



Annual Report 2007-2008



Polyplex (Thailand) Public Company Limited

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Polyplex (Thailand) Public Company Limited



Total Productivity Maintenance (TPM) Kick Off meet



Celebrating joys of Songkran Festival



Factory Visit organised for Shareholders of PTL

**New Extrusion Coating Line in PTL
which commenced operations in April 2008**



**New PET Thin Film Line
commissioned in Turkey in May 2008**



Message from the Chairman



The year 2007-08 has been a landmark year with the highest ever profitability on consolidated operations of the company. The prospects for the future were also boosted by the commencement of commercial production from several plants within a short period of 2 months after the close of the financial year. Both the Thailand and Turkey plants are world class integrated facilities being the largest in the respective regions of South East Asia and Europe. With improving markets and additional projects in the pipeline, the company expects to build on its past track record and strong financials to become one of the leading Plastic Film producers in the world.

During the past year, the profitability of the Company has improved despite the adverse impact of volatile raw material prices due to steep increases in crude oil prices as also unabated appreciation of the Thai Baht against the export currencies. Benefits of backward / forward integration, geographically dispersed manufacturing and focus on improved productivity have helped the company bolster its consolidated revenues and profits. In line with the dividend policy, the Board has proposed the highest ever dividend of Baht 0.40 per share for the consideration of shareholders.

Looking ahead, the Company believes that in the medium term, the outlook on margins is stable to positive. Profitability is likely to improve with the benefit from additional volumes from Turkey as also higher proportion of value added products like metallized, extrusion coated and other specialty films. The risk factors would remain the same, namely, changes in demand supply balance due to likely additional capacities coming on stream, continued raw material price volatility driven by high petroleum prices and further appreciation of the Thai Baht. However, the Company remains confident of the longer term outlook and is focusing on strategy to gradually develop a higher level of sustainability & stability in profitability / cash flows by upping the proportion of value added products and also considering related diversification into similar product lines with market / production synergies. It is also evaluating options for inorganic growth through acquisition of assets in some of the high growth markets in the business.

On behalf of The Board of Directors, I wish to thank all the stakeholders and our talented and dedicated team of employees for their strong support and confidence and seek the same in achieving the future plans of the Company.

A handwritten signature in blue ink, reading "Manu Leopaivote". The signature is written in a cursive, flowing style.

Mr. Manu Leopaivote
Chairman - Board and Audit Committee

Board of Directors



Mr. Manu Leoparote

Chairman - Board and Audit Committee



Dr. Virabongsa Ramangkura, Ph.D.

Director and Member - Audit Committee



Mr. Shiraz Erach Poonevala

Director and Member - Audit Committee



Mr. Sanjiv Saraf

Managing Director



Mr. Praphad Phodhivorakhun

Director



Mr. Pranay Kothari

Director



Mr. Ranjit Singh

Director



Mr. Rohit Kumar Vashistha

Director and Head-Sales & Marketing

Audit Committee Report - 2007 - 2008

To the Shareholders of Polyplex (Thailand) Public Co., Ltd.

Following the company's transformation into a public limited company on August 11, 2004, the shareholders' meeting held on September 2, 2004 decided to constitute an Audit Committee comprising of three independent directors with knowledge, expertise and experience in finance & accounting, industry and business. The appointees were Mr. Manu Leoparote (Chairman of the Audit Committee), Dr. Virabongsa Ramangkura and Mr. Shiraz Erach Poonevala.

The Audit Committee performed duties under the delegation of authority set out by the Board of Directors. Among the Audit Committee's responsibilities are to review the quarterly / annual financial results of the company, supervise whether the compliance with the rules and regulations of the Stock Exchange of Thailand (SET) and Securities Exchange Commission (SEC), ensure the transparency of the accounting system, review of internal control systems and promote good corporate governance practices.

In the financial year ended March 31, 2008, a total of four Audit Committee meetings were held.

The Committee's work can be summarized as below:

1. Reviewed and approved the quarterly and yearly financial statements of the company and its subsidiaries to ensure compliance with the generally accepted accounting standards and disclosure of key information before proposing them for the Board's approval as also prior to submission to SEC and SET. After due consideration and discussion, it is the opinion of the Committee that the above mentioned financial statements are presented fairly in accordance with generally accepted accounting principles and sufficiently disclosed.
2. Reviewed and monitored the corporate compliance and internal control systems as also risk mitigation measures and gave recommendations which would boost effectiveness. The Committee believes that the company's internal control systems are adequate.
3. Reviewed the disclosure of information on transactions between the company and its affiliates or any transactions, which may have been perceived as potentially causing conflicts of interest.

For 2008-09, the Audit Committee has considered and decided to recommend to the Board of Directors to re-nominate Mr. Narong Puntawong (CPA No. 3315) and/or Mr. Supachai Phanyawattano (CPA No. 3930) and/or Ms. Siraporn Ouuanunkun (CPA No. 3844) of Ernst & Young to be re-appointed by the shareholders as the auditors of the Company.

