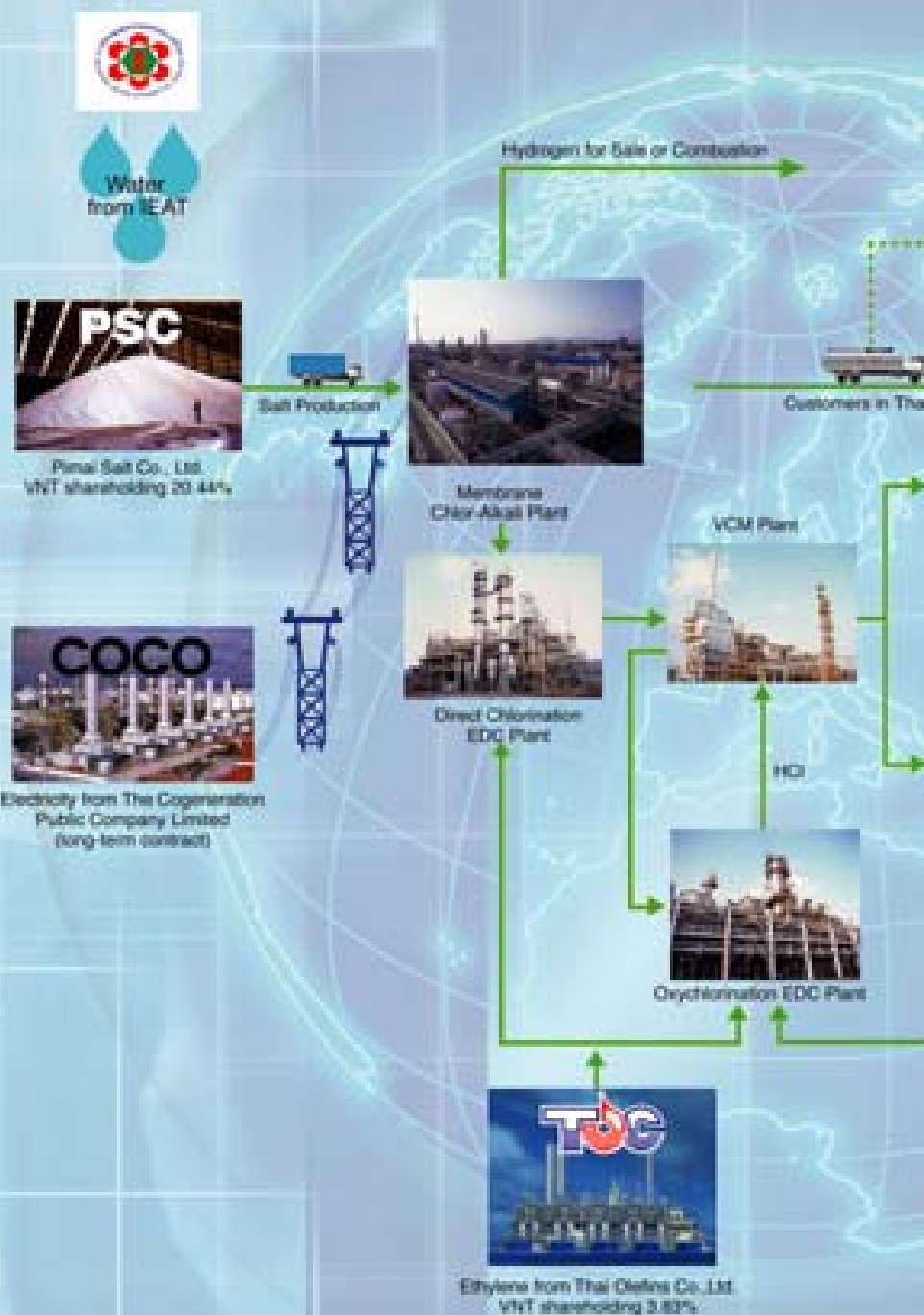
Sales Revenues	2000		2001		2002	
	MTHB	%	MTHB	%	MTHB	%
<b>Sales in Thailand</b>						
1. PVC Resins	3,700	60.1	2,850	51.4	3,114	53.3
2. Caustic Soda	668	10.8	897	16.2	839	14.4
3. Others	41	0.7	66	1.2	102	1.7
<b>Total Sales in Thailand</b>	<b>4,409</b>	<b>71.6</b>	<b>3,813</b>	<b>68.8</b>	<b>4,055</b>	<b>69.4</b>
<b>Sales Abroad</b>						
1. PVC Resins	1,732	28.1	1,690	30.5	1,772	30.3
2. Caustic Soda	17	0.3	43	0.7	18	0.3
<b>Total Sales Abroad</b>	<b>1,749</b>	<b>28.4</b>	<b>1,733</b>	<b>31.2</b>	<b>1,790</b>	<b>30.6</b>
<b>Sales in Thailand and Abroad</b>						
1. PVC Resins	5,432	88.2	4,540	81.9	4,886	83.6
2. Caustic Soda	685	11.1	940	16.9	857	14.7
3. Others	41	0.7	66	1.2	102	1.7
<b>Total Sales in Thailand and Abroad</b>	<b>6,158</b>	<b>100.0</b>	<b>5,546</b>	<b>100.0</b>	<b>5,845</b>	<b>100.0</b>

## Associated Company's Income Structure

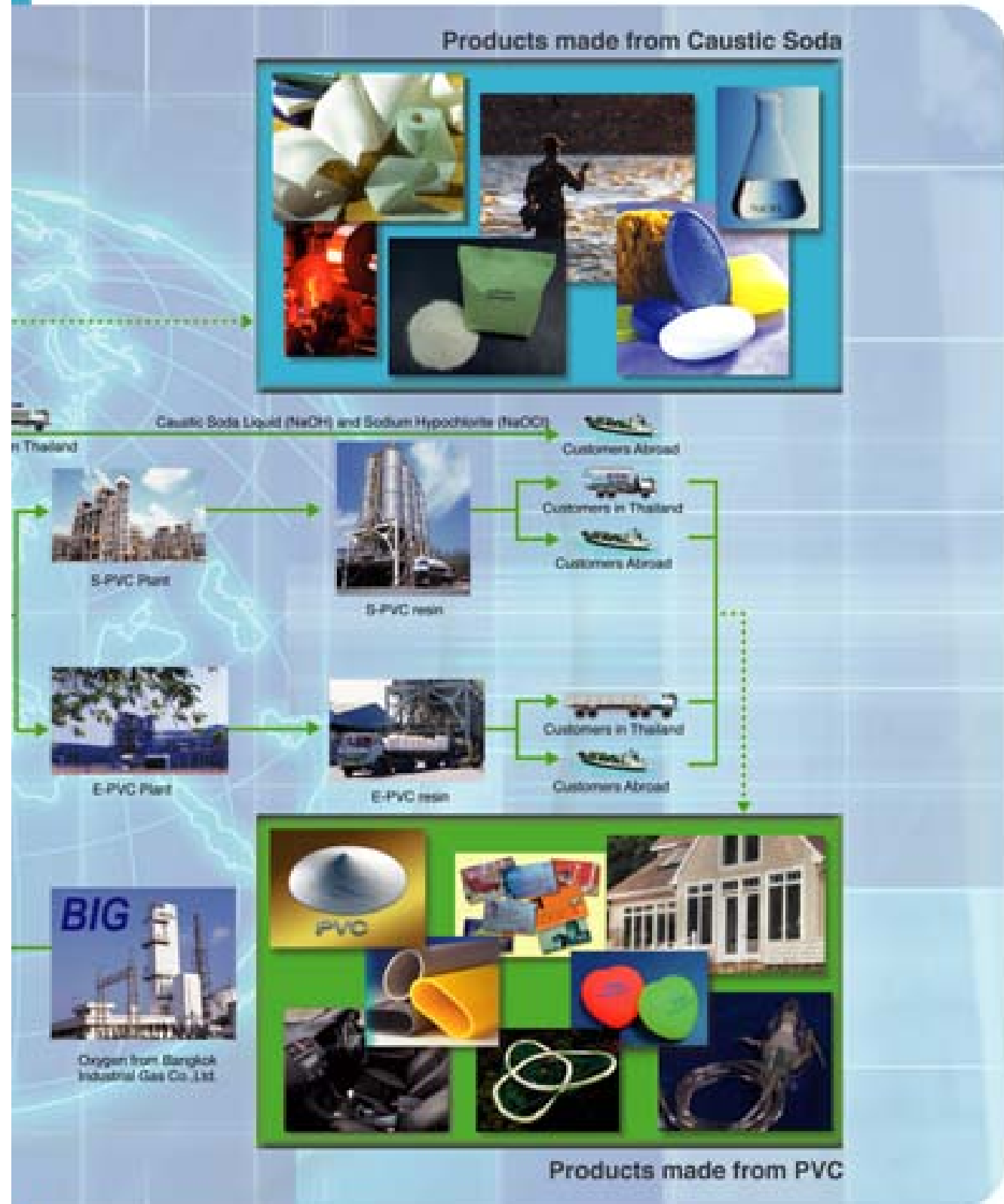
Product/Service	Company	% Shareholding by Vinythai	2000		2001		2002 (Unaudited)	
			Income (MTHB)	%	Income (MTHB)	%	Income (MTHB)	%
Produce & Supply Pure Refined Salt	Pimai Salt Co., Ltd.	20.44%	982	100	986	100	985	100

**Remark** No clarification of the shareholding structure of group of companies since the company does not have a parent or subsidiary company. Pimai Salt Co., Ltd. is the only one associated company of Vinythai.

# PRODUCTION STRUCTURE



## Vinythai is fully Integrated Production Process







## PRODUCTS

### PVC Serving Five Basic Needs

Ages ago the essential four basic needs were enough for human when the lives were simple and natural resources were fully unlimited by the amount of demand. Now the solution for today's modern lives and limited resources comes the plastic age with technology of PVC developed. We today enjoy a higher standard of living than ever before. PVC touches almost all aspects of our live's-fulfill our five basic needs of today and future - from food packaging to window and door profiles; from rain clothing to blood transfusion tubes in the hospital and credit cards. Without PVC life would become more difficult and costly.



#### **The First Basic Need : Consumer Goods**

1

Our first most basic of needs-consumer goods, for which PVC products have improved our standard of living. Enhancing the potential of future technology, PVC also plays a part in keeping the environment clean.

As PVC possesses outstanding properties, it can be used for products that are both rigid, soft or transparent, allowing for an extensive product application.

In the consumer goods sector, PVC provides us with numerous products to enhance the products and services of this industry. It is used to create, amongst others, plastic bottles, for drinks and cooking oil, food wrapping film, packaging, crown closures, office stationery and etc. These are just some of the items made from PVC in this sector's items that represent some of our most basic needs.

2

#### **The Second Basic Need : Residence**

Our second most basic of needs-residence for which PVC products have again improved our standard of living. As an alternative to wood, PVC helps reduce deforestation, and thus contributes to maintaining the balance of the highly-delicate ecological system.

Its excellent weather-resistant properties, as well as its light weight and rust-proof features, make PVC highly suitable in home applications. Superior to other traditional construction materials for both outdoors and indoors, PVC is used to produce window and door frames, decorative frames, door panels, partitions, ceiling coverings, floor coverings, wallpaper, rubber tiles (instead of wooden ones), transparent corrugated sheet, rainwater pipes and fittings, sanitary fittings, furniture and sofas, amongst others. PVC is also high-voltage resistant and non-flammable, and is therefore also ideal for use in such electrical applications as cable insulators, conduits for electrical wires and telephone wires, telephone wire insulators, and electric plugs.



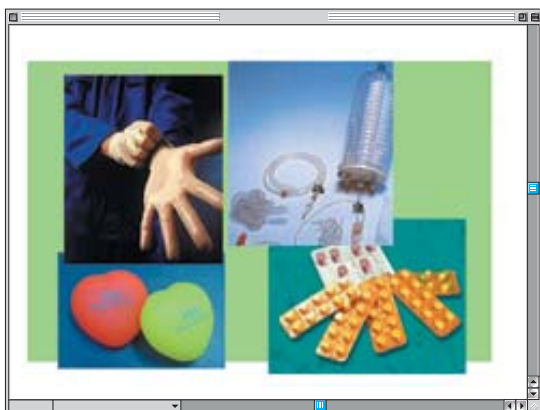
3

#### **The Third Basic Need : Clothes**

Our third most basic of needs-clothes, for which PVC products have again improved our standard of living. As an ideal alternative to leather, PVC is used to produce clothing, upholstery, leatherware, shoes and gloves. As such, the use of PVC helps reduce the number of animals being killed for their skins. Other products under this category include briefcases, fashion handbags and accessories, all of which can be made from PVC.

Look around at your own workplace and home! You'll be surprised how many different types of products are made from PVC's things that have become an integral part of your daily life!





## 4 The Fourth Basic Need : Medicine

Our fourth most basic of needs-medicine, for which PVC products have again improved our standard of living.

PVC has been used in the medical sector since before many of us were even born. Highly versatile, PVC is light in weight, transparent, has a high chemical tolerance, is liquid and gas-proof and, most importantly, is health friendly to humans. All this makes PVC the ideal choice for use in the medical sector, where standards are known for their stringency. Use of PVC in this sector include such products as amniotic fluid suction tubes, respiratory masks, medical gloves, medicine packaging, saline and medication bags and tubes, blood transfusion tubes, as well as floor covering used in the operation room, where hygiene standards are incredibly high. Virtually all medical equipment is made from PVC's a vital function in the modern world.

## 5 The Fifth Basic Need : Modern Technology and Automobiles

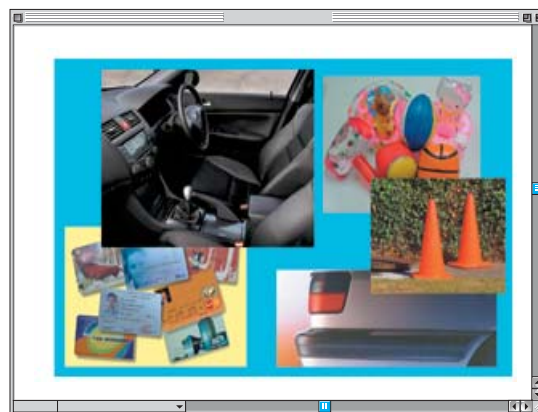
Our fifth most basic of needs-modern technology and automobiles, for which PVC products have again improved our standard of living. The need for speed, efficiency and accuracy in the modern world is now rated so highly that this category can be considered

life's fifth most basic need!

Since its development, PVC has opened up a huge new world of technological development. Highly flexibility and durable, PVC has been developed to respond to the various needs of the automobile industry, and today can be found in such a wide range of automobile applications as brake wires, protectors, steering-wheel covers, consoles, undercarriage rust guards and seals.

To satisfy the need for modern convenience, PVC has also become involved in the financial sector. Almost everyone is now a holder of a PVC credit or debit card, while other cards, like business cards and I.D. cards, are increasingly being produced from PVC.

Beyond that, its unusually attractive properties makes PVC a favorite in life-saving devices, such as lifeboats and life buoys.



