

Thai Plaspac Public Company Limited

Notes to interim financial statements

For the three-month and six-month periods ended 30 June 2011 and 2010

1. General information

1.1 Corporate information

Thai Plaspac Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Modernform Group Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of plastic packaging and its registered address is 68/46 Moo 8, Thakam, Bang Khun Thian, Bangkok.

1.2 Basis for the preparation of the interim financial statements

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2009) “Interim Financial Reporting”, which the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language financial statements.

1.3 Application of new accounting standards during the period

During the current period, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting Standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial Reporting Standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Interpretations Committee:

TFRIC 15	Agreements for the Construction of Real Estate
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Standing Interpretations Committee:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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(Unaudited but reviewed)

These accounting standards will not have any significant impact on the financial statements for the current period, except for the following accounting standards.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits and other long-term employee benefits using actuarial techniques. The Company previously accounted for such employee benefits when they were incurred.

The Company has changed this accounting policy in the current year and recognised the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current period. The change will have the effect of decreasing the profit of the Company for the three-month and six-month periods ended 30 June 2011 by Baht 0.7 million (Baht 0.007 per share) and Baht 1.4 million (Baht 0.014 per share), respectively. The cumulative effect of the changes in the accounting policy has been presented in Note 2.

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2010, except for the changes in the following accounting policies due to the adoption of revised and new accounting standards.

Employee benefits

Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Post-employment benefits (Defined benefit plans) and other long-term employee benefits

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary, using the projected unit credit method. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current period.

2. Cumulative effect of changes in accounting policies due to the adoption of new accounting standards

During the current period, the Company made the changes to its significant accounting policies described in Note 1.4, as a result of the adoption of revised and new accounting standards. The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statement of financial position as at 1 January 2011 are summarised below.

(Unit: Thousand Baht)

	<u>1 January 2011</u>
Statement of financial position	
Increase in reserve for long-term employee benefits	9,782
Decrease in unappropriated retained earnings	9,782

3. New accounting standards issued during the period not yet effective

During the current period, the Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standard Interpretations:

- SIC 10 Government Assistance - No Specific Relation to Operating Activities
- SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets
- SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

4. Related party transactions

During the periods, the Company had significant business transactions with their related party. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and that related party.

(Unit: Thousand Baht)

	For the three-month periods ended		For the six-month periods ended		Transfer pricing policy
	30 June		30 June		
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Sales of goods	533	164	1,139	416	Close to market price
Purchases of goods	43	26	73	57	Close to market price
Consultant fee	300	300	600	600	Baht 1.2 million per year
Professional fee	59	62	85	134	As stipulated in the agreement
Interest expense	80	112	140	112	2.80% per annum (2010: At an interest rate of three-month fixed deposit from the commercial bank plus 1.50 - 2.50%)
Dividend paid	28,800	26,880	28,800	26,880	Baht 0.60 per share (2010: Baht 0.56 per share)

(Unaudited but reviewed)

The balances of the accounts between the Company and that related party are as follows:

(Unit: Thousand Baht)

	Relationship	30 June 2011	31 December 2010
Trade account receivable - a related party			
Modernform Group Public	Common shareholders		
Company Limited	and common directors	469	215
Trade account payable - a related party			
Modernform Group Public	Common shareholders		
Company Limited	and common directors	46	403
Accrued expense - a related party			
Modernform Group Public	Common shareholders		
Company Limited	and common directors	59	-

During the current period, movements of short-term loan and interest payable to a related party were as follows:

(Unit: Thousand Baht)

	Balance as at 1 January 2011	During the period		Balance as at 30 June 2011	Interest	Repayment
		Increase	Decrease		charging policy	schedule
<u>Short-term loan and interest payable</u>						
<u>to a related party</u>						
Principal	-	20,000	(20,000)	-	2.80% per annum	Due within
Interest payable	-	140	(140)	-		24 May 2011
	-	20,140	(20,140)	-		

Directors and management benefits

During the three-month and six-month periods ended 30 June 2011, the Company had salaries, bonuses, meeting allowances, gratuities and long-term employee benefits of their directors and management recognised as expenses totaling Baht 3.5 million and Baht 6.8 million, respectively (2010: Baht 3.1 million and Baht 6.1 million, respectively).

5. Trade accounts receivable/trade account receivable - a related party

The aging of the outstanding balances of trade accounts receivable, based on due dates, is as follows:

	(Unit: Thousand Baht)	
	<u>30 June 2011</u>	<u>31 December 2010</u>
<u>Age of receivables</u>		
Not yet due	245,991	200,765
Past due		
Less than 3 months	73,908	89,350
3 - 6 months	283	126
Total	<u>320,182</u>	<u>290,241</u>

The aging of the outstanding balances of trade account receivable - a related party based on due date, is as follows:

	(Unit: Thousand Baht)	
	<u>30 June 2011</u>	<u>31 December 2010</u>
<u>Age of receivables</u>		
Not yet due	443	159
Past due		
Less than 3 months	26	56
Total	<u>469</u>	<u>215</u>

6. Allowance for diminution in value of inventory

Movements in the allowance for diminution in value of inventory during the six-month period ended 30 June 2011 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 January 2011	1,068
Add: Allowance made during the period	74
Less: Allowance reversed during the period	<u>(242)</u>
Balance as at 30 June 2011	<u>900</u>

7. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 30 June 2011 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 January 2011	438,130
Acquisitions during the period - at cost	82,646
Disposals during the period - net book value at disposal date	(1,500)
Depreciation for period	(33,543)
Reversal of allowance for impairment loss of assets	<u>1,148</u>
Net book value as at 30 June 2011	<u><u>486,881</u></u>

The Company has pledged its land and construction thereon and part of its machinery amounting to approximately Baht 139.4 million (31 December 2010: Baht 179.9 million) as collateral against bank overdrafts, short-term loans, long-term loans and credit facilities received from financial institutions.

8. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)	<u>30 June 2011</u>	<u>31 December 2010</u>
Bank overdrafts	7.125 - 7.50	240	-
Short-term loans from financial institutions	2.10 - 3.89	110,000	50,000
Trust receipt	2.70 - 4.00	<u>41,229</u>	<u>27,203</u>
Total		<u><u>151,469</u></u>	<u><u>77,203</u></u>

Bank overdrafts are secured by the mortgage of the Company's land and construction thereon, and short-term loans from financial institutions are guaranteed by the Company's directors and secured by the mortgage of the Company's land and construction there on as well as the pledge of part of its machinery.

9. Long-term loans

	(Unit: Thousand Baht)	
	30 June 2011	31 December 2010
Long-term loans	162,632	141,290
Less: Current portion	<u>(45,003)</u>	<u>(44,654)</u>
Long-term loans - net	<u>117,629</u>	<u>96,636</u>

Movements in the long-term loans account during the six-month period ended 30 June 2011 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 January 2011	141,290
Add: Additional borrowing during the period	44,112
Less: Repayment during the period	<u>(22,770)</u>
Balance as at 30 June 2011	<u>162,632</u>

The loans are secured by land and construction thereon and certain machinery of the Company.

During the six-month period ended 30 June 2011, the Company entered into new loan agreement and amendment loan agreement with commercial banks. Details are as follows:

- a) A term loan facility of Baht 10 million carrying interest at MLR minus 1.5% per annum. The loan is to be used to invest in factory systems and is to be drawn down within April 2011, and is to be repaid in monthly installments over a period of 48 months commencing from the month of last drawdown or in May 2011, depending on which circumstance occur first. It is secured by land and construction thereon. As at 30 June 2011, the Company has drawn down fully amount from this facility.
- b) A term loan facility of Baht 26 million carrying interest at MLR minus 1.5% per annum. The loan is to be used to purchase new machinery and is to be drawn down within September 2011, and is to be repaid in monthly installments over a period of 78 months commencing after the completion of a grace period of seven months from the date of first drawdown. It is secured by new machinery. As at 30 June 2011, the Company has drawn down fully amount from this facility.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity and debt service coverage ratios according to the agreements.

As at 30 June 2011, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 191.4 million.

10. Corporate income tax

During 1 January 2010 to 30 June 2010, the Company's corporate income tax has been calculated at the rate of 20 percent of net taxable income, after adding back expenses and deducting income which are disallowable for tax computation purpose. During 1 January 2011 to 30 June 2011, the Company's corporate income tax has been calculated by applying net taxable income, after adding back expenses and deducting income which are disallowable for tax computation purpose with the estimated effective tax rate for the year.

11. Dividend paid

Dividends declared during the six-month periods ended 30 June 2011 and 2010 consist of the following:

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Dividend for 2010	Annual General Meeting of the shareholders on 28 April 2011	60,000	0.60
Dividend for 2009	Annual General Meeting of the shareholders on 28 April 2010	56,000	0.56

12. Segment information

The Company's business operations involve a single industry segment, the manufacture and distribution of plastic packaging, and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating income and assets reflected in these financial statements pertain to the aforementioned industry segment and geographic area. Export sales during the three-month and six-month periods ended 30 June 2011 are amounted to Baht 30.6 million and Baht 59.4 million, respectively (2010: Baht 26.4 million and Baht 48.3 million, respectively).

13. Commitments and contingent liabilities**13.1 Capital commitments**

As at 30 June 2011, the Company had capital commitments of approximately SGD 0.8 million, JPY 100.1 million and Baht 6.5 million (31 December 2010: USD 0.06 million, SGD 0.6 million, JPY 37 million and Baht 28.1 million), which related to acquisition of machinery and molds.

13.2 Service commitment

As at 30 June 2011, the Company had the consultant agreement and professional service agreement of Baht 0.8 million with a related company (31 December 2010: Baht 1.4 million).

13.3 Guarantees

As at 30 June 2011, there were outstanding bank guarantees for guarantee electricity consumption of approximately Baht 11.1 million (31 December 2010: Baht 10.3 million) issued by banks on behalf of the Company.

13.4 Letter of credit

As at 30 June 2011, the Company had unused letters of credit amounting to Baht 30.0 million (31 December 2010 : JPY 30.0 million or approximately Baht 11.2 million).

14. Foreign currency risk

The balances of financial assets and financial liabilities denominated in foreign currency as at 30 June 2011 which were unhedged are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 30 June 2011
	(Thousand)	(Thousand)	
US dollar	695	-	30.7472
Yen	-	106,893	0.3819

15. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current period's classification but with no effect to previously reported profit or shareholders' equity. The reclassifications are as follows:

	(Unit: Thousand Baht)	
	<u>As reclassified</u>	<u>As previously reported</u>
Trade accounts receivable	290,241	290,456
Trade account receivable - a related party	215	-
Trade accounts payable	127,913	128,316
Trade accounts payable - a related party	403	-

16. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 9 August 2011.