Name	Position	Signature
Mr. Manu Leoparote	Board Chairman and Audit Committee Chairman	
Dr. Virabongsa Ramangkura	Audit Committee Member	
Mr. Shiraz Erach Poonevala	Audit Committee Member	

The Board of Directors' Report on its Responsibility to Financial Statements

To the Shareholders of Polyplex (Thailand) Public Co., Ltd.

In recognition of its duties and responsibilities and in compliance with good corporate governance principles, the Board of Directors has ensured that the financial statements and financial information appearing in the annual report are accurate, complete and adequate. The financial statements are in compliance with the generally accepted accounting practices in Thailand and follow accounting standards and practices that are appropriate to the nature of business. To ensure reasonable confidence in using these financial statements, the Board has instituted and maintained internal control systems, subject to periodic review by the Audit committee and reported to the Board.

The company auditor has applied generally accepted auditing standards in auditing the company's financial statements for 2007-08 and is of the view that these financial statements present fairly, in all respects, the financial standing, results of the operations and cash flows for the company, in accordance with generally accepted accounting principles.



Mr. Manu Leoparote
Chairman



Mr. Sanjiv Saraf
Managing Director

1. Financial Highlights

	2007-2008	2006-2007	2005-2006
Progression (Thousand Baht)			
Net Sales	6,398,679	4,718,570	3,299,991
Total Revenues	6,509,890	4,808,832	3,427,450
Gross Profit	1,449,022	864,177	883,771
Net Profit (Loss)	813,551	341,842	560,974
Total Assets	8,299,334	5,837,919	5,602,058
Total Liabilities	3,970,453	2,315,560	2,119,240
Total Shareholder's equity	4,328,881	3,522,359	3,482,818
Financial Ratios			
Net Profit Margin (%)	12.50%	7.11%	16.37%
Return on Equity (%)	20.72%	9.76%	16.74%
Return on Assets (%)	11.51%	5.98%	11.98%
Per Share Data (Baht)			
No. of shares	800,000,000	800,000,000	800,000,000
Dividend per share (Baht)	0.40*	0.17	0.28
Earnings per share	1.02	0.43	0.70
Par value	1.00	1.00	1.00

Note: Ratios calculated on consolidated basis (includes figures for the Company's subsidiary in Turkey which had commenced operations in 2005/06 as also for subsidiary in Singapore which is an investment holding company and a subsidiary in USA which is a Distribution company)

* As proposed to the Annual General Meeting of Shareholders, 2008 for their approval.

2. General information

2.1 The company	Polyplex (Thailand) Public Company Limited
Stock Exchange of Thailand symbol	PTL
Registered Head office	75/26, Ocean Tower II, 18th Floor, Sukhumvit Soi 19, Kwaeng North Klongtoey Khet Wattana, Bangkok - 10110
Telephone	(662) 665-2706-8
Facsimile	(662) 665 2705
Factory -1	Siam Eastern Industrial Park, 60/24, Moo 3, Tambol Marbyangporn, Amphur Pluak Daeng, Rayong- 21140
Factory -2	Siam Eastern Industrial Park, 60/91 Moo 3, Tambol Marbyangporn, Amphur Pluakdaeng , Rayong 21140
Type of Business	Manufacturer of Polyester Film, Polyester Chips and Thermal lamination film
Company registration number	0107574700729
Telephone	(66) 38 891 352-4
Facsimile	(66) 38 891 358
Website	http://www.polyplexthailand.com , http://www.polyplex.com
Registered Capital	Baht 960,000,000
Common Shares	960,000,000 shares
Par Value	Baht 1.00 per share
Paid-up Capital	Baht 800,000,000
Number of Employees	520 including subsidiaries in Turkey and USA, 288 in Thailand.

2.2 Subsidiaries in which the company holds more than 10% share

Company Name and Address	Business Type	Registered Capital (shares)	No. of shares held by the Company	% shareholding	Type of Shares
Polyplex (Americas) Inc. 12200 Ford Suite A-210 Farmers Branch, Dallas, Texas-75234	Distribution Company	10,000,000 5,000,000	203,000 -	80.24% -	Common Preference
Polyplex (Singapore) Pte Ltd. 61, Club Street, Singapore-069436	Investment Holding Company	100,000 300,000	100,000 193,500	100% 100%	Common Preference
Polyplex Europa Polyester Film Sanayi Ve Ticaret A.S. Avrupa Serbest Bolgesi, 132, Ada, 7 Parsel, Velimese Mevkii, Corlu, Turkey	Manufacturer of Polyester Film & Polyester chips	1,500,000	1,500,000*	100%	Common

* Indirect holding via PSPL

2.3 Other references

(a) Registrar

Name Thailand Securities Depository Co., Ltd.
Address 62, The Stock Exchange of Thailand Building
4th, 6th-7th Floor, Rachadapisek Road, Klongtoey, Bangkok 10110
Telephone (662) 229-2800, (662) 654-5599
Facsimile (662) 359-1259

(b) Trustee

N/A

(c) Auditing Firm

1) Name Ernst & Young
Address 33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek road
Near Queen Sirikit National Convention Centre
Bangkok 10110, Thailand
Telephone (662) 264-0777
Facsimile (662) 661-9190
Auditors* Mr. Narong Puntawong (CPA No. 3315) and/or
Mr. Supachai Phanyawattano (CPA No. 3930) and/or
Ms. Siraporn Ouaanunkun (CPA No. 3844)

* As proposed to the Annual General Meeting of Shareholders, 2008 for their approval.