## Caustic Soda- An Essential Raw Material

Caustic Soda is a strong base, soluble in water. It is available on a wide industrial scale and used in the manufacture of products which form part of our daily lives as well as in applications or uses as varied as the building industry, the car industry, packaging, agriculture, environmental protection, water treatment, foodstuffs, health, textiles and music. It is available in solid form or liquid form

- ▶ Caustic soda is today inseparable from the processes for the manufacture and whitening of paper pulp
- ▶ Caustic soda is used in the treatment of metallurgy
- ▶ Caustic soda is an indispensable in a large number of chemical process: a significant raw material in the manufacture of chemical production, chemical operations, including the regeneration of rubber, the neutralization of carbon and oil by products, oil refining, etc.

- ▶ Caustic soda is widely used in the treatment of water, the neutralization of effluent and a reduction in the hardness of water, the regeneration of ion exchange resins.
- ▶ Cleaning of combustion or incineration flue gases using caustic soda.
- ▶ Used in the manufacture of original application created by human's hard soaps, toilet soap and other types of detergents which still requires caustic soda at a rate about 15%
- ▶ An indispensable element in the manufacture of modern textiles.
- ▶ Used for a large number of application in the food industry.

# Corporate Governance and Management Structure

## 1. Policy on Corporate Governance

The Board of Directors carried out its duties with maximum transparency and in full conformity with the Code of Best Practices, which was defined for directors of listed companies, as prescribed by the Stock Exchange of Thailand. In recognition of the importance of corporate governance, the Board of Directors also formulated a corporate governance policy, with the aim to promote sustainable business growth for the Company. Reflecting the Board of Directors' commitment to fully abide by the principles of good corporate governance were the Board of Directors' policy and good corporate governance strategies, which had a strong emphasis on internal control and internal auditing. Such an emphasis enabled the management to more effectively perform in compliance with the regulated policy, the legal framework and business ethics - for the long-term benefit of the shareholders.

## 2. Shareholders: Rights and Equitable Treatment

During the year 2002, the Company held one Annual Ordinary General Meeting of Shareholders, at the conference room on the 11<sup>th</sup> floor of C.P. Tower, at 313 Silom Road, in Kwaeng Silom, Khet Bangrak, Bangkok. The Company sent out a notice to call shareholders' meeting, complete with details of the agenda, 10 official days in advance. Each item on the agenda included comments from the Board of Directors. The minutes of the meeting were recorded in their entirety, with their accuracy, could be verified by the shareholders.

In 2003, the Company will provide an additional option for the shareholders. In case any shareholder is unable to attend the shareholders' meeting, the independent directors could be appointed as proxy. In addition, the Company intends to provide information on matters for consideration in more detail.

## 3. Various Groups of Stakeholders

Great emphasis is placed on every group of stakeholders, both internal, such as staff members and the management, and external, such as competitors, creditors, members of the public, the various communities and other sectors. The Company is well aware of the value of the support given by each of these groups, all of which contribute towards the Company's competitiveness and enhanced corporate profits. As their participation is understood to have a positive effect on the Company in the long run, great effort is made to ensure that they are well taken care of. For instance, the Company shows its environmental and social responsibilities in the local communities, by strictly complying with relevant laws and regulations and by being open-minded and proactive in reporting any incidences to the Industrial Estate Authority of Thailand (I.E.A.T.) and other local authorities. Vinythal's Board of Directors itself comprises professional individuals, who are actively involved in various other stakeholder groups, such as the Federation of Thai Industries and Petroleum Institute of Thailand.

## 4. Shareholders' Meetings

On 23 April 2002, the Company held its Annual Ordinary General Meeting of Shareholders, where the chairman of the Board of Directors acted as chairman. Among other directors participating in the meeting were the chairman of the Audit Committee, the chairman of the Executive Committee and the managing director.

## 7. Business Ethics

The Company introduced a Code of Ethics for the management and employees, giving them guidance as to how to perform their duties in line with the corporate mission, and with honesty and fairness to the Company, every group of stakeholders, the public and the local communities. The management and staff members agreed via written consent to adhere to the code. The Company has assured that compliance with these ethics will be maintained, while penalties have been imposed for any violations.

## 8. Balance of Power for Non-executive Directors

The Board of Directors consists of 16 directors.

- |  |    |
|--|----|
| ▶ Number of directors nominated by two major shareholders<br>(Among them, four directors constitute the Executive Committee) | 11 |
| ▶ Number of directors serving as the Audit Committee   | 3  |
| ▶ Number of other outside, non-executive directors   | 2  |

## 9. Aggregation or Segregation of Positions

The chairman of the Board of Directors is in office for a term of three years, and is nominated alternately by one of the Company's two major shareholders: Solvay S.A. and Charoen Pokphand Group Co., Ltd. Currently, the chairman of the Board of Directors is nominated by Solvay S.A., which holds 46% of the total shares. The chairman of the Board and the managing director are not the same person.

With regards to the selection of directors, they are elected at the shareholders' meeting by a simple majority vote, in accordance with the following rules and methods:

1. Each shareholder shall have votes equal to the number of shares held.
2. Each shareholder may exercise all the votes he has under item 1 to elect one or several persons as directors, but may not allot his votes to any person at any number.
3. The persons receiving the highest votes, in their respective order, shall be elected as directors according to the number of directors that the Company may have or the number that are to be elected at that time. Where there is a tie in the votes cast for candidates, which would cause the number of directors that the Company may have or the number that are to be elected at such a meeting to be exceeded, the chairman of that meeting shall cast the deciding vote.

At each Annual Ordinary General Meeting, one-third of the directors or, if their number is not a multiple of three, then the number nearest to one-third, must retire from office.

A director may be removed prior to the expiry of his term by a resolution passed by the votes of not less than three-fourths of the shareholders present or represented, who are entitled to vote at the General Meeting and who are holding at least half of the total number of shares held by the shareholders attending the meeting.

However, the company has not yet established the Nomination Committee to carry out the screening process.





## 10. Remuneration for Directors and the Management

**Remuneration for directors:** the Company fixed the remuneration policy for the directors with maximum transparency, and obtained approval for it from the shareholders. Directors who serve as Audit Committee members or Executive Committee members are given additional remuneration due to the extra assignments.

**Remuneration for the management:** the remuneration for the management is in conformity with the principles and policy set by the Board of Directors, which corresponds to the performance of the Company.

**Remuneration paid in 2002:** the remuneration for directors and the management was as follows:

### Directors

	Year 2001		Year 2002	
	Number of Persons	Total (THB)	Number of Persons	Total (THB)
Meeting Remuneration	16	4,800,000	16	4,800,000

### Management

The remuneration for the four executive directors, as an additional monthly remuneration for the year 2002, was 960,000 baht, with no increase from 2001. The 2002 remuneration for eight executives increased from 25,694,573 baht (five executives in 2001) to 37,130,101 baht, due mainly to the reorganisation of existing personnel. The remuneration consisted of salary, bonus and others.

## 11. Board of Directors' Meetings

The Board of Directors' meeting is scheduled for once every three months. In addition, the Board shall hold extraordinary meetings whenever they are deemed appropriate. The meeting agenda is clearly defined and prepared in advance. The Company submits notice of the Board of Directors' meeting, together with the meeting's agenda, to the directors at least 15 days before the event. The meeting's materials are also submitted to the directors in advance, to ensure that the directors are given adequate time to study the issues prior to the meeting. Each meeting usually lasts approximately three hours. During the year 2002, five ordinary meetings were held, all of which were attended by the chairman of the Board of Directors, the chairman of the Executive Committee, the chairman of the Audit Committee and the managing director. The attendance of the other directors was high.

## 12. Committees

The Board of Directors set up three committees, to support the administration and strengthen the good corporate governance practices, as described below:

**The Executive Committee:** The Company has appointed the current Executive Committee effective on August 1, 2002. The Chairman of the Executive Committee

holds a three-year term. The nomination for the Chairman of the Executive Committee alternates with that of the Board of Directors, that is, if the Chairman of the Board of Directors is nominated by Solvay S.A., the Chairman of the Executive Committee should be nominated by Charoen Pokphand Group Co., Ltd. or vice versa.

**The Executive Committee comprises four board members, of which two members are respectively nominated by Solvay S.A. and Charoen Pokphand Co., Ltd. Currently, the Executive Committee members are as follows:**

1. Dr. Chokchai Aksaranan	Chairman
2. Dr. Christian De Sloover	Member
3. Mr. Marss Wan-Cheng Kuo	Member
4. Mr. Vincent De Cuyper	Member

**The Executive Committee has the following authority and duties:**

1. To work with the managing director on behalf of the Board of Directors
2. To support the Company's operations and make recommendations to the Board of Directors
3. To review and approve all capital expenditure of the Company
4. To appoint, promote and replace the Company's key personnel
5. To consider the adjustment of the management's remuneration

**The Audit Committee:** the current Audit Committee members have been re-appointed since 12 November 2002 for another three-year term. The Audit Committee comprises the following members:

1. Mr. Pala Sookawesh	Director	Chairman
2. Mr. Chavarat Charnveerakul	Independent Director	Member
3. Mr. Pote Videtyontrakich	Independent Director	Member

with Dr. Supachat Chairatanathavorn, the Internal Audit department manager as the acting secretary of the Audit Committee.

**The Audit Committee is authorised to fulfill the following duties:**

1. To review the Company's financial reporting process, to ensure accuracy and adequacy
2. To ensure that the Company has an appropriate and effective internal control system in place
3. To review the performance of the Company, to ensure compliance with the securities and exchange law, regulations of the Stock Exchange of Thailand, and laws relating to the business of the Company
4. To consider, select and nominate the Company's external auditors, and propose the annual audit fee
5. To review the disclosed information of the Company, to ensure that any transaction does not lead to any conflict of interest
6. To prepare an Audit Committee Report, to be disclosed in the Company's Annual Report
7. To perform any other activities as assigned by the Board of Directors



The Audit Committee holds regular meetings; in the year 2002, there were a total of six. A summary of the Audit Committee's activities was reported to the Board of Directors on 12 November 2002.

**The Remuneration Committee: the Remuneration Committee has been in existence since 12 November 2002, and comprises three directors, as follows:**

- |                             |                                     |        |
|-----------------------------|-------------------------------------|--------|
| 1. Mr. Pala Sookawesh       | Chairman of the Audit Committee     | Member |
| 2. Dr. Christian De Sloover | Chairman of the Board of Directors  | Member |
| 3. Dr. Chokchai Aksaranan   | Chairman of the Executive Committee | Member |

**The Remuneration Committee is authorised to fulfill the following duties:**

- ▶ Consider the remuneration of the directors and other committee members appointed by the Board of Directors and submit a proposal to the annual shareholders' meeting for approval.

### 13. Control System and Internal Audit

#### Control and Internal Audit

Extending from the management down to the operational level, the Company's control system explicitly defines, in writing, the authority and duties of all employees. All are given a framework, within which they can control the utilisation of the Company's assets, while the duties of operational staff and inspectors are kept separate. Additionally, a financial control system was introduced, via the implementation of a financial reporting process for the various levels of managers.

Established since 2001, the Company's Internal Audit Department is responsible for performing any audit-related duties, with the aim to ensure that the Company's main operation and significant financial activities are operated efficiently and in accordance with established guidelines. The department must also ensure that activities are conducted in full conformity with the law and compliance control.

Being one of its affiliate, Solvay also sends its internal audit team to Vinythai regularly, at least once a year. This is to ensure that Vinythai's operation is in line with Solvay's policy and standard.

To help develop in-house internal audit skills and to lay down the guidelines for the Internal Audit Department, the Company selected and hired an external consultant, namely Deloitte Touche Tohmatsu Jaiyos Co., Ltd. and PricewaterhouseCoopers in 2000 and 2002, respectively, to perform the business risk assessment and internal audit. The consultants highlighted any weak points in the Company's internal control system, to enable correction and improvement. The two consultants were not the Company's auditors and they were able to report their findings with complete objectivity.

The internal audit report stated that no significant issues were found and that all the Company's operations were being performed legitimately. The internal control systems were proper and efficient, while the supervision for the safeguarding of assets was also carried out well, to prevent the management and employees from exploiting the assets for their own benefit.

Risk Management

The Board of Directors strongly emphasises risk management. Any corporate risks were identified, while protection and risk management measures were put in place. Any risk factors related to the Company's business operations have been stated in a separate topic of the Annual Report, and in Form 56-1.

**14. Directors' Reporting**

The Board of Directors is accountable for the financial statements and any information disclosed in the Annual Report. The Company's financial statements are prepared in accordance with the accounting standards generally accepted in Thailand and with the appropriate accounting policy consistently applied. The financial statements are cautiously prepared with the best provisions. In addition, significant information is adequately disclosed in the notes included in the financial statements.

The Board of Directors effectively maintains the internal control systems, ensuring the accuracy and completeness of the Company's bookkeeping and the adequate safeguarding of its properties. The control systems also ensure the prevention of any serious misconduct.

In this regard, the Board of Directors has appointed the Audit Committee, which consists of non-executive directors, to take responsibility for the quality of the financial reports and internal control system. The Audit Committee's opinions towards this issue can be found in the Audit Committee's report, which has been presented in the Annual Report.

The Board of Directors views that the internal control systems have been generally implemented with adequacy. In addition, the Board of Directors has recommended the management to strengthen the internal audit function in order to be less dependent on outsourced audit.

**15. Relations with Investors**

In its realisation that any financial information and non-financial information may have an impact on the decisions made by both investors and stakeholders, the Board of Directors directed the management to disclose all information completely, accurately and timely, with reliability and consistency. The management complied.

Though the Company has not yet specifically established the Investor Relations Unit, the Vice President Finance and Administration has been assigned to communicate directly with institutional and individual investors, analysts and concerned government agencies. Investors may inquire for any information from the Company at: Tel. 0-2240-2425, ext. 3106, or Fax. 0-2240-1375. Alternatively, they may contact the Company through its website: [www.vinythai.co.th](http://www.vinythai.co.th), or e-mail at [sanguanruang.santisuk@vinythai.co.th](mailto:sanguanruang.santisuk@vinythai.co.th).





## Audit Committee's Report



The Board of Directors in the Meeting No. 5/2002 held on November 12, 2002 resolved to re-appoint Mr. Pala Sookawesh, Mr. Chavarat Charnvirakul and, Mr. Pote Videtyontrakich to be the members of the Audit Committee for another 3-years term, having Mr. Pala Sookawesh as the new Chairman.

The Audit Committee has performed its duties in conformity with the mission entrusted by the Board of Directors as prescribed in the Audit Committee Charter.

In 2002, the Audit Committee held four ordinary and two extra meetings in which the management was invited to attend. Issues of concern were discussed by the Management and the Audit Committee members.