(d) Legal Advisors

Name	Allen & Overy (Thailand) Co. Ltd.
Address	22 nd Floor, Sindhorn Tower III, 130-132 Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
Telephone	(662) 263-7600
Facsimile	(662) 263-7699
Contact person	Mr. Arkrapol Pichedvanichok Ms. Somporn Manodamrongtham
Name	Baker & McKenzie Ltd.
Address	990 Abdulrahim Place, 5 th Floor and 22 nd -25 th Floors, Rama IV Road,Silom, Bangrak Bangkok 10500, Thailand
Telephone	(662) 636-2000
Facsimile	(662) 636-2110
Contact person	Mr. Wittaya Luengsukcharoen

(e) Advisor or manager under management contract

N/A

3. Business Overview

3.1 Company profile and key changes and developments

Polyplex (Thailand) Plc. (“PTL” or “the Company”) was incorporated as a private company on March 26, 2002 with an initial registered capital of Bt. 400,000 to manufacture and distribute PET film (polyethylene terephthalate film or polyester film). The registered capital of the Company was subsequently increased to Bt. 400 million in April/May, 2002. The Company is promoted by Polyplex Corporation Limited (PCL) based in India and engaged in the same business as the Company more than 20 years. As on date, PCL has 70% stake in the Company through both direct and indirect shareholding.

Past key changes and developments to the Company are as follows:

March-April 2002	PTL was promoted by PCL, which is a listed company (on the Bombay Stock Exchange as also National Stock Exchange) in India. PCL took up 100% of the Company’s registered capital of Bt. 400,000,000, divided into 8,000,000 ordinary shares at a par value of Bt. 10 per share and 32,000,000 preference shares at a par value of Bt. 10 per share. PTL also acquired a plot of land with an area of 20 rai 22 square wah at Siam Eastern Industrial Park in Rayong Province in order to construct a factory for manufacture of PET film.
May 20, 2002	PTL was granted a promotion certificate by BOI for PET film (production line 1) with an approved production capacity of 15,000 tons per year.
July-2002 to April-2003	The Company started construction of the factory in July-2002 and completed its plant construction and proceeded with machinery test-run in March, 2003 followed by commercial production from April 2, 2003 when its first sale invoice was recorded.
March/April-2003	The shareholders’ meeting resolved for increase of registered capital by another Bt. 260 million through issuance of 20,800,000 preference shares at a par value of Bt. 10 per share and 5,200,000 ordinary shares at a par value of Bt. 10 per share to the existing shareholders
June 11, 2003	The Company was granted a BOI promotion certificate for production of <ul style="list-style-type: none">• PET film (production line 2) with an approved production capacity of 15,000 tons per year (now expanded to 19,500 tons per year).