### **The major activities held during the year 2002 are summarized as follows;**

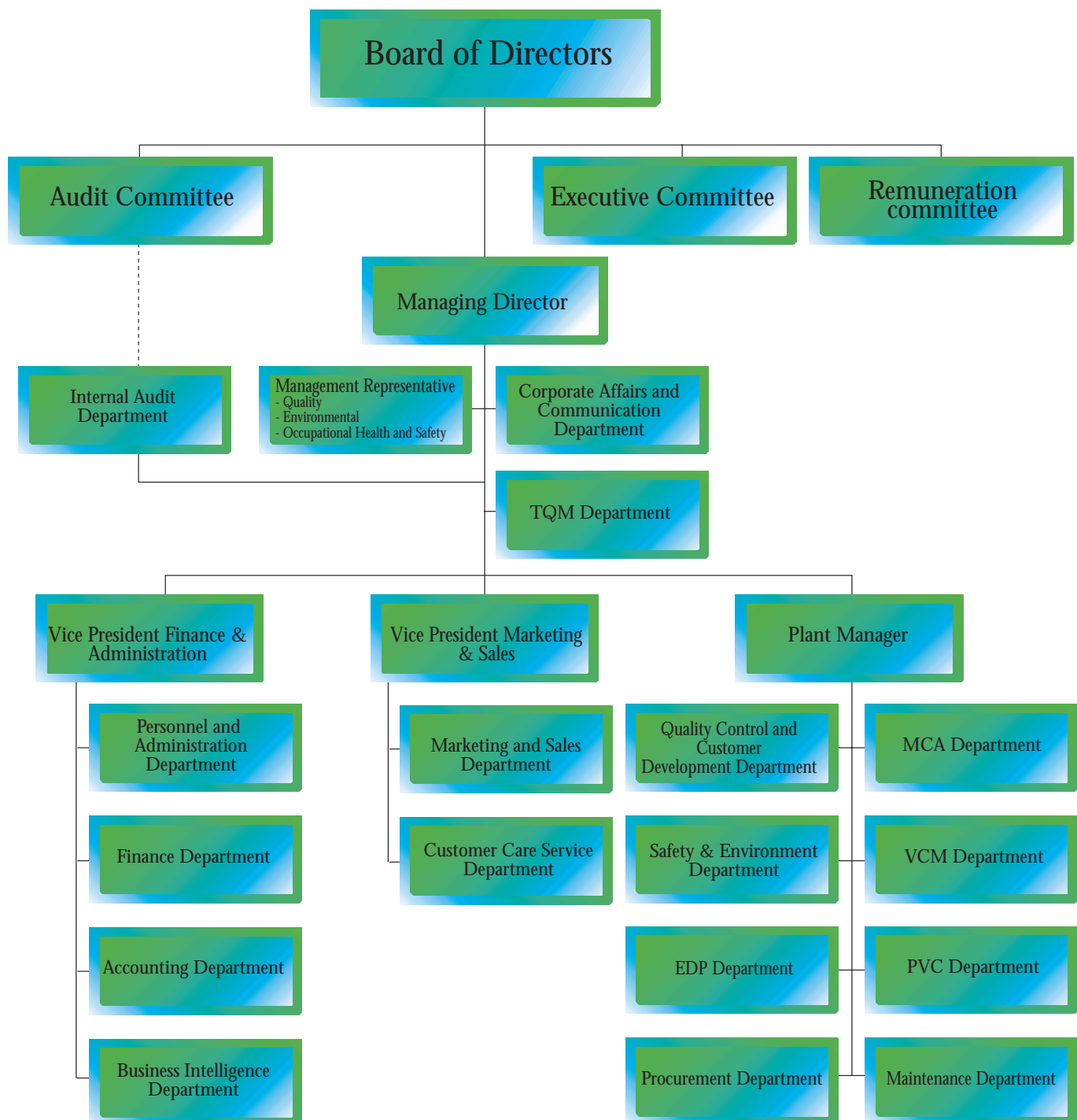
- ▶ Reviewed the financial statements and auditor report both the quarterly reports and the year end report with the external auditor and Management before submission to the Stock Exchange of Thailand and the public. This review process ensured that the financial information was complete, correct and reliable, with adequate disclosure to meet the accounting standards and requirements of relevant laws and regulations.
- ▶ Reviewed the internal audit reports on the operations inside the Company. Internal auditing process included the planning, reporting, and following up the implementation of the internal and external auditor's recommendations for improving effectiveness and efficiency of the operations.
- ▶ Evaluated the performance of Vinythai's auditor, Ernst & Young (E&Y) during the past year. The Committee assessed that E & Y performed their work with knowledge and expertise and therefore recommended to the Board of Directors to have E&Y be re-appointed by the shareholders as Vinythai's auditor for 2002.
- ▶ Nominated the PricewaterhouseCoopers Risk Management Service Ltd. to conduct a Business Risk Assessment (BRA) to ensure the appropriateness of the internal control system of the Company. The BRA concluded that the internal control of the Company is in satisfactory level and the Company has appropriate and adequate internal control system. Most of the recommendations have already been followed and fully implemented by the Management, while others are in the process of implementation.

Upon consideration of the above issues, the Committee is of the opinion that Vinythai conducted the business in compliance with the regulations of the Security and Exchange Commission and the Stock Exchange of Thailand and also related laws. The existing internal control system and internal audit function can ensure that the financial information is complete, correct and reliable with adequate disclosure.

A handwritten signature in black ink, appearing to read 'P. Sookawesh'.

Mr. Pala Sookawesh  
Chairman of the Audit Committee

# Organization Chart of Vinythai Public Company Limited



## Board of Directors of Vinythai

### **DR. CHRISTIAN DE SLOOVER** Chairman of the Board of Directors

**Educational Qualification** M.B. Brussels Free University, Belgium. ISMB, Harvard Business School, U.S.A.

**Main Experience** President, Solvay Asia Pacific Pte. Chief Executive Officer, Animal Health and Bioproducts Division, Solvay S.A. Belgium.



### **DR. PHISIT PAKKASEM** Vice Chairman

**Educational Qualification** Ph.D. (Dev. Economics) University of Pittsburgh, U.S.A. MPA. (Dev. Economics) Harvard University, U.S.A. B.A. (Economics) Claremont Men's College, U.S.A.

**Main Experience** Chairman, Thai Sugar Millers Corporation Limited. Executive Advisor to Charoen Pokphand Group. Chairman, TISCO Finance Public Company Limited. Chairman, Thai Sugar Manufacturing Association. Director, Siam City Cement Co., Ltd.



### **MR. PRASERT POONGKUMAN** Director

**Educational Qualification** Honorary Doctoral Degree in Social Development, Prince of Songkhla University. Honorary Doctoral Degree in Agriculture, Jearjeang University, China

**Main Experience** Vice Chairman, Charoen Pokphand Group. Vice Chairman and Chairman of the Executive Committee, Charoen Pokphand Foods Public Company Limited. Chairman, Agro Industry and Food Business Group, Charoen Pokphand Group Co., Ltd. Chairman of Executive Committee, Petrochemical Business Group, Charoen Pokphand Group Co., Ltd. Director, Charoen Pokphand Petrochemical Co., Ltd. Director, C.P. Intertrade Co., Ltd. Director, Charoen Pokphand Group Co., Ltd.



### **MR. ALOYSIUS MICHIELSEN** Director

**Educational Qualification** Ph.D. (Business Administration). University of Chicago. U.S.A.

**Main Experience** Director and Chairman of Executive Committee, Solvay S.A. Belgium. General Manager, Central Processing, Solvay S.A. Belgium. General Manager, Sociedad General de Hules, Spain.



### **MR. HENRI LEFEBVRE** Director

**Educational Qualification** Chemical Engineering, Liege University, Belgium

**Main Experience** Executive Committee, Solvay S.A. Belgium. General Manager Plastics, Solvay S.A. Belgium.



**DR. CHOKCHAI AKSARANAN Director and Chairman of Executive Committee**

**Educational Qualification** Ph.D. (Chemical Engineering), University of New Brunswick, Canada

**Main Experience** Senior Vice President, Charoen Pokphand Group Co., Ltd. Director, Saha Patana Interholding Public Company Limited. Director, The Aromatic (Thailand) Public Company Limited. Director, Asset Management Corporation. Director, Export-Import Bank of Thailand (EXIM Bank). Chairman, ASEAN Chambers of Commerce and Industries (ASEAN CCI). Chairman, The Federation of Thai Industries (FTI). Director, Krung Thai Bank Public Company Limited. Senator of Thai Parliament.

**MR. ARSA SARASIN Director**

**Educational Qualification** Bachelor of Business Administration, Boston University, U.S.A.

**Main Experience** Chairman, Padaeng Industry Public Company Limited.

**MR. MARSS WAN-CHENG KUO Director and Executive Committee**

**Educational Qualification** Bachelor (Chemical Engineering), Min-Chi Institute of Technology

**Main Experience** President, Petrochemical Business Group (C.P. Group). Vice President and General Manager, Inteplast Corporation.

**MISS RAPEEPAN LUANGARAMRUT Director**

**Educational Qualification** Diploma in Vocational Education, Stamford College, Singapore. Diploma for International Business, U.C. Berkeley California, U.S.A. Advance Management Program, Harvard Business School.

**Main Experience** President, Politics Thailand Co., Ltd. Director, Samart Corporation Public Company Limited. Director, Samart Infonet Co., Ltd. Director of Peroxythai Co., Ltd. Managing Director of 110 Vipa Co., Ltd.

**MR. DOMINIQUE DUSSARD Director**

**Educational Qualification** Master in Laws of University Catholic of Louvain, Belgium

**Main Experience** General Counsel For Europe and Asia Pacific, Solvay S.A. Belgium.

**MR. UMROONG SANPHASITVONG Director**

**Educational Qualification** B.A. and M.S. Accounting, Thammasat University

**Main Experience** Deputy Group CFO, Charoen Pokphand Group Co., Ltd. Director, C.P. Seven Eleven Public Company Limited. Director, Telecom Asia Public Company Limited.



**MR. PALA SOOKAWESH Director and Chairman of Audit Committee**

**Educational Qualification** Certificate in Advance Management Program, Harvard Business School, U.S.A. Fellowship the Joint State Private Sector Course Class 3, The National Defense College of Thailand. Master of Industrial Engineering, Oregon State University, U.S.A. Certificate in System Analysis in Water Resource Planning, U.S. Army Corp. of Engineer, U.S.A. Bachelor of Engineering (2<sup>nd</sup> Class Honors) in Electrical Engineering (Power), Chulalongkorn University

**Main Experience** Director PTT Public Company Limited. Senior Director, Fuel Control Committee. Director, Petroleum Committee, Ministry of Industry. Director, PTT Exploration and Production Public Company Limited (PTTEP). Director, Electricity Generating Authority of Thailand. Advisory Council, Harvard Business School, Asia Division. Advisory Board, The Krungthep Thanakom Co., Ltd. Chairman, The Aromatics (Thailand) Public Company Limited. Director, Thai Olefins Co., Ltd. Council of Trustees, Petroleum Institute of Thailand Foundation (PTIT)



**MR. CHAVARAT CHARNVIRAKUL Independent Director and Audit Committee**

**Educational Qualification** Bachelor of Science in Economics, Thammasat University. Fellowship, the Joint State Private Sector Course, The National Defence College of Thailand.

**Main Experience** Director & Chairman of the Advisory Board, Sino-Thai Engineering & Construction Public Company Limited. Chairman of Thailand Iron and Steel Institute, Advisor to the President of the Senate. Deputy Minister of Finance, Honorable Senior Advisor, The Federation of Thai Industries.



**MR. POTE VIDETYONTRAKICH Independent Director and Audit Committee**

**Educational Qualification** B.A. (Economics) Yale University, U.S.A. M.B.A. Harvard Business School, U.S.A.

**Main Experience** Managing Director, Private Equity (Thailand) Co., Ltd. Managing Director, Credit Suisse First Boston. Deputy Minister, The Ministry of Commerce.



**MR. JEAN-PIERRE PLESKA Director**

**Educational Qualification** Chemical Engineering, Mons Polytechnic School, Belgium

**Main Experience** Managing Director, Strategic Business Unit Vinyls, Solvay S.A. Belgium. Managing Director and Executive Committee, Vinythai Public Company Limited.



**MR. VINCENT DE CUYPER Managing Director and Executive Committee**

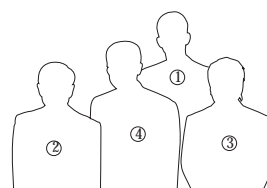
**Educational Qualification** Master of Industrial Management, University of Leuven, Belgium. Chemical Engineering, University of Louvain, Belgium.

**Main Experience** Plant Manager, Vinythai Public Company Limited. PVC Project Manager, Solvay Indupa S.A.I.C., Argentina.





## Steering Committee



### 1. MR. VINCENT DE CUYPER **Managing Director and Executive Committee**

**Educational Qualification** Master of Industrial Management, University of Leuven, Belgium. Chemical Engineering, University of Louvain, Belgium.

**Main Experience** Plant Manager, Vinythai Public Company Limited. PVC Project Manager, Solvay Indupa S.A.I.C, Argentina.

### 2. DR. SANTISUK SANGUANRUANG **Vice President Finance & Administration**

**Educational Qualification** Ph.D. M.S. (Ag. Econ.), Oregon State University, U.S.A. M.B.A. Louisiana State University, U.S.A. B.A. (Accounting), Chulalongkorn University

**Main Experience** Vice President, Finance & Accounting Department, Thai Olefins Co., Ltd. Assistant Professor, School of Business Administration, National Institute of Development Administration (NIDA).

### 3. MS. BU-NGA SITTHITAVEECHOKE **Vice President Marketing & Sales**

**Educational Qualification** Asian International Marketing Program, Insead, France. Master Degree in Marketing, Thammasat University. Post Graduation Diploma, The Netherlands International Institute for Management, the Netherlands. Bachelor of Statistics, Chulalongkorn University

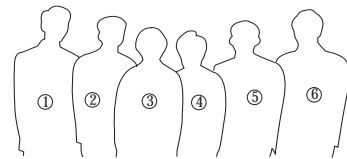
**Main Experience** General Manager, Berli Asiatic Soda Co., Ltd. Senior Business Manager, The East Asiatic (Thailand) Public Company Limited (EAC).

### 4. MR. MARC LAHALLE **Plant Manager**

**Educational Qualification** Bachelor of Chemical and Mechanical Engineering, University of Grenoble (INPG), France

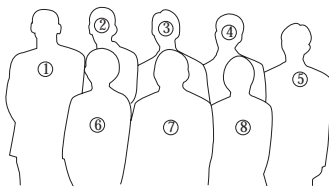
**Main Experience** VCM Department Manager, Solvic S.A., Jemeppe, Belgium. VCM Production Department Manager, Vinythai Public Company Limited. VCM Project Manager, Solvay S.A., Brussels, Belgium.

## Management Team



1. Mr. Sompot Cheeranorawanich
2. Mr. Somsak Leupathanasuk
3. Ms. Premruthai Chaiyakul
4. Mrs. Ratana Punyashthiti
5. Mr. Surachet Nainapalert
6. Mr. Sanjay Pandey

- ▶ Assistant Vice President Corporate Affairs and Communications
- ▶ Safety & Environment Department Manager
- ▶ Assistant Vice President Marketing & Sales
- ▶ Business Intelligence Department Manager
- ▶ Assistant Vice President Personnel & Administration
- ▶ Customer Care Service Department Manager
- ▶ Finance Department Manager



1. Mr. Gilles Schmit
2. Mr. Patrick Lefevre
3. Mr. Boonchana Mongkonkarn
4. Dr. Supachat Chairatanathavorn
5. Mr. Kitti Chaloeambanphachon
6. Mrs. Siriporn Wuthilaohaphan
7. Mr. Thananchai Luksamanapha
8. Mrs. Varaiporn Phipattanaprap

- ▶ PVC Department Manager
- ▶ Maintenance Department Manager
- ▶ MCA Department Manager
- ▶ TQM Department Manager
- ▶ Internal Audit Department Manager
- ▶ EDP Department Manager
- ▶ Quality Control and Customer Development Department Manager
- ▶ VCM Department Manager
- ▶ Accounting Department Manager

# MANAGEMENT REPORT

## General Economic Outlook

For essential chemicals like PVC and Caustic Soda, the world is now a global market, with demand mainly reflecting the world GDP. In 2002, the U.S. economy started to recover from the disaster of the 11<sup>th</sup> of September 2001, though consumers' confidence did not fully recover from this tragic event. Equity markets still saw a sharp decrease, while uncertainties about a possible conflict between the U.S. and Iraq were already looming. The industry was facing significant over-capacities. Nevertheless, domestic private consumption, the main driver of the U.S. economy, did not collapse, thanks to an aggressive monetary policy. Also, residential construction, as an alternative investment to stock markets, remained robust.

In Asia, particularly Taiwan and South Korea, the economy saw a significant upswing in 2002, inspired by growing exports and improved domestic demand. China's growth was especially impressive.

The Thai economy also showed a strong improvement in 2002, with a GDP growth estimated between 4 and 5 %. The end of the year saw growth accelerating still further. This positive trend was due to increased domestic demand as well as growing exports.

The overall economy in Thailand is expected to further improve in 2003, thanks to domestic stimulus measures now in place and increased consumers' confidence. Nevertheless, worldwide political uncertainties and war risks in the Middle East could jeopardise this positive economic prospect. For the meantime, however, the Thai economy is expected to continue to grow at the rate of 4 to 5 % per year in the medium term (2004-2006).

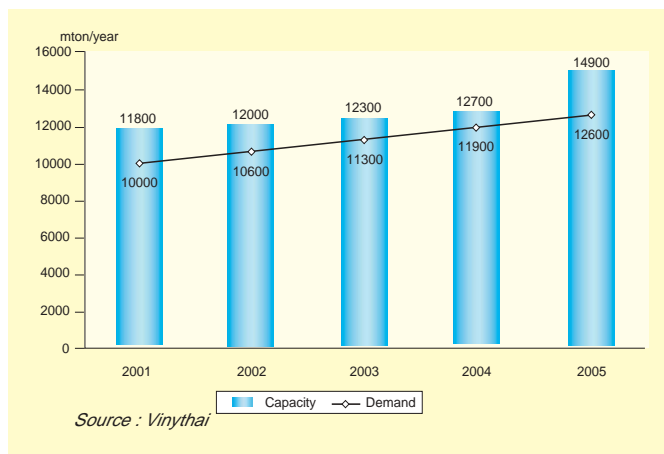




## General PVC Industry Outlook

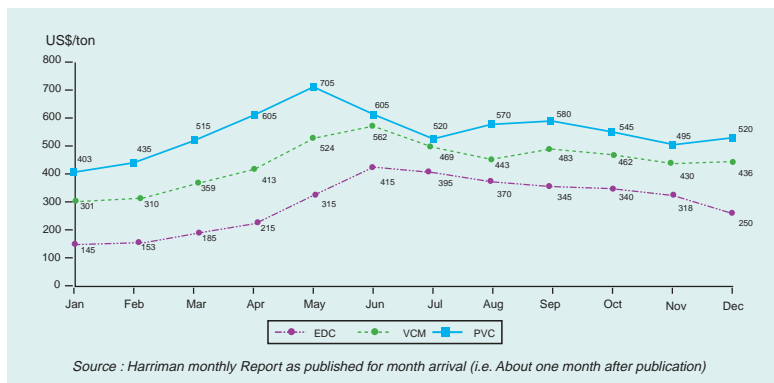
Throughout the entire Asia Pacific region, total PVC consumption increased from about 10 M.T. in 2001 to an estimated 10.6 M.T. in 2002, with growth expected to continue at around 6% per year. PVC consumption in the region is expected to reach 12.6 M.T. by the year 2005. Particularly strong growth was observed in China, India and Vitenam. Significant increases in PVC production capacity, meanwhile, are not expected to be achieved before 2005 - a factor that will help address the imbalance between supply and demand generated during the Asian pre-crisis exuberance.

**PVC-Asia Pacific-Demand VS Capacity 2001-2005**

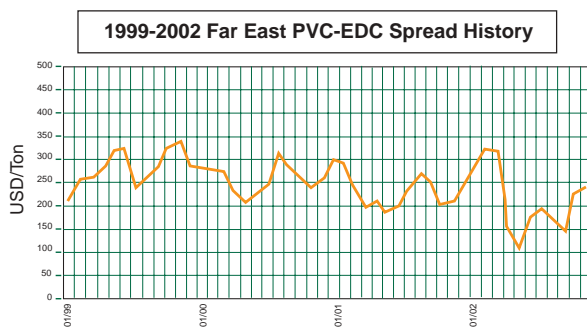


In line with hopes for a quick economic recovery, Far Eastern PVC prices progressively improved in 2002, compared with the low levels seen at the end of 2001. In the first half of the year, prices continuously rose sharply, from around 400 U.S.\$/t in January to a peak of 700 U.S.\$/t in May. This surge was supported by a jump in price of ethylene, pushing EDC and VCM prices respectively to above 400 U.S.\$/t and 600 U.S.\$/t in June - trends that were not caused by any real increase in PVC demand. Consequently, as the pace of world economic recovery appeared to be relatively slow, especially in the U.S. and Europe, Far Eastern PVC prices decreased, stabilizing in the 500-580 U.S.D/t range in the second half of 2002.

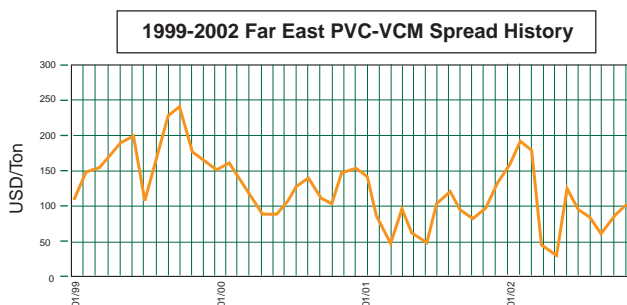
**EDC-VCM-PVC Far East Prices Evolution 2002**



In addition to strengthening PVC prices, the year 2002 was marked by a shrinking EDC supply, leading to reduced margins for PVC producers relying on EDC or VCM raw materials. Producers with a fully-integrated Chlor-alkali and EDC chain, like Vinythai, however, were far less vulnerable to these supply constraints. Historically, low spreads between PVC and EDC or VCM raw materials were reached in 2002.

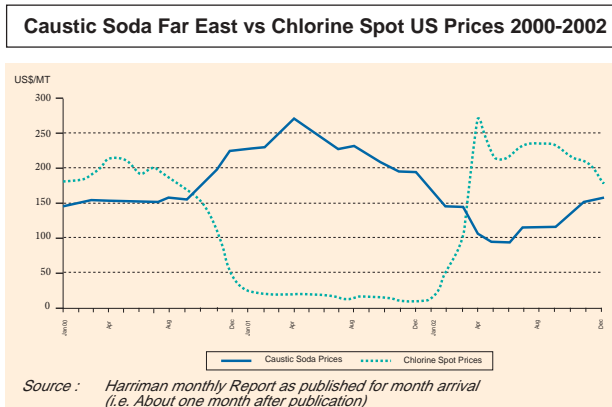


Source : Harriman monthly Report as published for month arrival  
(i.e. About one month after publication)



Source : Harriman monthly Report as published for month arrival  
(i.e. About one month after publication)

The increased demand for EDC in 2002 pushed Chlor-alkali producers to maximize their output, contributing, in turn, to the lowering of Caustic Soda prices.



Source : Harriman monthly Report as published for month arrival  
(i.e. About one month after publication)

## Outlook for 2003

It is widely thought that the Asian PVC industry has entered into an upper cycle this year, based on the following assumptions:

- ▶ China remains the main engine of growth for PVC demand in Asia.
- ▶ Domestic demand in Thailand remains good, especially for the construction business.
- ▶ The global demand for PVC is growing faster than the installed capacity to produce it.
- ▶ EDC supply is expected to remain tight.

Vinythai expects that such factors will help raise Far Eastern PVC prices, which had already improved in 2002, to above 600 U.S.D/t in 2003, a trend expected to extend into 2004.

Nevertheless, the high impact of the “Stop and Go” purchasing policy from Chinese importers and the increased seasonality in the PVC business will probably induce price fluctuations alongside this upward trend, in the Far Eastern PVC sector.

## Risk Issues and Mitigation

### 1. Risk from the Fluctuation of Product and Raw Material Prices in International Markets

Anyone in the industry can tell that the price of PVC resin in the international market fluctuates considerably by its very nature. As such, Vinythai's revenue from both export and domestic sales may rise and fall sharply, often because of circumstances beyond the Company's control. Vinythai is also vulnerable to international price fluctuations for ethylene, which is one of the Company's key raw materials, besides salt and electricity. Ethylene accounts for around 50% of the total production cost, while salt and electricity comprise approximately 20%. The prices of the latter two, however, are less fluctuated.

*Mitigation: Vinythai's fully-integrated production process helps, to some extent, shield the Company from such volatility. To improve the ethylene cost, the Company, together with other offtakers, has succeeded in negotiating for a better pricing formula from the supplier.*

### 2. Risk from Government Tariff Policy

The import tariff for PVC resin has been gradually reduced from 40% in 1993 to 5% in 2003 under the AFTA (ASEAN FREE TRADE AREA) Scheme, and to the current 20% for imports from countries outside AFTA. Non-AFTA rates, however, may drop further, at the interval of 5% each year over the next three years. Such a reduction in tariff rates would have a direct negative effect on Vinythai's domestic sales revenue.

*Mitigation: In response to this situation, the Company has continuously adopted operational cost reduction and productivity enhancement schemes.*

### 3. Risk from Reliance on a Single Business Sector

In Thailand, as much as approximately 40% of all PVC resin is used by the pipe and fittings sector, with demand being closely linked to the construction industry. This, in turn, is directly influenced by the economic climate of the country.

*Mitigation: The Company has adopted a diversification policy that focuses on the expansion of and penetration into other applications, such as rigid profiles, film and sheet, wire and cables and artificial leather. Vinythai is also penetrating new and more diversified export markets.*

### 4. Risk from Foreign Exchange Rate Fluctuations

Although Vinythai is no longer burdened with a foreign currency loan, the Company is still exposed to fluctuating exchange rates, which effect it in two different ways. While Vinythai's sales prices in both export and local markets are closely linked to the US dollar, so too is the cost of ethylene, accounting for half of the cost of production. Thus, half of the Company's revenue remains unhedged.

*Mitigation: The Company monitors closely the foreign exchange market and would enter into forward contracts whenever appropriate.*

### 5. Repayment Risk

Under its debenture covenants, the Company is obliged to repay the principal and interest to debentureholders every six months. Each installment (of the principal) amounts to 680 MTHB, with payments to continue until August 2006.

*Mitigation: The Company's operation has continuously improved. EBITDA and cashflow from operation are getting better overtime. Meanwhile, the interest expenses are declining, thanks to Vinythai's consistent debt repayments. This helps lighten the overall debt servicing load. Should Vinythai be subjected to a shortage of cash to service the debt, however, Vinythai has 800 MTHB Sponsors support as back up from the two major shareholders.*

### 6. Risk from Floating Interest Rate

The debentures issued by the Company are subjected to the floating interest rates of Bangkok Bank's MLR.

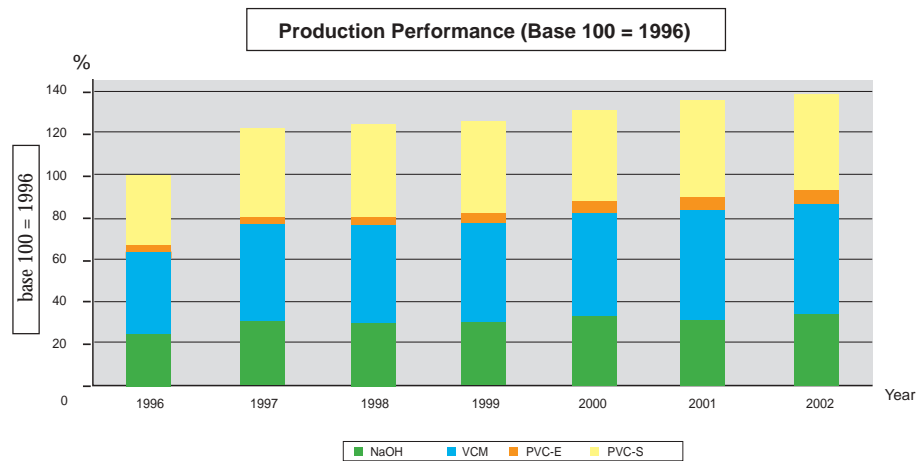
*Mitigation: At present, interest rates are inclined to remain stable, and sometimes even decline. However, the Company monitors the money market closely and may use the Interest Rate Swap mechanism whenever appropriate.*

# COMPANY PERFORMANCE

## Production and Process Development

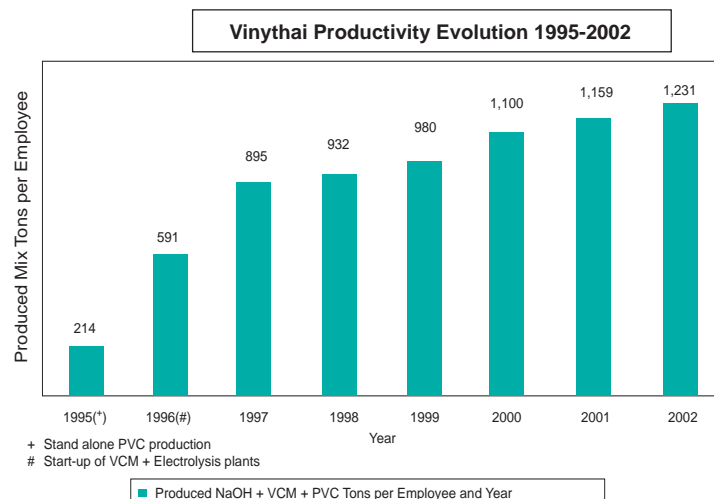
1992-2002: ten years already of continuous developments and improvements since the first PVC batch produced by the plant on June 1992.

The plant maintained high operating rates throughout 2002, enabling Vinythai to set new annual production records in all Chlor-Alkali, VCM and PVC plants even two planned maintenance activities were carried out in January and December 2002.



The total production of NaOH, VCM and PVC increased by +2 % compared with the previous record of year 2001.

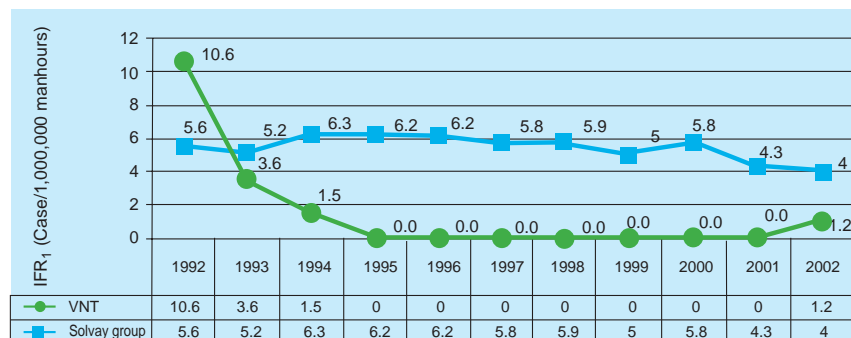
The plant continued focusing on controlling both production fixed and variable costs. The streamlining of the organization has enabled the plant to achieve a new all-time high productivity performance (+6 % compared with previous record of year 2001).