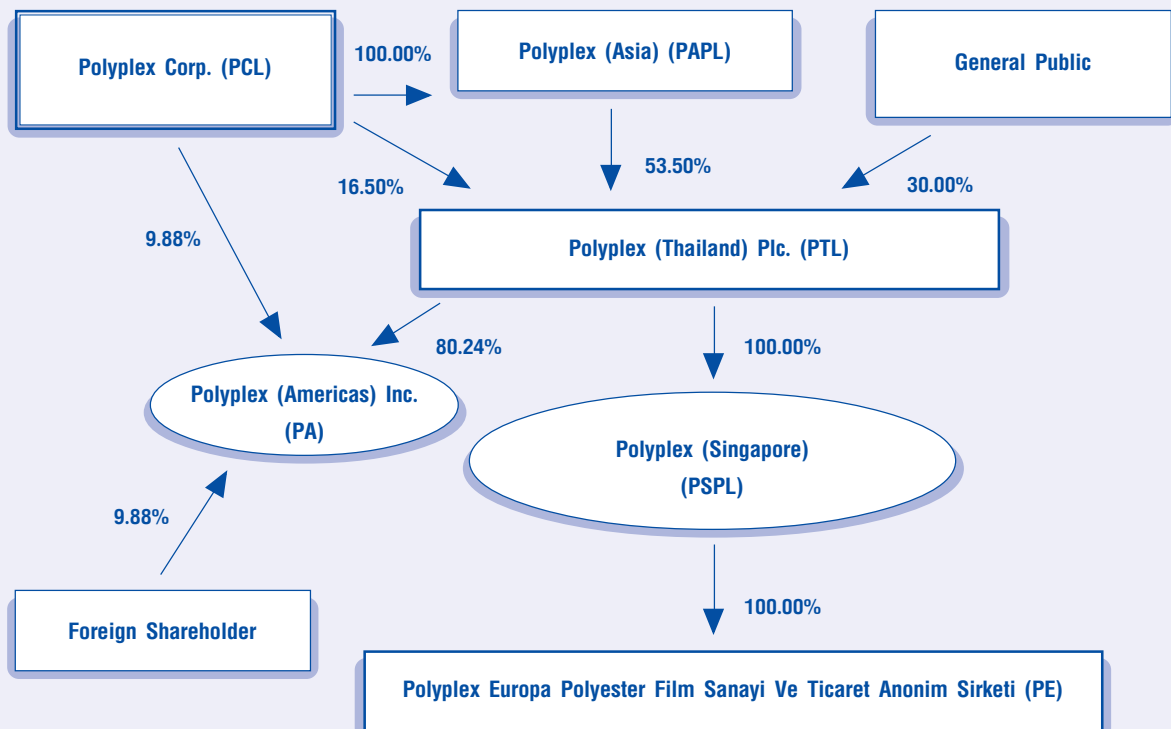
	<ul style="list-style-type: none"> • PET resin with an approved production capacity of 26,250 tons per year
September 11, 2003	The Board of Directors resolved for the purchase of another plot of land adjacent to the existing land covering 8 rai 28.9 square wah area to produce PET resin which is the raw material in PET film production.
November 12, 2003	Commercial production and distribution began for film production line 2.
December 13, 2003	The Company attained ISO 9001:2000 certification on quality management system.
May 31, 2004	The Company attained ISO 14001:1996 certification on environmental management system.
May to July-2004	The company received approval from the BOI for a restatement of the installed capacity of both its film production lines from 15000 tons to 19500 tons each per year. The company also applied to the BOI for further increase in the production capacity of both the film lines to 24,000 tons per year each given the significant productivity improvements and additional equipment commissioned by the company.
July 30, 2004	<p>The shareholders' meeting resolved for transformation of the Company into a public company, write-down of par value from Bt. 10 to Bt. 5 per share and increase of registered capital by Bt. 1,068 million to make up a total of Bt. 1,728 million requiring issue of additional 213.6 million ordinary shares. The allocation of the increase in capital was as under:</p> <ul style="list-style-type: none"> - 133.6 million Shares offered to Polyplex (Asia) Pte. Ltd. (PAPL), a juristic person registered in Singapore, being a 100% subsidiary of PCL, India. - Up to 80 million shares at part value of Bt. 5 per share, making a total of up to Bt. 400 million as public offering. <p>The meeting also resolved for establishment of a holding company named Polyplex (Singapore) Pte. Ltd.(PSPL), registered in Singapore as a holding company to facilitate investment and business expansion in Turkey.</p>
August 11, 2004	Registration was completed to transform the Company into a public company.
September, 2004	Start up on PET resin batch plant in Thailand with an annual production capacity of 7,000 MT per annum.

September 2, 2004	<p>The shareholders' meeting resolved for decrease of registered capital as under:</p> <ul style="list-style-type: none"> - Redemption of the entire 105.6 million preference shares worth Bt. 528 million, currently held by PCL, by a capital reduction process. - Cancellation of the unissued ordinary shares of Bt. 240 million, comprising of 48 million shares, which were to be subscribed by PAPL. <p>The combined reduction as above would make the total registered capital Bt. 960 million of which Bt. 560 million is paid-up.</p> <p>The shareholders' meeting also resolved to reduce the par value of the shares from Bt. 5 per share to Bt. 1 per share to be registered along with the capital reduction.</p>
November 15 -16, 2004	<ul style="list-style-type: none"> - Reduced the 105.6 million preference shares worth Bt. 528 million , currently held by PCL, by a capital reduction process. The reduction make the registered capital Bt. 960 of which Bt. 560 is paid-up capital. - Changed the par value to Bt. 1 per share
December 8, 2004	IPO of 240,000,000 shares at the price of Baht 6.90 per share.
February 22, 2005	PTL was granted a promotion certificate by BOI for Metalliser film with an approved production capacity of 7,500 tons per year.
February 22, 2005	Startup of Continuous Chips Plant with a production capacity of 45,500 MT per annum.
April 19, 2005 & April 22, 2005	The company received approval from the BOI for a restatement of the installed capacity of both its film production lines from 19,500 tons to 24,000 tons each per year as also for its Chips plant from 26,250 tons to 52,500 tons per year
August, 2005	Start up of Metallizer Line 1 in Thailand with an attainable annual capacity of 4,800 MT per annum.
December, 2005	Start up of Thin Pet film line 1 in Turkey implemented by subsidiary company with a production capacity of 24,000 MT per annum.
March, 2006	Metallizer start up in Turkey with a production capacity of 4,800 MT pa.