In accordance with its commitment to the Responsible Care initiative, Vinythai has published its second environmental report and has been successfully recertified ISO14001 by Bureau Veritas Quality International (BVQI). In the same time VNT is sustaining the actions of The Chlor-Alkali Transportation Emergency Mutual Aid Group (CATEMAG) for safe and environmental friendly Chlor-Alkali transportation.

Also the company was able to maintain its safety results in spite of the first accident with two lost working days after seven years without any accident.

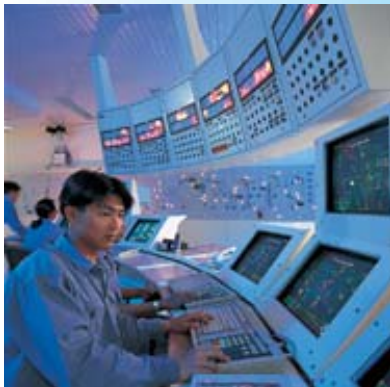
IFR<sub>1</sub> (Injury Frequency Rate of Lost Work Day Case in 1992 - 2002



Finally, in a highly competitive market, Vinythai has been focusing on quality improvements in paste resins as first priority.

Vinythai has also streamlined its organization to strengthen its quality management from production to customers and to sustain innovative solutions and partnerships with its customers.

These actions will be completed in early 2003 by the upgrade of its Quality Management System to ISO 9001:2000 and the accreditation ISO/IEC 17025 of its PVC laboratory for determination of Viscosity Index (K-Value) of PVC resin and determination of Residual Vinyl Chloride Monomer in PVC resin.





## Marketing & Sales

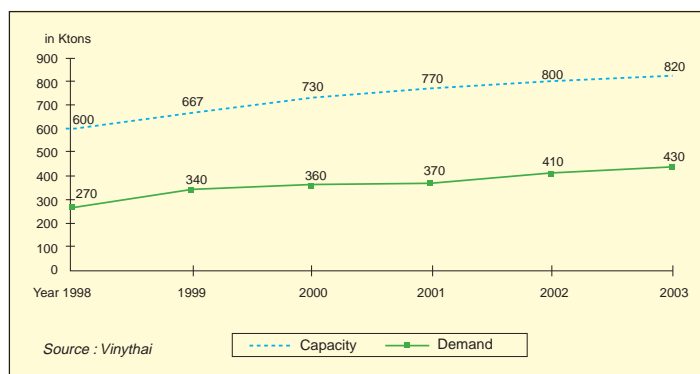
### PVC Resins

#### *Domestic Market*

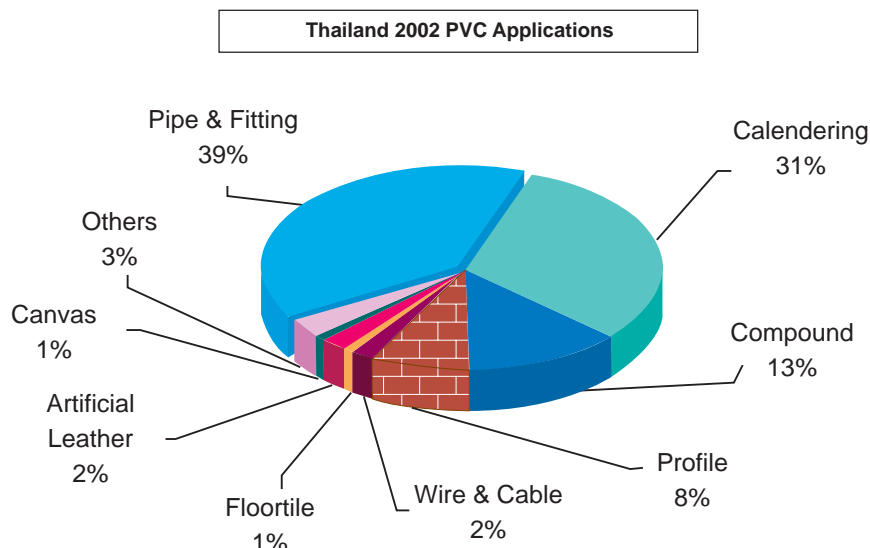
The year 2002 saw Thailand GDP growth rate at 4.5%, slightly short of expectations. Nevertheless, it is better than 1.8% of the previous year. Surge was arising from a higher-than-expected growth in exports and fiscal stimulus policies implemented by the government. The latter had a direct impact on growing domestic demand.

Closely linked to the national GDP growth rate, PVC demand in Thailand in the year 2002, for both Suspension and Emulsion grades, increased by around 10%, to about 410 KMT, up from 370 KMT in 2001.

Thailand : 1998-2003 Total PVC Capacity/Demand Projection



Of the many applications for PVC in the domestic market, those in the construction industry represented the most significant volume. The pipe and fittings sector still represented the largest PVC applications in construction, while the major growing segment was rigid profiles, which include exterior siding, window and door-frames, furniture, cupboard, counter and stationery. PVC uses, such as pipes and fittings, profiles, film and sheet, wire and cables, flooring, artificial leather, and canvas accounted for well over 90% of the total PVC demand in 2002.



This increase in demand was directly linked to the worldwide economic recovery and a restocking of the global supply chain, which was still extremely low at the beginning of 2002.

As a result of a higher sales volume in the domestic market, in addition to a higher international average price (of \$550/MT in 2002 compared to \$500/MT in 2001 for Suspension grade), VNT turnover rose satisfactorily, while profits also increased.

In 2002, Vinythai succeeded in running at full capacity, while other producers, despite the fact that they were facing higher raw material costs, (with one manufacturer in particular experiencing difficulties in securing adequate volumes of VCM imports), and also managed to maintain high operating rates through-out the year.

With an increase in domestic consumption, lower import duties for PVC from AFTA countries, and attention being diverted away from China amidst an anti-dumping duty being threatened against NEA producers, PVC imports from these countries became robust again. In 2002, total PVC imports for both Suspension and Emulsion grades were estimated at 42 KMT, which was over a 100% increase, compared to the 20 KMT imported in 2001.

### ***Export Market***

Because of the low spread between the higher cost of raw material imports and PVC prices on the international market, total PVC exports outside Thailand in 2002 were kept at around 285 KMT, 20 KMT lower than in 2001.

China was by far the most important customer for PVC exports outside of Thailand, even in an environment where Thai producers were opting for less dependency on the China, and attempting to lessen their risk through increased exports to other countries. Nevertheless, volumes exported to other countries still remained relatively insignificant.

In 2002, Vinythai achieved the highest ever production of Emulsion Resin, and saw a 32% increase without even expanding its existing capacity. Vinythai benefited substantially in Emulsion sales, though a major portion of the sales came from exports due to the limited consumption on the domestic market.

### **Caustic Soda.**

Because of the oversupply of caustic in USA and Europe during the first half of 2002, caustic soda prices on the international market dropped considerably. Prices in Asia and Thailand followed the same downward pattern, but less dramatically than in other areas. Thus, making the average caustic soda price dropped by 20% in 2002, compared to that of 2001.

Vinythai continued to sell, as usual, most of its products on the domestic market, while matching international prices, to cap imports of caustic soda from elsewhere in Asia.

Although caustic soda prices saw a significant drop in 2002, the price increase in EDC spurred major capacity increases at Vinythai's electrolysis plant. The plant achieved full capacity, exporting small quantities whenever necessary.





# Explanation & Analysis of Financial Status and Performance

## **An Analysis of Performance**

Overall performance of the Company in 2002 was very good, with production and sales reaching and, in some cases, exceeding, their targets for the year. Vinythai progressed well, despite the negative outlook of the PVC industry that prevailed at the beginning of 2002.

### ***Analysis of Income***

In 2002, the Company realised a total revenue of 5,874 MTHB, of which 5,845 was earned from sales. Vinythai's sales revenue in 2002 increased from the previous year by 299 MTHB, or 5.4%. Main factors driving the increase in Vinythai's turnover were the 6% increase in average PVC prices, the 2% rise in PVC sales volume and the 15% increase in Caustic Soda sales volume. Thanks to its plant being run at full capacity, Vinythai could increase its total production of Caustic Soda, VCM and PVC by 2% from the previous year. Nevertheless, the Caustic Soda average price was down by 21%. The domestic PVC and Caustic Soda selling prices, as usual, followed the trends of the international markets.

PVC sales in 2002 represented 84% of the total sales, while the Caustic Soda contribution was 15%. Sixty-four per cent of the total PVC revenue was from domestic sales, while almost 100% of the Caustic Soda produced by Vinythai was sold locally.

### ***Analysis of Cost and Expenses***

- (1) In 2002, the cost of sales amounted to 3,984 MTHB, a decrease by 162 MTHB, or 4%, from the previous year. The decrease in the unit cost of Ethylene by 11% was a major contributing factor. Salt cost per unit also dropped by 5%. However, electricity cost per unit continued to increase, up by 6% over the previous year. Vinythai was still able to control the plant's fixed costs in general, except for the sharp increase in insurance premiums due to the tragic events of September 11.
- (2) Selling and administration expenses in 2002 amounted to 610 MTHB, a decrease of 22 MTHB, or 3%, from the previous year, mainly caused by:
  - Doubtful debt expenses dropping in 2002 by - 44 MTHB
  - Royalty expenses decreasing in 2002 by - 13 MTHB
  - The value of obsolete assets being written down in 2002 by +35 MTHB
- (3) In 2002, Vinythai disposed of some unused assets, which incurred a loss of 22 MTHB from their book value.



- (4) Interest expenses in 2002 amounted to 451 MTHB, a significant decrease of 147 MTHB, or 25%, from 2001. The lower indebtedness arising from the Company's consistent debenture repayments and the lower interest rates contributed to the lower interest expenses.

### ***Summary of Performance***

Vinythai concluded the year 2002 with a net profit of 801.7 MTHB, an eight-time increase from its 88.4 MTHB profit of 2001. With an increase in average PVC prices, and a decrease in the unit cost of Ethylene, Vinythai full spread jumped by around 14%. Full capacity utilisation and increased sales volumes helped push the gross margin from 25% in 2001 to 32% in 2002, driving the net profit margin to increase from 1.6% in 2001 to 13.7% in 2002.

Vinythai records show that a 801.7 MTHB profit in 2002 is the second highest. In 1998, Vinythai reported a net profit of 2,389 MTHB, inclusive of unrealised foreign exchange gains of 2,536 MTHB. Hence, a loss before unrealised foreign exchange gains of 147 MTHB was incurred. In 2000, Vinythai booked a bottom line net loss of 135 MTHB, inclusive of unrealised foreign exchange losses of 949 MTHB. Therefore, Vinythai's operation at that time was at a profits of 814 MTHB before unrealised foreign exchange losses. In this respect we could conclude that, 2002 was an excellent year for Vinythai. In terms of performance, it was equivalent to the best level in Vinythai's history.

## **An Analysis of Financial Status**

### ***Analysis of Assets***

As of 31 December, 2002, Vinythai had total assets of 11,574 MTHB, a decrease of 579 MTHB, or 5%, from 2001. Descriptions of the Company's significant assets and explanations for any important changes are provided below:

- (1) As of 31 December, 2002, the Company had cash and cash equivalents worth 80 MTHB, compared to 127 MTHB in 2001. The balance in the Company's deposit account, reserved for servicing bonds, was 559 MTHB at end of 2002, compared to 545 MTHB of 2001. This amount was allotted to service the next installments of debentures as required by the debenture covenants.
- (2) Vinythai's net inventory at the end of 2002 was 652 MTHB, an amount not much different from that of 2001, when it stood at 659 MTHB. Major parts of the inventory comprised finished goods, spare parts and raw materials.



- (3) Account receivables decreased from 1,105 MTHB in 2001 to 1,055 MTHB in 2002. Despite the increase in sales volume and average sales prices, the streamlined credit terms caused a reduction in outstanding account receivables. No additional allowance for doubtful accounts was made in 2002.
- (4) By the end of 2002, Vinythai's investment was 622 MTHB, not significantly different from that of the previous year. These investments are in the form of equity shareholdings, in the two companies that are Vinythai's main raw material suppliers.
- (5) Net property, plant and equipment at the end of 2002 were worth 8,492 MTHB, a decrease of 385 MTHB, or 4%, from 2001. The decrease was due mostly to the yearly depreciation of the machinery and equipment. New purchases of fixed assets for the year 2002 were in small amounts.

### ***Analysis of Liabilities***

Vinythai's total liabilities at the end of 2002 amounted to 6,169 MTHB, a decrease of 1,381 MTHB, or 18%, from 2001. Major part of the liabilities was the outstanding of Thai Baht debentures of 5,446 MTHB, inclusive of the current portion to be due within one year. The outstanding debentures have decreased progressively, as the Company has paid regularly its 1,362 MTHB biannual installments.

### ***Analysis of Shareholders' Equity***

As of 31 December, 2002, the shareholders' equity was 5,405 MTHB, an increase of 802 MTHB, or 17%, from the previous year. The increase was entirely the result of the annual profit amounted to 802 MTHB in 2002.





At the end of 2002, the Company's fully paid-up common share capital amounted to 9,030 MTHB, while its share premium stood at 1,125 MTHB. The retained loss amounted to 4,750 MTHB. Vinythai's retained loss meant that the payment of dividends to the Company's shareholders was prohibited by law.

### **An Analysis of Cash Flow**

The Company's Cash Flow Statement showed 80 MTHB of cash and cash equivalents as of 31 December, 2002, compared to the 127 MTHB of the previous year. The sources and uses of funds were as follows:

- (1) The net cash flow from operating activities increased significantly from 529 MTHB in 2001 to 1,379 MTHB in 2002. This 1.6 time increase was largely due to the Company's commendable operating performance.
- (2) The net cash payment for investing activities in 2002 stood at 50 MTHB, compared to 70 MTHB in 2001. The purchase of new fixed assets in 2002 amounted to only 58 MTHB.
- (3) Net cash payments for financing activities was 1,375 MTHB in 2002, compared to 1,261 MTHB in 2001. The net payments made were mainly for the Company's biannual debenture installments.

### **Conclusion**

In 2002, the Company generated significantly larger cash from its operations than in 2001, but the earned cash was used entirely for debt repayment. The Company, however, was self sufficient to meet its debt obligations without resorting to other short-term debt financing or to the Sponsors' support.

**The excellent performance in 2002 led to the improvement of return on equity, from 1.9% in 2001 to 14.8% in 2002, while the return on assets also improved from 0.7% to 6.9%. The debt-to-equity ratio improved progressively from 1.64 in 2001 to 1.14 at end of 2002, on the back of a significant increase in profit and consistent debenture repayments.**

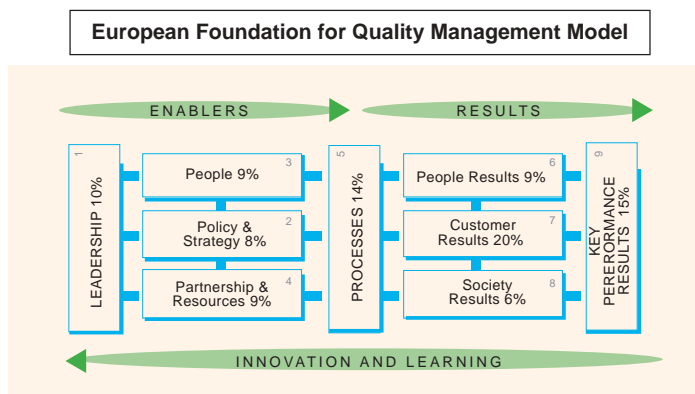
With the current uptrend of the PVC industry, together with the existing well managed structure of the Company, the year 2003 promises to be a bright one for Vinythai. Should no force majeure arising from the conflict on the international stage take place, Vinythai can look forward to an even better time in the years to come.