December, 2006	Start up of Pet resin plant in Turkey with a production capacity of 45,500 MT per annum
March, 2007	PTL was granted a promotion certificate by BOI for Extrusion Coating film project with an approved production capacity of 18,000 MT per annum for two production lines.
October, 2007	Board of Directors of PTL approved a Project for related product diversification in CPP Film manufacture in Thailand.
November, 2007	Start up of Trial run of Extrusion Coating Plant
November, 2007	Total Productive Maintenance (TPM) policy adopted and rolled out by PTL to enhance productivity.
January, 2008	PTL was granted a promotion certificate by BOI for Metallised Film Expansion Project with an approved production capacity of 8,700 MT per annum.
April, 2008	Commencement of commercial production of the Extrusion Coating line.
May, 2008	Commencement of commercial production of the Thin PET Film line and the Metallised Film line in Turkey and also the Metallised Film line in Thailand.

3.2 Shareholding structure

The current shareholding structure of the Polyplex group is:



Polyplex Corporation Ltd. (PCL)

PCL, the parent company operating for over 20 years since 1988, is a major producer and distributor of PET film in India selling in both the domestic and overseas markets. It has been listed for several years on Bombay Stock Exchange and other Exchanges in India. Its issued capital is INR 152.21 million (about Bt. 120 million). PCL has the following production capacities:-

Product	MT p.a	Remarks
Polyester Film	20,000	Existing capacity
Polyester Chips	20,000	Existing capacity
Metallized Film	4,800	Existing capacity
Polyester Film	31,000	Under implementation-Expected :Q1 2009-10
Polyester Chips	45,500	Under implementation-Expected :Q1 2009-10
Metallized Film	6,500	Under implementation-Expected :Q1 2009-10
BOPP Film line	35,000	Under implementation-Expected :Q2 2009-10
BOPP Metallized Film	4,500	Under implementation-Expected :Q2 2009-10

Its direct and indirect shareholding of the Company aggregate to 70% of the latter's paid up capital.

Polyplex has also evolved an equitable policy for distribution of markets between its Indian, Thai and Turkey operations based on the several factors like product range, delivered cost to customer and supply lead times and preferential duty access. Based on the same, PTL would serve North America, South East Asia, Asia Pacific, China , Australia & New Zealand. PCL would serve South Asia, and South America. Turkey will serve, Europe, Middle East, Africa and CIS/Russia markets

For the future investment policy, Polyplex group has clear investment policy between the Company and its parent company. Investments in India and South Asia will be implemented by PCL and/or its subsidiaries (except for the Company) while those in Thailand and ASEAN including other areas will be carried out by the Company and/or its subsidiaries.

Polyplex (Asia) Pte. Ltd. (PAPL)

PAPL was established as a 100% subsidiary of PCL in July, 2004 and is now a major shareholder of PTL. PAPL was incorporated as an investment vehicle of PCL for its overseas investments (including PTL). The issued and paid up capital of PAPL as of March 31, 2008 stands at USD 1.59 million.

Polyplex (Singapore) Pte. Ltd. (PSPL)

As Thailand and Turkey did not have an effective Double Taxation Avoidance Agreement (DTAA), PTL decided to set up its wholly owned investment holding company in Singapore to invest in the PET film manufacturing factory in Turkey so as to serve the

demand in European and other proximate markets. The issued and paid up capital of PSPL as of March 31, 2008 stands at Euro 42.125 million.

Polyplex Europa Polyester Film Sanayi Ve Ticaret Anonim irketi (PE)

PSPL has incorporated a 100% owned subsidiary company, PE in Turkey for operation of Greenfield polyester film plant for export to European and other proximate markets. The commercial operations have begun since December, 2005 with the start up of the thin pet film line. The Metallizer plant has since started production in March, 2006. The Pet resin plant has commenced commercial production from December, 2006. The projects for an additional thin PET film line and Metallized Film line have recently commenced production in May'08. Both these projects have been commissioned on schedule and within the budgeted cost. The issued and paid up capital of PE as of March 31, 2008 stands at Euro 4.04 million.

Polyplex (Americas) Inc.

PTL has acquired 80.24% equity stake in Spectrum Marketing Inc. (since renamed as Polyplex (Americas) Inc) with effect from January 1, 2006 to enhance its distribution network in the North American market. PCL, PTL's parent company also has a 9.88% stake while the balance 9.88% is held by a foreign US-based shareholder. The issued and paid up capital of PA as of March 31, 2008 stands at USD 1.425 million.

3.3 Revenue structure of the Company

PTL operates only in the thin film segment focusing on the Packaging, Industrial and Electrical segments. PTL's sales value classified by country group is shown below:

Customers	2005/06		2006/07		2007/08	
	Bt. million	%	Bt. million	%	Bt. million	%
Exports						
Asia	740.27	21.70	953.73	28.14	976.86	27.06
North America	705.25	20.67	579.36	17.09	473.75	13.12
Europe	915.86	26.84	442.87	13.06	597.80	16.56
Others	101.26	2.97	195.48	5.77	296.41	8.21
Total exports	2,462.64	72.18	2,171.44	64.06	2,344.82	64.96
Domestic sales	463.41	13.58	461.78	13.62	537.10	14.88
Sale of chips ¹	357.30	10.47	691.07	20.39	650.06	18.01
Other revenues ²	128.68	3.77	65.51	1.93	77.66	2.15
Grand total	3,412.03	100.00	3,389.80	100.00	3,609.64	100.00

Notes. 1) Sale of chips includes both domestic and export sales.