# Total Quality Management and Innovation

## Total Quality Management (TQM)

In line with its Vision and Mission, the Company also periodically reviews its Strategy based on Strength, Weakness, Opportunity and Threats analysis. Annual Action Plan is then defined with the management and deployed inside the company.

In order to check the efficiency of its management, Vinythai has chosen to follow the European Foundation for Quality Management Model. This model helps the company continuously measuring the results of its management in all areas, which are supply of quality products and services to customers, financial management, people management and relations with stakeholders.



The model also monitors the necessary means, the enablers implemented by the company in order to achieve those results, in the areas of:

- ▶ Expressing a leadership
- ▶ Setting up a policy
- ▶ Developing the personnel
- ▶ Ensuring the availability of needed resources

Finally the model describes the processes to translate the enablers into results.

The company conducts a self-assessment on a yearly basis against the model in order to measure the evolution of the global performance of the company.

## Certifications

- ▶ License for displaying the Standard Mark on PVC pipe grade from TISI (The Thai Industrial Standard Institute)
- ▶ License for displaying the Standard Mark on 50% Sodium Hydroxide, level 1 quality from TISI (The Thai Industrial Standard Institute)
- ▶ ISO 9002 certification by BVQI (Bureau Veritas Quality International) for Quality Management System
- ▶ ISO 14001 certification by BVQI (Bureau Veritas Quality International) for Environmental Management System
- ▶ OHSAS 18001 certification by BVQI (Bureau Veritas Quality International) for Occupational Health and Safety Management System

## Innovation and Suggestion

In Vinythai, Innovation and Suggestion process is considered as a critical success factor to ensure the systematic progress inside the company.

This is why Innovation and Suggestion is heavily promoted and encouraged. The culture of the Company, based on our values excellence, creativity, empowerment and team spirit significantly contributes to the success of this process.

Winners of the Company Annual Innovation Trophies are highly recognized among Vinythai personnel.



## Human Resource Management

In 2002, Vinythal's human resource management policy was aimed at continuing to reinforce the overall effectiveness of the company's lean and flexible organisation. In bringing added value to the company, each employee was not only able to improve the quality of products and services, but was also able to benefit - at a personal level - from additional motivation and self development. As a consequence, global productivity per employee was able to grow further in 2002.

Two important projects aimed at supporting the sustainability of this policy were completed in 2002:

### **Compensation management was updated:**

- First, a full review of the job descriptions and salary structure (which had been based on the Hay System since 2001) was carried out in order to ensure the adequacy of the organisation and the fairness of the remuneration.
- The Annual Performance Evaluation form was reviewed and updated in order to better match the requirements of a variable salary structure. This included the setting up of yearly objectives, in line with the company's action plan, which were jointly determined by the employee and his appraiser. This system, previously used for managers only, was extended to all employees.
- To better reward high-performance employees, the variable part of the remuneration was progressively increased - a policy that is to be extended over the next few years.

### **The Career Planning System was further developed.**

- With such a lean organisation, the company has to plan effectively its personnel requirements as well as its employee development and training schedules. This includes a clear definition of the competencies required for each position, and the potential of and training needs for each employee, to enable career advancement.
- In accordance with these plans, the company provides in-house training for all employees (in 2002, with the main objective to develop their management potential) and support specific public and overseas training to add professional knowledge and skills.





- As a part of the Solvay Vinyl Business Unit, some of the company's engineers and managers get the opportunity of working as expatriates in other parts of the world.

Finally, in recognising that a good working environment is highly important, the company held various team-building activities during the year.

Vinythai also conducted its annual Employee Survey, to ensure the continuous improvement of the company's internal communication, and the satisfaction and motivation of all the employees.





## Vinythai's Sustainable Development

### The Continuous Development for Sustainable Occupational Health, Safety and Environment & Society Contributions and Community Relations

In line with its commitment to the “Responsible Care®” initiative and the company's mission, strategy and policy, Vinythai's first responsibility towards society is to maintain with all stakeholders and residents living in the vicinity a climate of transparency for all its industrial activities, with an aim to promote the efficiency of its products, plant and technology management, as well as enhance its occupational health, safety and environmental management. The objective of this last goal was to help preserve the local environment. Throughout 2002, the company organised the following activities, and was proud to achieve the targets mentioned:

#### Occupational Health and Safety

- ▶ With the support of its **OHSAS 18001 - Occupational Health and Safety Management System**, Vinythai continued in its stringent health and safety efforts. The company underwent two surveillance audits by a certified body. Conducted every six months, the audits showed that the company was conforming well to the requirements.
- ▶ The company upgraded the “**Crisis Management and Communication System**” and trained or tested accordingly all concerned personnel, material and equipment during periodic emergency drills.
- ▶ Vinythai reviewed and improved its procedure for the systematic health safety and environment assessment, especially in areas that had undergone significant change, to ensure that it had no adverse impact on health, safety and the environment.
- ▶ The company participated in the “**Safety at Work, Training for Contractors**” programme, initiated by the petrochemical and refinery industries in Map Ta Phut Industrial Estate, with an aim to improve the efficiency and effectiveness of the safety training given to contractors.
- ▶ Vinythai launched a “**Safety Behaviour Improvement Programme**”, with the involvement of employees and contractors, in order to reduce and/or eliminate the cause of accidents or incidents. This was achieved by analysing all tasks to ensure they were being performed efficiently, safely and in compliance with standards or related work instructions.





## Environment

- ▶ With the support of its **ISO14001-certified environmental management system**, Vinythai continued in its stringent environmental efforts. The company has been re-certified by BVQI (Bureau Veritas Quality International) since July 2002. This showed that the company was conforming well to the requirements. Re-certification is required every three years.
- ▶ Vinythai published “**the 2nd Environment - Responsible Care Report 1999 - 2001**” for public viewing.
- ▶ Vinythai will **implement the European Pollutant Emission Register (EPER) in 2003 to evaluate**, with greater accuracy, its environmental performance, in line with the company’s commitment towards continuous improvement.

## Product Stewardship

As one of the key components of the “Responsible Care®” initiative, and in order to promote and to sustain its products during their entire lifecycle, Vinythai has become an active member of several important groups and associations. These include The Federation of Thai Industries (FTI), Petroleum Institute of Thailand (PTIT), Map Ta Phut Public Relations Club (MPR), Rayong Environmental and Safety Management Association (RESA), I-3A Road Group, The Chlor-Alkali Transportation Emergency Mutual Aid Group (CATEMAG), and The Emergency Mutual Aid Group (EMAG).

## Society Contributions and Community Relations

- ▶ Vinythai celebrated the **10th anniversary of the start up of its PVC plant, under the slogan: “10<sup>th</sup> Anniversary...Vinythai cares for the community and environment”**. Celebrations were held on both the 17<sup>th</sup> of June 2002, when the event was presided over by H.E. Deputy Prime Minister, Mr. Korn Dabbaransi at the Oriental Hotel, Bangkok, and on 19<sup>th</sup> of June, 2002. The latter event was presided over by Rayong Governor Mr. Prapan Cholveerawong at the Rayong plant.
- ▶ The company supported government-run seminars and activities, including the “**New Law and Measurement of Industrial Environmental Management**” no.4/2002 seminar, organised by The Industrial Environment Institute - The Federation of Thai Industries (IET/FTI), **The Thai Red Cross Fair at Amphorn Garden**, and the **Golf Charity of the Military Industrial Department**.



- ▶ Vinythai, in cooperation with Map Ta Phut Industrial Estate (IEAT), organized the **Annual Robes-Presentation at Nongfab Temple**, T. Map Ta Phut, Rayong, including the Yellow Robes-Presentation for educating at Bann Nongfab School, Rayong, **provided alcohol measurement equipment to the Huay-Pong police station**, to help enhance the administration of data collection on driving and the safety of life and property. **The company also supported such activities** as National Children's Day, an anti-drug campaign for students, provision of volunteer teachers, an informative exhibition on products and the environment, and **educational study visits for students and the general public**.
- ▶ In cooperation with the Map Ta Phut Industrial Estate office and medical specialists, the company in 2002 participated in the **"providing free examinations and health care"** project for more than 10 communities surrounding the Industrial Estate.
- ▶ In cooperation with the Map Ta Phut Municipality, Map Ta Phut Industrial Estate office, and local communities, Vinythai launched **"Beautiful Beach...Vinythai cares for the environment campaign"** at Suchada Beach, Rayong Province, whilst supporting the foundation of Map Ta Phut women's vocational groups, to enable them to develop their area into a potential tourist destination, through environmental preservation. The objective of the project was to generate earnings for the local communities.



**Auditor Report and  
Financial Statements  
31 December 2002 and 2001**

# REPORT OF INDEPENDENT AUDITOR

## TO THE BOARD OF DIRECTORS AND SHAREHODERS OF VINYTHAI PUBLIC COMPANY LIMITED

I have audited the balance sheets of Vinythai Public Company Limited as at 31 December 2002 and 2001, and the related statements of earnings, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vinythai Public Company Limited as at 31 December 2002 and 2001, and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles .



Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited  
Bangkok : 24 January 2003

# FINANCIAL STATEMENTS

## Balance Sheets

VINYTHAI PUBLIC COMPANY LIMITED

AS AT 31 DECEMBER 2002 AND 2001

		(Unit : Baht)	
	Note	2002	2001
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		80,376,513	127,328,619
Deposit reserved for servicing bonds	4	558,975,355	545,146,431
Accounts receivable - trade			
General		911,112,765	997,955,259
Related parties	6	204,952,220	168,283,097
Less : Allowance for doubtful accounts		(61,500,000)	(61,500,000)
Accounts receivable - trade, net	5	1,054,564,985	1,104,738,356
Amounts due from related parties	6	3,456,985	377,827
Prepaid royalty to related party	6	-	50,806,451
Inventories - net	7	651,803,970	658,652,291
Other current assets			
Prepayments		8,817,567	21,763,264
Value added tax refundable		13,369,186	32,619,628
Others		7,453,384	14,021,670
Total other current assets		29,640,137	68,404,562
<b>TOTAL CURRENT ASSETS</b>		<b>2,378,817,945</b>	<b>2,555,454,537</b>
<b>NON - CURRENT ASSETS</b>			
Investment accounted for under equity method	8	173,242,981	169,714,223
Other long-term investment	9	448,750,700	448,750,700
Property, plant and equipment - net	10	8,492,401,712	8,877,400,140
Deferred underwriting and arrangement fee for bonds		71,381,535	90,911,916
Other non-current assets		8,906,834	10,756,607
<b>TOTAL NON - CURRENT ASSETS</b>		<b>9,194,683,762</b>	<b>9,597,533,586</b>
<b>TOTAL ASSETS</b>		<b>11,573,501,707</b>	<b>12,152,988,123</b>

The accompanying notes are an integral part of the financial statements.



## Balance Sheets (Continued)

VINYTHAI PUBLIC COMPANY LIMITED

AS AT 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	2002	2001
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable - trade			
General		175,953,292	198,000,665
Related parties	6	145,375,888	157,262,960
Total accounts payable - trade		321,329,180	355,263,625
Current portion of bonds	11	1,361,600,000	1,361,600,000
Amounts due to related parties	6	24,108,156	16,556,803
Other current liabilities			
Accrued interest expenses		133,697,929	185,028,384
Accrued expenses		80,933,447	105,183,596
Others		105,354,397	30,013,395
Total other current liabilities		319,985,773	320,225,375
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,027,023,109</b>	<b>2,053,645,803</b>
<b>NON - CURRENT LIABILITIES</b>			
Bonds - net of current portion	11	4,084,800,000	5,446,400,000
Other liabilities	12	56,884,722	49,888,098
<b>TOTAL NON - CURRENT LIABILITIES</b>		<b>4,141,684,722</b>	<b>5,496,288,098</b>
<b>TOTAL LIABILITIES</b>		<b>6,168,707,831</b>	<b>7,549,933,901</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital			
Registered			
932, 297, 199 ordinary shares of Baht 10 each		9,322,971,990	9,322,971,990
Issued and fully paid			
903, 010, 187 ordinary shares of Baht 10 each		9,030,101,870	9,030,101,870
Share premium		1,125,000,000	1,125,000,000
Deficit		(4,750,307,994)	(5,552,047,648)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,404,793,876</b>	<b>4,603,054,222</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>11,573,501,707</b>	<b>12,152,988,123</b>

The accompanying notes are an integral part of the financial statements.



# Statements of Earnings

VINYTHAI PUBLIC COMPANY LIMITED  
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	2002	2001
<b>REVENUES</b>			
Sales		5,844,842,114	5,545,720,503
Exchange gain	14	6,882,644	40,957,856
Interest income		3,324,006	12,906,108
Other income		15,694,240	6,589,740
Share of profit from investment accounted for under equity method		3,528,758	-
<b>TOTAL REVENUES</b>		<b>5,874,271,762</b>	<b>5,606,174,207</b>
<b>EXPENSES</b>			
Cost of sales		3,983,948,288	4,146,440,384
Selling and administrative expenses		609,726,782	631,840,892
Loss on disposal of fixed assets		22,146,010	-
Penalties on loan prepayment		-	109,819,055
Directors' remuneration	15	5,760,000	5,760,000
Share of loss from investment accounted for under equity method		-	25,936,658
<b>TOTAL EXPENSES</b>		<b>4,621,581,080</b>	<b>4,919,796,989</b>
<b>EARNINGS BEFORE INTEREST</b>		<b>1,252,690,682</b>	<b>686,377,218</b>
<b>INTEREST EXPENSES</b>		<b>(450,951,028)</b>	<b>(597,962,715)</b>
<b>NET EARNINGS FOR THE YEAR</b>		<b>801,739,654</b>	<b>88,414,503</b>
<b>BASIC EARNINGS PER SHARE</b>			
Net earnings		0.89	0.10
Weighted average number of ordinary shares (shares )		903,010,187	903,010,187

The accompanying notes are an integral part of the financial statements.

# Statements of Changes in Shareholders' Equity

VINYTHAI PUBLIC COMPANY LIMITED

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Issued and paid - up share capital	Premium on share capital	Deficit	Total
<b>Balance - beginning of year 2001</b>	9,030,101,870	1,125,000,000	(5,640,462,151)	4,514,639,719
Net earnings for the year	-	-	88,414,503	88,414,503
<b>Balance - ending of year 2001</b>	9,030,101,870	1,125,000,000	(5,552,047,648)	4,603,054,222
Net earnings for the year	-	-	801,739,654	801,739,654
<b>Balance - ending of year 2002</b>	9,030,101,870	1,125,000,000	(4,750,307,994)	5,404,793,876

*The accompanying notes are an integral part of the financial statements.*



# Statements of Cash Flows

VINYTHAI PUBLIC COMPANY LIMITED  
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	2002	2001
<b>Cash flows from (used in) operating activities</b>			
Net earnings		801,739,654	88,414,503
<b>Adjustments to reconcile net earnings to</b>			
net cash provided by (paid from) operating activities :-			
Depreciation		389,981,429	378,430,677
Amortisation of prepaid royalty		50,806,451	87,096,775
Allowance for doubtful accounts		-	44,091,064
Provision for obsolete inventories		11,714,415	-
Allowance for unused fixed assets		25,051,273	-
Amortisation of underwriting and arrangement fee for bonds		19,530,381	16,258,076
Share of loss of investment accounted for under equity method		(3,528,758)	25,936,658
Realised gains from loan repayment		-	(32,971,000)
Losses (gains) on disposal of fixed assets		22,146,010	(185,295)
		<u>1,317,440,855</u>	<u>607,071,458</u>
<b>Decrease (increase) in operating assets :-</b>			
Accounts receivable - trade		86,842,494	93,488,199
Accounts receivable - related companies		(36,669,123)	(70,650,091)
Amounts due from related companies		(3,079,158)	(179,862)
Inventories		(4,866,094)	(26,896,906)
Other current assets		38,764,425	28,202,706
<b>Increase (decrease) in operating liabilities :-</b>			
Accounts payable - trade		(22,047,373)	(32,445,432)
Accounts payable - related companies		(11,887,072)	(31,929,069)
Amounts due to related companies		7,551,353	10,832,152
Other current liabilities		(239,602)	(56,591,543)
Other liabilities		6,996,624	7,958,865
<b>Net cash flows from operating activities</b>		<u>1,378,807,329</u>	<u>528,860,477</u>

The accompanying notes are an integral part of the financial statements.