2) Includes Export Incentive, interest received, etc.

3.4 Business Goal

The vision at Polyplex is to establish global leadership in the Thin PET film business through building trusted partnerships with Investors, Customers and Employees. The business goal is to increase market share in various regional markets - through

geographically diversified manufacturing presence, increase market penetration in key customers and build a diversified portfolio of products like Metallized films, clear films, extrusion coated films and other grades of packaging films like CPP, BOPP etc.

3.5 Promotion certificate

PTL has been granted five BOI promotion certificates, the salient points of which are as below:

Privileges	Certificate no. 1321(2) /2545	Certificate no. 1287/(2) /2546	Certificate no. 1159(2) /2548	Certificate no.1261(2) /2550	Certificate no.1044(2) /2551
Type of business	PET film	PET film and PET Resin	Metallized Films	Extrusion Coated Films	Metallized Films
Date granted	May 20, 2002	June 11, 2003	February 22, 2005	March 14, 2007	January 10, 2008

By virtue of the provisions of the Board of Investment Promotion Act B.E. 2520, the Company has been granted certain standard promotional privileges on the manufacturing and distributing the polyester film/resin/Extrusion coated film as per the following sections: 25, 26, 27, 28, 31, 34, 35(1), 35(2), 35(3), 36(1), 36(2) and 37 respectively. The Company must comply with certain conditions and restrictions provided for in the promotion certificate. Details of the privileges of each of the above sections are shown at www.boi.go.th

3.6 Business Operations of each product line

PTL is Thailand's leading producer and distributor of thin PET film (Thin Polyethylene Terephthalate Film, also called PET film), with most of the company's production being exported to the foreign countries. PTL focuses on 3 key segments - Packaging, Industrial and Electrical. PTL's customers use the company's products as raw material to produce their end-products which are then sold to their consumers. Some examples of products made from thin PET film are Coffee/Tea bag, snack bag, softener bag, detergent bag, wire/cable wrap and hot stamping foil.

3.6.1 Product Description

PTL is the producer and distributor of thin PET film which has a wide range from 9 microns to 50 microns in thickness. The film is a high performance plastic film made from PET resin. The thin PET film product produced by the company can be categorized as follows:

- A.) Transparent films which can divided into 5 sub-categories
 - * Plain
 - * Corona or chemically treated
 - * High adhesion and Barrier films
 - * Ultra clear films
 - * Co-extruded films
- B.) Hazy films
- C.) Metallised films

3.6.1.1 Characteristic of PET film

PET film characteristic properties are as follow:

- * Optically brilliant, clear appearance
- * Excellent mechanical strength and toughness
- * Good dielectric properties
- * Good flatness and coefficient of friction (COF)
- * Tear-resistant and puncture - resistant characteristics
- * Excellent dimensional stability over a wide range of temperatures
- * Very good resistance to most common solvents, moisture, oil, and grease
- * Excellent barrier against a wide range of gases

PET film can also be modified with varying degrees of shrinkage, opacity & colours and different surface textures for it to be used over a wide range of applications.

A wide range of chemical treatments (in addition to corona) can be applied to PET film during its manufacture to help it adhere to various coatings.

3.6.1.2 End Use segment

Thin PET film can be used in the 3 key segments

- 1) Packaging
Clear and Metallized thin PET film can be used as part of the outer layer and middle layer of the flexible packaging such as coffee bag, snack bag, softener bag, and detergent bag.
- 2) Industrial
Comprising of Hot stamping foils, flexible air-conditioning ducts, labels /ID cards, lamination products and many more.
- 3) Electrical
Wire and cable wrap, membrane switches, flexible printed circuits, capacitors and motor insulation.

The segmental break-up of revenue from PET film sale (Plain & Metallized films) has been estimated as follows:

Segment	2005-06		2006-07		2007-08	
	Bt. Mn	%	Bt. Mn	%	Bt. Mn	%
Packaging Use	2,124.96	72.62	1,981.02	75.23	2,554.04	88.62
Industrial Use	790.18	27.01	640.71	24.33	314.19	10.90
Electrical Use	10.90	0.37	11.49	0.44	13.68	0.48
Total Film Sales	2,926.04	100.00	2,633.22	100.00	2,881.91	100.00

3.6.1.3 Products with similar properties

In certain applications like primarily graphics and magnetic recordings, substituting PET film would result in sacrificing performance characteristics of the product (e.g., strength, flatness, clarity, tear resistance, thermal stability and chemical resistance). However, in other applications, for which

certain PET film performance characteristics may not be needed, PET film competes with a wide variety of substitute materials. These applications tend to fall in the low end of the product range, where other plastic films (e.g., polyvinyl chloride, polypropylene, and polyethylene films) and paper may be considered as lower-priced substitutes. Applications for which a variety of substitute products may exist are primarily packaging and general-purpose industrial applications.