## Statements of Cash Flows (Continued)

VINYTHAI PUBLIC COMPANY LIMITED

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	2002	2001
<b>Cash flow from (used in) investing activities</b>			
Acquisition of fixed asset		(57,828,061)	(69,743,532)
Proceeds from sales of fixed assets		5,647,777	354,766
Decrease (increase) in other non-current assets		1,849,773	(280,702)
Net cash flows used in investing activities		(50,330,511)	(69,669,468)
<b>Cash flows from (used in) financing activities</b>			
Net increase in deposit reserved for servicing bonds		(13,828,924)	(545,146,431)
Payment of deferred underwriting and arrangement fee for bonds		-	(107,169,992)
Repayment of long-term loans		-	(7,256,255,593)
Repayment of revolving loans		-	(160,000,000)
Repayment of bonds		(1,361,600,000)	(592,000,000)
Cash received from bonds		-	7,400,000,000
Net cash flows from (used in) financing activities		(1,375,428,924)	(1,260,572,016)
Net decrease in cash and cash equivalents		(46,952,106)	(801,381,007)
Cash and cash equivalents at beginning of year		127,328,619	928,709,626
Cash and cash equivalents at end of year	16	80,376,513	127,328,619
<b>Supplemental cash flows information :-</b>			
Cash paid during the year for			
Interest expenses		502,281,482	666,536,585
Corporate income tax		-	-

*The accompanying notes are an integral part of the financial statements.*

# NOTES TO FINANCIAL STATEMENTS

## VINYTHAI PUBLIC COMPANY LIMITED

### 1. ASSUMPTION OF PREPARATION OF THE FINANCIAL STATEMENTS

Although Thailand's economic crisis has eased to a certain extent in the current year, financial restructuring within the business community is still prevalent and subject to readjustment. Nevertheless, the financial statements have been prepared on the going concern basis, assuming that the realisation of assets and settlement of liabilities and obligations will occur in the ordinary course of business of the Company, without any expectation of significant disruption to the ongoing activities.

### 2. GENERAL INFORMATION

Vinythai Public Company Limited was incorporated as a public limited company under Thai laws. The Company operates its business in Thailand and its principal activity is the manufacture and trading of Polyvinyl Chloride and Sodium Hydroxide (Caustic Soda). Its registered address is No. 2, I-3 Road, Tambol Map Ta Phut, Amphur Muang, Rayong.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand which are effective under the Accounting Act B.E.2543.

Significant accounting policies adopted by the Company are summarised below.

#### 3.1 Sales

Sales are the invoiced value, excluding value added tax, of goods supplied and delivered, after deducting discounts and allowances.

#### 3.2 Allowance for doubtful accounts

Allowance for doubtful accounts is provided for the estimated collection losses that may be incurred in collection of receivables. The allowance is based on collection experience and a review of the status of receivables outstanding at the balance sheet date.

#### 3.3 Inventories

Inventories are valued at the lower of cost (weighted average method) or net realisable value.

### 3.4 Investments

Investment in associated company is stated under equity method.

Investment in related company which is a non-marketable equity security, is valued at cost. The Company recognises loss on impairment of security (if any) in the earnings statement.

### 3.5 Depreciation

Depreciation of fixed assets is calculated by reference to their costs on the straight-line method over the following estimated useful lives :-

Building and improvement	-	5, 10, 30, 50 years
Leasehold improvement	-	50 years
Machinery and equipment	-	5, 10, 15, 30 years
Furniture, fixtures and equipment	-	5, 10, 30 years
Vehicles	-	5, 10 years

No depreciation is provided for land and machinery under installation.

### 3.6 Foreign currencies

Exchange rates adopted for foreign currency transactions during the year are the rates ruling on the transaction date. For assets and liabilities in foreign currency outstanding on the balance sheet date are translated at the rates ruling on the balance sheet date, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates. Exchange gains and losses are included in determining earnings.

### 3.7 Financial derivative instruments

The Company occasionally purchase forward exchange contracts to reduce its exposure from exchange rate fluctuation risk. Discounts or premiums (the difference between the spot exchange rate and the forward exchange rate at inception of the contracts) are deferred and amortised to earnings over the contract lives using the straight- line method while gains or losses resulting from subsequent changes in the spot exchange rates are credited or charged to earnings.

### 3.8 Basic earnings per share

Earnings per share as presented in the earnings statements is the basic earnings per share which is determined by dividing net earnings for the year by the number of ordinary shares in issue during the year.



### 3.9 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles in certain circumstances requires management to make estimates and assumptions that affect amounts reported in the accompanying financial statements and notes thereto. Actual results could differ from these estimates.

#### 4. DEPOSIT RESERVED FOR SERVICING BONDS

As of 31 December 2002, the balance of cash at bank of Baht 559 million (2001 : Baht 545 million) was reserved for servicing bonds.

In connection with the issuance of the bonds as referred to in Note 11, the Company is required to maintain a debt service reserve account with the bondholders' representative. On a monthly basis (except in the month in which the bonds are to be redeemed), the Company is to deposit an amount at least one fifth of the bond principal due for redemption under the next installment. This is to ensure that on the last day of the month prior to the month in which the bonds are to be redeemed, the Company will have sufficient cash for the repayment of the principal amount due and payable to the bondholders.

#### 5. ACCOUNTS RECEIVABLE - TRADE

As at 31 December 2002 and 2001, aging of the outstanding balance of accounts receivable was as follows :-

(Unit : Baht)

	Accounts Receivable					
	General		Related Parties		Total	
	2002	2001	2002	2001	2002	2001
Current receivables	753,443,027	860,481,975	184,224,726	161,121,991	937,667,753	1,021,603,966
Past due receivables						
Less than 3 months	82,661,371	71,781,174	20,727,494	7,161,106	103,388,865	78,942,280
3 - 6 months	-	35,053,975	-	-	-	35,053,975
6 - 12 months	-	17,023,441	-	-	-	17,023,441
More than 12 months	75,008,367	13,614,694	-	-	75,008,367	13,614,694
<b>Total</b>	<b>911,112,765</b>	<b>997,955,259</b>	<b>204,952,220</b>	<b>168,283,097</b>	<b>1,116,064,985</b>	<b>1,166,238,356</b>
Less : Allowance for doubtful accounts					(61,500,000)	(61,500,000)
Accounts receivable - trade, net					<b>1,054,564,985</b>	<b>1,104,738,356</b>

The balance of accounts receivable-general included the debt due from one local company which has applied to the Central Bankruptcy Court for business rehabilitation. As at 31 December 2002, the balance of such debt is approximately Baht 63 million. Based on the information contained in the Rehabilitation Plan, which has already been approved by the majority of the creditors on 19 March 2002 and approved by the Central Bankruptcy Court on 25 April 2002, the Company's management has set aside a provision of approximately Baht 48 million against this debt.

## 6. RELATED PARTY TRANSACTIONS

During the year, the Company had significant business transactions with its associated and related companies (related by way of holding interest, common shareholders and/or common directors). These transactions were in the ordinary course of business of the Company and in accordance with prices and rates stipulated in the relevant agreements with those companies. Significant transactions with those related companies are summarised below.

	For the years ended 31 December		Pricing policy
	2002	2001	
<b>Transactions with associated company :</b>			
Purchase of raw materials	187	187	Contract prices which approximate production costs
<b>Transactions with related companies :</b>			
Sales of finished products	900	800	Market prices
Purchase of raw materials	1,714	1,931	Market prices (for raw material (ethylene) : average of market prices in major regions worldwide)
Purchase of spare parts and services expenses	14	24	Market prices
Royalty expenses	74	87	According to contract
Commission expenses	5	5	Normal market rates

The outstanding balances of the transactions are shown separately as related parties items in the balance sheets.

Under the license and on-going know-how agreements with an overseas related company, the Company had to pay royalties on a basis and at a rate stipulated therein. During the year 2000, the Company made advance payment of such royalties covering the period as from January 2000 up to July 2002, totaling Baht 225 million to the related company. The amount (net of amortisation) was shown as “Prepaid royalty to related party” in the balance sheet for 2001. Such on-going know-how agreement expired in July 2002. However, for accounting purposes, the royalty for the on-going know-how for the period as from August 2002 to 31 December 2002 of approximately Baht 23 million (which is included in the above royalty expenses) has been accrued in the accounts using the rate applicable in the former agreement. The Company and the related company are currently in the process of negotiating a new agreement under fair and reasonable terms. As the new agreement has to be approved by the Company’s Board of Directors, taking into account an opinion of the independent directors, the actual amount of the royalty payable in future may differ from that accrued in the accounts.

## 7. INVENTORIES

	<i>(Unit : Baht)</i>	
	<u>2002</u>	<u>2001</u>
Finished goods	212,208,977	229,705,204
Spare parts	245,865,082	246,486,243
Raw materials	196,198,675	184,063,187
Work in process	10,561,704	7,250,892
Packing materials	8,969,532	11,146,765
Total	673,803,970	678,652,291
Less : Provision for obsolete inventories	(22,000,000)	(20,000,000)
Inventories - net	<u>651,803,970</u>	<u>658,652,291</u>

## 8. INVESTMENT ACCOUNTED FOR UNDER EQUITY METHOD

The balances as of 31 December were as follows :-

	Percentage of the Company's interest		As at 31 December	
	2002 Percent	2001 Percent	2002 Baht	2001 Baht
<b><u>Investment in associated company</u></b>				
Pimai Salt Company Limited - cost method (Supplier of raw material - salt)	20.44	20.44	203,221,440	203,221,440
Accumulated share of loss in associated company			(29,978,459)	(33,507,217)
Investment in associated company - equity method			<u>173,242,981</u>	<u>169,714,223</u>

The Company recognised its share of the loss and profit from investment in the associated company based on the financial statements as of 31 December 2002, as received from that associate. Those financial statements were prepared by the management of that associate and are currently in the process of being audited by the auditor. The Company's management believes that the audited financial statements will not materially differ from the aforesaid financial statements.

## 9. OTHER LONG-TERM INVESTMENT

The balance is an investment in 3.83 percent (2001 : 5.29 percent) of the ordinary shares of Thai Olefins Company Limited, which supplies ethylene, a raw material.

According to the financial statements as of 31 December 2002, as provided by the management of Thai Olefins Company Limited which are currently in the process of being audited by the auditor, the net worth of this company attributable to the Company's interest is higher than its acquisition cost.

## 10. PROPERTY, PLANT AND EQUIPMENT

							(Unit : Baht)
	Land	Building and leasehold improvement	Machinery and equipment	Furniture, fixtures and equipment	Vehicles	Machinery under installation	Total
<b>Cost :</b>							
31 December 2001	2,909,414	1,735,153,320	9,307,881,281	380,180,583	10,102,401	41,358,654	11,477,585,653
Purchases	-	-	-	-	-	57,828,061	57,828,061
Transferred in (out)	-	7,643,004	54,850,742	14,608,974	79,180	(77,181,900)	-
Disposal / write-off	-	(4,579,994)	(72,530,157)	(12,239,270)	(3,057,000)	-	(92,406,421)
31 December 2002	2,909,414	1,738,216,330	9,290,201,866	382,550,287	7,124,581	22,004,815	11,443,007,293
<b>Accumulated depreciation :</b>							
31 December 2001	-	276,109,647	2,137,034,345	177,456,173	9,585,348	-	2,600,185,513
Depreciation for the year	-	34,534,096	323,259,482	31,798,126	389,725	-	389,981,429
Depreciation for disposal / write-off items	-	(907,145)	(24,159,327)	(11,524,076)	(2,970,813)	-	(39,561,361)
31 December 2002	-	309,736,598	2,436,134,500	197,730,223	7,004,260	-	2,950,605,581
<b>Net book value :</b>							
31 December 2001	2,909,414	1,459,043,673	7,170,846,936	202,724,410	517,053	41,358,654	8,877,400,140
31 December 2002	2,909,414	1,428,479,732	6,854,067,366	184,820,064	120,321	22,004,815	8,492,401,712
<b>Depreciation charge (included in earnings statement) for the year :</b>							
2001							378,430,677
2002							389,981,429

The Company has mortgaged its land, office building, factory buildings, machinery and equipment as security with the bondholders' representative.

## 11. BONDS

On 26 February 2001, the Company issued Baht 7,400 million of five-and-a-half-year bonds (7,400,000 units with a par value of Baht 1,000 each) maturing on 26 August 2006 to institutional investors or investors meeting specific criteria. Principal and interest are repayable twice a year, on 26 February and 26 August, with the interest rates as follows :-

Period	Interest Rate (% per annum)
1 <sup>st</sup> - 6 <sup>th</sup> months from date of bond issuance	8.5
7 <sup>th</sup> - 18 <sup>th</sup> months from date of bond issuance	7.75
19 <sup>th</sup> month until maturity date	MLR of Bangkok Bank Public Company Limited

Under the conditions of the bond issuance, the Company has to comply with certain stipulated obligations of the Company and the bondholders. Among others, these include the maintenance of a debt to equity ratio of not more than 2 : 1 and that the Company will not implement any reduction in its paid-up capital. As at 31 December 2002, the Company had a debt to equity ratio of 1.14 : 1 (31 December 2001 : 1.64 : 1), which did not exceed the required ratio.

In addition, the two major shareholders have entered into a Shareholders' Support Agreement to provide cash deficiency support in servicing debt in the amount not exceeding Baht 800 million as security for the bondholders.

The Company has mortgaged its fixed assets and pledged its debt service reserve account with the bondholders' representative.

## 12. PROVISION FOR LONG-TERM EMPLOYMENT BENEFIT

Starting from 1 January 1994, the Company has provided a long-term employment fund scheme for its employees who have been in the plan for five years or more of continuous service. Under the scheme, an employee is entitled to receive upon retirement or resignation, a sum computed in accordance with his length of service. The outstanding balances of provision for long-term employment benefit as at 31 December 2002 was approximately Baht 56.9 million (2001 : Baht 49.9 million) which is included in "Other liabilities" in the balance sheets.

## 13. STATUTORY RESERVE

Under the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit after, deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. The statutory reserve could not use for dividend payment.



#### 14. EXCHANGE GAIN (LOSS)

	<i>(Unit : Million Baht)</i>	
	2002	2001
Realised gain on exchange	8.5	41.6
Unrealised loss on exchange	(1.6)	(0.7)
	<u>6.9</u>	<u>40.9</u>

As of 31 December 2002 the bank selling rate for US\$ 1 was equal to Baht 43.3039 (2001 : Baht 44.3597).

#### 15. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to the managing director who is one of the executive directors.

#### 16. STATEMENTS OF CASH FLOWS

For the purposes of the statements of cash flows, cash and cash equivalents include cash in hand and at banks and deposit with financial institution with an original maturity of 3 months or less and without restrictions.

#### 17. FINANCIAL INFORMATION BY SEGMENT

The Company's operations comprise the manufacturing and distribution of PVC and related by-products for both domestic and export markets. In 2002, the export sales represented approximately 30.6 percent (2001 : 31.2 percent) of total sales. The Company's operations involve a single industry segment and are carried out from a single geographic area in Thailand.

#### 18. PROMOTIONAL PRIVILEGES

The Company was granted the tax privileges under the Investment Promotion Act B.E. 2520, approved by the Board of Investment in accordance with the following two investment promotion certificates :-

Investment promotion certificate No. 1051/2532, dated 28 March 1989, for the manufacture of PVC and VCM. Subject to certain imposed conditions, the privileges include exemption of corporate income tax on net profit for a period of seven years commencing as from 1 August 1992 (the first date of earning operating income) and ending on 31 July 1999. Profits derived thereafter from the promoted activity shall be subject to income tax at a reduced rate of fifty percent of the normal tax rate for another five years after expiration of corporate income tax exemption period.

Investment promotion certificate No. 1579/2541, dated 21 December 1998, for the manufacture of certain additional volumes of PVC and VCM, and caustic soda. Subject to certain imposed conditions, the privileges include exemption of corporate income tax on net profit for a period of eight years commencing as from 1 June 2002 (the first date of earning operating income under this investment promotion certificate) and ending on 31 May 2010. Profits derived thereafter from the promoted activity shall be subject to income tax at a reduced rate of fifty percent of the normal tax rate for another five years after expiration of corporate income tax exemption period.

**Total revenues for the year 2002 and 2001 is divided into promoted and non-promoted revenue as follows :-**

*(Unit : Baht)*

	Promoted		Non-promoted		Total	
	2002	2001	2002	2001	2002	2001
<b>REVENUES</b>						
Sales	4,884,118,828	3,432,352,893	960,723,286	2,113,367,610	5,844,842,114	5,545,720,503
Exchange gain	5,751,336	25,349,603	1,131,308	15,608,253	6,882,644	40,957,856
Interest income	838,228	4,500,437	2,485,778	8,405,671	3,324,006	12,906,108
Other income	14,378,843	3,963,834	1,315,397	2,625,906	15,694,240	6,589,740
Share of profit from investment accounted for under equity method	2,948,732	-	580,026	-	3,528,758	-
<b>TOTAL REVENUES</b>	<b>4,908,035,967</b>	<b>3,466,166,767</b>	<b>966,235,795</b>	<b>2,140,007,440</b>	<b>5,874,271,762</b>	<b>5,606,174,207</b>

#### 19. INCOME TAX ON EXCHANGE GAINS/LOSSES ARISING FROM FLOATING OF THE THAI BAHT

For financial reporting purposes, the Company credited/charged all exchange gains/losses arising from the floating of the Thai Baht to the 1997 earnings statement. However, for income tax reporting purposes, such exchange gains/losses have been deferred and amortised in proportion to the amount of debts due in accordance with Recital 2 of the Revenue Department's Notification No. 72/2540.

#### 20. EMPLOYEES AND RELATED COSTS

	2002	2001
Number of employees at end of year (Persons)	402	415
Employee costs (Thousand Baht)	269,595	256,108

## 21. LEASE AND RENTAL COMMITMENTS

As at 31 December 2002, the Company had the following outstanding lease and rental commitments:-

- a) Lease commitments in respect of land for its plant for a period of 30 years as from 15 June 1989 to 14 June 2019. The outstanding balances of rental commitments are approximately Baht 132.5 million.
- b) Commitments in respect of motor vehicle operating leases amounted to approximately Baht 14.6 million which are repayable within the year 2006.
- c) Other lease and rental commitments payable in the future are as follows :-

	<i>(Unit : Million Baht)</i>	
	<u>2002</u>	<u>2001</u>
Payable within 1 year	34.1	38.6
Payable between 2 - 4 years	62.0	93.1
	<u>96.1</u>	<u>131.7</u>

## 22. OTHER COMMITMENTS

The Company had the following other outstanding commitments:-

- a) The Company has entered into an agreement to purchase raw materials from a related local company. The Company agrees to purchase raw materials at the quantity and price stipulated in the agreement.
- b) The Company has entered into an agreement with an associated company to purchase raw materials produced by this associated company at the quantity and at the price stipulated in the relevant joint venture agreement.

## 23. BANK GUARANTEES

As at 31 December 2002, there were outstanding bank guarantees and standby letters of credit totaling Baht 248 million (2001 : Baht 347 million) issued by banks on behalf of the Company, mostly to secure the commitments arising from the purchase of raw materials from a related company.

## 24. FINANCIAL INSTRUMENTS

### **Financial risk management and policies**

The Company is exposed to risks from changes in market interest rates and in currency exchange rate and from nonperformance of contractual obligations by counterparties. The Company uses derivative instruments, as and when it considers appropriate, to manage such risks. It does not hold or issue derivative instruments for speculative or trading purposes.

### Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows. The Company's exposure to interest rate risk relates primarily to its deposits with financial institutions and bonds. The details of bonds were described in Note 11 to financial statements.

### Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to its receivables and payables that are denominated in foreign currencies. As at 31 December 2002, the Company had the following foreign currency assets and liabilities which were unhedged.

<u>Currency</u>	<u>Amount</u>	<u>Exchange rate as at the balance sheet date</u> (Baht per unit of foreign currency)
<u>Assets</u>		
USD	4,421,018	43.0947
EUR	142,387	44.5589
<u>Liabilities</u>		
USD	318,591	43.3039
EUR	182,895	45.1035

### Credit risk

The Company is exposed to credit risk primarily with respect to trade receivable. However, due to the Company's prudent credit policy and its diversified customer base, the Company does not anticipate material losses from its debt collection.

### Fair value

The majority of financial assets and liabilities carry interest rates close to current market rates. Given this, the management believes that the fair value of the Company's financial assets and liabilities does not materially differ from their carrying value.

## 25. PRESENTATION

The presentation of the financial statements has been made in compliance with the stipulations of the notification of the Commercial Registration Department dated 14 September 2001 as empowered under the Accounting Act B.E. 2543.

Certain amounts in the prior year's financial statements, as presented herein for comparative purposes, were reclassified to conform to the current year classifications, with no effect on previously reported net loss or shareholders' equity.

## 26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's directors.

# GENERAL INFORMATION

## Company Information

Vinythai Public Company Limited is a joint venture between the Solvay group of Belgium and Charoen Pokphand group and has as its objectives the production and supply of petrochemical products, especially PVC resins and by-products of PVC production. Vinythai was registered as a juristic person of a limited company type under the Civil and Commercial Code on 27 December 1988 and registered its conversion to a public limited company, registration no. BorMorJor. 158, on 16 August 1993.

Vinythai's plant and Head office is located at No. 2, I-3 Road, Map Ta Phut Industrial Estate, Tambol Map Ta Phut, Amphoe Muang, Rayong Province, Telephone No. (038) 683-112, Fax No. (038) 683-048. Business Office is located at 14th Floor, Green Tower 3656/41 Rama IV Road, Khet Klongtoey, Bangkok 10110, Telephone No. 0-2240-2425, Fax No. 0-2240-1383. Vinythai's website is [www.vinythai.co.th](http://www.vinythai.co.th).

Vinythai's registered capital as of 31 December 2002 was Baht 9,322,971,990 divided into 932,297,199 ordinary shares with a par value of Baht 10 per share and paid-up capital of Baht 9,030,101,870 divided into 903,010,187 ordinary shares with a par value of Baht 10 per share.

### Information concerning Juristic Person which Vinythai holds at least 10% of its issued shares

#### *Pimai Salt Co., Ltd.*

*Pimai Salt, as Vinythai's associated company, is a pure refined salt producer. It was established under the Joint Venture Agreement among Thasco Chemical Co., Ltd., Thai Refined Salt Co., Ltd. and Vinythai to produce and supply pure refined salt. Vinythai holds 282,252 ordinary shares of Pimai Salt represented 20.44% of its total issued shares which is 1,380,582 ordinary shares at a par value of Baht 100 per share.*

Pimai Salt's plant is in Amphoe Pimai, Nakorn Ratchasima Province, Thailand. Pimai Salt's Head Office is located at 2<sup>nd</sup> Floor, Srifuengfung Building, 1016 Rama IV Road, Silom, Khet Bangrak, Bangkok 10500, Telephone No. 0-2633-9380-6, Fax No. 0-2633-9390.

### Other References

**Ordinary Share Registrar :** Thai Securities Depository Company Limited  
4, 6-7<sup>th</sup> Floor, Stock Exchange of Thailand Building  
62 Rajadapisek Road  
Klongtoey Bangkok 10110  
Tel. 0-2229-2800 and 0-2654-5599  
Fax. 0-2359-1262-3

**Debenture Registrar :** Bangkok Bank Public Company Limited  
Securities Service Department, G Floor, Trinity Building  
333 Silom Road  
Bangrak, Bangkok 10500  
Tel. 0-2230-1136 and 0-2230-1784  
Fax. 0-2231-5507-8

Auditor :

Mr. Narong Puntawongseand/or Mr. Ruthr Chaowanagawi  
and/or Mr. Sophon Permsiriwallop  
Ernst & Young Office Limited  
33<sup>rd</sup> Floor, Lake Rajada Building  
193/136-137 New Rajadapisek Road Bangkok 10110  
Tel. 0-2264-0777 Fax. 0-2264-0790

Legal Counsel :

Chandler & Thong-Ek  
7<sup>th</sup> Floor, Bubhagit Building 20 North Sathorn Road  
Bangkok 10500 Tel. 0-2266-6485 Fax. 0-2266-6483-4

### Top Ten Major Shareholders

No.	Names of Shareholders	2 April 2002 (Latest closing date of Vinythai's share register in 2002)	
		Number of Shares (Shares)	%
1	Solvay S.A.	418,964,991	46.40
2 *	Charoen Pokphand Group Co., Ltd.	187,957,774	20.81
3 *	Charoen Pokphand Holding Co., Ltd.	60,109,669	6.66
4	Thai NVDR Co., Ltd.	35,449,753	3.93
5	Thana Holding Co., Ltd.	13,400,000	1.48
6 *	C.T. Petrochemical Co., Ltd.	13,077,510	1.45
7	U.N.S. Agrochemical Co., Ltd.	10,600,000	1.17
8	Kim Eng Securities (Thailand) Limited	10,357,442	1.15
9	CDC Finance - CDC IXIS	10,168,000	1.13
10	HSBC (Singapore) Nominees Pte. Ltd.	7,000,000	0.78

\* Companies in Charoen Pokphand Group

**The holding of the Company's shares and debentures by the Management as of 31 December 2002 and changes from the past year.**

### Common Shares

Name	Title	No. of Shares 31/12/01	No. of Shares 31/12/01	Change
1. Mr. Arsa Sarasin	Director	201,418	201,418	None
2. Miss Rapeepan Luangaramrut	Director	1,288,826	1,288,826	None

### Debentures

Name	Title	No. of Shares 31/12/01	No. of Shares 31/12/01	Change
1. Mr. Prasert Pungkumarn	Director	28,000	28,000	None
2. Ms. Bu-Nga Sitthitaveechoke	Vice President Marketing & Sales	1,000	1,000	None

**Investor Relation :** Please look at Vinythai's website : [www.vinythai.co.th](http://www.vinythai.co.th) or contact Dr. Santisuk Sanguanruang  
Vice President Finance & Administration Tel. 0-2240-2425 Fax. 0-2240-1375, E-mail address :  
Sanguanruang.santisuk@vinythai.co.th



## 2002-Significant Related Transactions

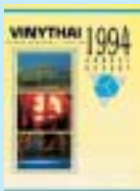
	Product or nature of business	Nature of relationship and connected transactions	Transaction between companies	Thousand Baht
<b>Associated Company</b>				
1. Pimai Salt Co., Ltd.	Production of salt	Vinythai holds 20.44 percent of its shares and purchases salt for use in chlorine production and has common directors.	- sells salt to Vinythai	186,679
<b>Related Company</b>				
1. Solvay S.A. Belgium and Solvay's Subsidiaries	Production and distribution of products in 4 core businesses: Plastic, Human Health and Plastic Processing	Holds 46.40 percent of Vinythai's shares and has common directors.	- sells spare part and service to Vinythai - royalty fees - commission fees for exporting products - purchases PVC from Vinythai - commission fees received	10,805 73,768* 4,698 94,228 723
2. CPPC-Decorative Products Co., Ltd.	Production and distribution of soft PVC, sponge PVC and floor covering PVC	Company owned by Charoen Pokphand Group Co., Ltd.	- purchases PVC from Vinythai	95,723
3. Soltraco A.G.	Trading Company	Company owned by Solvay S.A.	- Procures chemical products for production. - Sells spare part to Vinythai	8,507 3,170
4. C.A. Petrochemical Co., Ltd.	Production and distribution of PVC pipes and fittings	Company owned by Charoen Pokphand Group Co., Ltd.	- purchases PVC from Vinythai	326,441
5. Charoen Pokphand Petrochemical Co., Ltd.	Production and distribution of rigid PVC	Company owned by Charoen Pokphand Group Co., Ltd.	- purchases PVC from Vinythai	346,288
6. Thai Olefins Co.,Ltd.	Production and distribution of ethylene, propylene and other by-products	Vinythai holds 3.83 percent of shares and has common directors.	- sells ethylene and tail gas to Vinythai - purchases NaOH from Vinythai - purchases Sodium hypochlorite from Vinythai	1,704,725 7,479 780
7. Peroxythai Co., Ltd.	Production and distribution of Hydrogen peroxide	Sodufa B.V. (a company owned by Solvay S.A.) holds 83.92% of its shares.	- sells Hydrogen peroxide 50% to Vinythai - purchases Hydrogen from Vinythai - Vinythai provides a part of Bangkok Office's space for rent.	910 28,665 1,743

Remark :- The above related party transactions are in the ordinary course of business. The amount shown above were already included in the Statements of Earning. There are additional explanations in Notes no. 6, 8, 9, 22 and 23 to the 2002 financial statements as examined and reported by the auditor under his audit report dated 24 January 2003

\* Included 23 MTHB accrued royalty form August 1, 2002 -December 31, 2002 as per details in Note no. 6.



*Planning smooths the path of progress*



Annual Report 1994



Annual Report 1995



Annual Report 1996



Annual Report 1997



Annual Report 1998



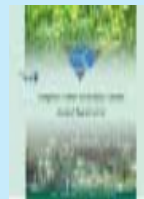
Annual Report 1999



Annual Report 2000



Annual Report 2001



Annual Report 2002



Vinythai is One of the Leaders in Quality and Environmental  
Conservation Technology

#### Vinythai Public Company Limited

**BKK Office** : 3656/41, 14<sup>th</sup> Floor, Green Tower, Rama IV Road, Klong Toey, Bangkok 10110

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Vinythai is a joint venture between Solvay S.A., Belgium and Charoen Pokphand Group, Thailand



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