BOPP Films (Biaxially Oriented Polypropylene) is one such close substitute product type, which is comparable in terms of its broad physical and mechanical properties to Polyester films. However, there are pros and cons of using PET film or BOPP films and depending upon the application requirements, a choice of the substrate would be made. As a result of this, both PET films and BOPP films have largely demarcated pockets where one is preferred over the other.

A) Comparison of BOPP Films and BOPET (Polyester) Films

Polyester film is considered as the premium plastic film in the flexible packaging industry. This is also reflected by the difference in the volume of the two products.

Features	BOPP	BOPET
Water vapour barrier	Excellent	Fair
Gas barrier properties	Poor	Excellent
Break down voltage	Poor	Excellent
Machineability	Fair	Excellent
Printability	Fair	Excellent
Suitability for metallising	Poor	Excellent
Density (gm/cc)	Low (0.91)	High (1.39)
Strength	Fair	Excellent
Temperature Sensitivity	Poor	Excellent

Polyester film when stretched in both directions gives excellent dimensional stability, gas barrier properties, break-down voltage etc. BOPP, despite stretching remains a 'limp film'. Polyester film has better handling capabilities for fluctuations in temperatures etc. and is therefore also preferred in the less sophisticated markets. In tropical countries PET is also preferred due to its moisture and oxygen barrier properties. In addition products where aroma retention is important require the use of PET; e.g. coffee, tea.

On the other hand, the low density of BOPP (0.91 Vs. 1.39 for PET) makes it a 'cheaper' alternative in packaging. However, the advantage of density is to some extent offset by the need to typically have a thicker film when using BOPP as compared to PET for the same application. Further, since PET is not ordinarily heat sealable, BOPP is preferred in heat sealable applications.

All over the world BOPP and PET have established their respective segments in the packaging market and overlap is insignificant. Even in times of decline in BOPP selling prices about 2-3 years back, there was no visible impact on the growth in PET films consumption. This establishes the limited substitutability between the two products.

3.6.2 Business Strategy

Key elements of the strategy are:

- Attain cost leadership by way of capacity expansion and vertical integration, capture growth markets and build good customer relationship
- To build strong global delivery capabilities with near-shoring and efficient onward distribution network. Acquisition of the distribution company in the USA in early 2006 has been a strategic move of the company in this direction.
- Further broad base the product portfolio by investing in upgrading technical and R&D capabilities. Setting up of an extrusion coated project and the decision to set up the CPP line in Thailand were part of the strategy to diversify the product portfolio and to add new products to its existing product offering to customers.
- Consolidate market position in key geographic locations before the next phase of growth.

Moving in this direction, the following initiatives have been taken by the Company in the past and planned for future:

- o The setting up of 2 successive film lines in Thailand was the first step towards achieving cost leadership position along with diversification of customer base.
- o With the start up of the additional film line in Turkey in May 2008, the subsidiary has an even stronger cost effective production base to service its expanding customer base in Europe, Middle East, Africa & CIS/Russia.
- o Backward integration into the manufacturing of PET chips has strengthened the cost structure of the Company in Thailand and also of the subsidiary in Turkey.
- o PTL has started production from the Extrusion Coating plant and has also announced a CPP project which will increase its product offering to its customers.
- o PTL has also started production from the additional Metallizers in Thailand and Turkey in May '08 and will be able to increase significantly the share of value added products, in its sales portfolio thereby improving its profitability on the whole.
- o The additional Thin PET film line expansion announced in Thailand will help PTL in strengthening its position in existing markets and also help in tapping the high growth in new markets.

- o The company has also instituted the implementation of the Total Productive Maintenance (TPM) philosophy to improve the productivity at the plant and this has started bringing about considerable improvements in capacity utilizations, over 100% in both Thailand and Turkey.

3.6.3 Distribution Channel

The Company distributes its products to both domestic and overseas markets, with main focus put on the latter, constituting about 80-85% of its total sale revenues. Such export markets are classified by region into three groups, namely Asia, North America and Europe.

The product distribution has been made directly to the end users using its own marketing arm as in the USA and indirectly through distributors in designated areas, such as those in Europe. Its indirect distribution through distributors can help support and even boost its sales as these distributors are in close proximity of the target markets, hence allowing for closer service provision to the customers with rapid delivery, and also better market penetration to access small customers.

Value of export and domestic PET film sales (Plain & Metallized films) are as follows:

Customers	2005/06		2006/07		2007/08	
	Bt. million	%	Bt. million	%	Bt. million	%
Exports						
Asia	740.27	25.30	953.73	36.22	976.86	33.90
North America	705.25	24.10	579.36	22.00	473.75	16.44
Europe	915.86	31.30	442.87	16.82	597.80	20.74
Other	101.26	3.46	195.48	7.42	296.41	10.29
Total exports	2,462.64	84.16	2,171.44	82.46	2,344.82	81.36
Domestic sales	463.41	15.84	461.78	17.54	537.10	18.64
Grand total	2,926.05	100.00	2,633.22	100.00	2,881.91	100.00

Value of sales to end users and distributors are as follows:

Customers	2005/06		2006/07		2007/08	
	Bt. million	%	Bt. million	%	Bt. million	%
End Users	1,447.72	49%	1,790.58	68%	1,633.74	57%
Distributors	1,478.32	51%	842.64	32%	1,248.17	43%
Total	2,926.04	100%	2,633.22	100%	2,881.91	100%

3.6.4 Markets and competitive environment

3.6.4.1 Global Demand

The worldwide merchant market of PET film in 2007 was 1.71 million tons, up from 1.33 million tons in 2003, which represents a CAGR of 6.63% with the growth in 2007 over 2006 being in excess of 6%. Of this market, about

80% of demand is estimated to be driven by thin films. The sector with highest demand for thin PET film is packaging, followed by industrial and electrical films respectively. Their combined demand accounted for 80% in 2003, rising to 93% in 2007, with a cumulative growth of almost 50% during 2003-2008. Electrical segment recorded the highest growth of 81.12%, packaging 49.61% and industrial 35.41%.

Table to illustrate global consumption of PET film by business sectors
(unit: thousand tons)

Region	2003		2004		2005		2006		2007	
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%
Magnetic										
Media	170	13	110	8	74	5	48	3	34	2
Packaging	526	40	620	42	662	45	707	44	787	46
Electrical	162	12	197	13	228	15	285	18	293	17
Imaging	93	7	115	8	102	7	103	6	92	5
Industrial	374	28	423	29	420	28	467	29	506	30
Total	1,325	100	1,465	100	1,486	100	1,610	100	1,713	100

Source: Company Data

Classified by region, demand for PET film in 2003 was the highest in Other Asia followed by America, Japan and West Europe. In 2007, other Asian countries' demand for PET film is the largest accounting for 34% of world demand, followed by America and Japan with 20% and 18% respectively. With the expansion of packaging, industrial and electrical businesses (CAGR of 10.56% during 2003-2007 and 8.77% in 2007 over 2006) and hence growing demand for thin PET film since 2003, demand from other Asian countries recorded a healthy CAGR of 14.19% during 2003-2007.

Table to illustrate global consumption of PET film classified by regions
(unit : thousand tons)

Region	2003		2004		2005		2006		2007	
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%
America	318	24	329	22	326	21	338	21	348	20
Japan	245	18	267	18	283	19	309	19	313	18
Korea	169	13	164	11	144	10	143	9	160	9
Other Asian	338	26	436	30	462	31	525	33	575	34
W Europe	226	17	232	16	233	16	248	15	264	15
RoW	29	2	37	3	38	3	46	3	54	3
Total	1,325	100	1,465	100	1,486	100	1,610	100	1,713	100
Thin film	1,066	80	1,157	79	1,175	79	1,272	79	1,353	79
Thick film	259	20	308	21	311	21	338	21	360	21

Source: Company Data

3.6.4.2 Global Supply

The global merchant capacity for PET film in 2007 was almost 2.38 million tons up from 1.61 million tons in 2003, which represents a CAGR of 10.21%. Thin film capacity was 1.76 million tons in 2007 (about 74% of the total) up from 1.22 million tons in 2003 (about 75% of the total), which represents a CAGR of 9.59%. Since 1999, there has been a shift of production towards Asian markets (excluding Japan and Korea) whereas the capacity in all the other markets has remained largely unchanged.

Table to illustrate global capacity by types of PET film (unit: thousand tons)

Types of PET film	2003		2004		2005		2006		2007	
	Capacity	%	Capacity	%	Capacity	%	Capacity	%	Capacity	%
Thin Film	1,217	75	1,415	77	1,564	78	1,736	77	1,755	74
Thick Film	395	25	424	23	433	22	531	23	623	26
Total	1,612	100	1,839	100	1,997	100	2,267	100	2,379	100

Source: Industry estimates

Thin film: \leq 36 micron (μ) Thick film: $>$ 36 micron

Classified by region, Other Asia had the highest capacity in producing PET film in 2007. Its share compared to total capacity was 50.40%, followed by America and Korea with 13.37% and 12.90% respectively. During 2003-2007, Other Asia also was the region that had the highest growth rate of PET film production capacity with growth rate 131.76% due to the expansions by existing producers as also entry of several new producers in the region, especially China and India in order to meet the increase in PET film demand.

Table to illustrate shows global capacity of thin & thick film (unit: thousand tons)

	2003	2004	2005	2006	2007
America					
- Thin Film	188.5	192.4	197.4	177.40	197.50
- Thick Film	99.7	103.0	108.6	137.40	120.40
Total	228.2	295.4	306.0	314.80	317.90
Compare to the World Capacity (%)	17.87	16.1	15.3	13.8	13.37
Japan					
- Thin Film	181.5	179.4	177.2	167.20	161.10
- Thick Film	96.0	101.0	105.0	118.00	134.00
Total	277.5	280.4	282.2	285.20	295.10
Compare to the World Capacity (%)	17.21	15.3	14.1	12.58	12.41
Korea					
- Thin Film	255.6	253.9	252.5	252.60	201.40
- Thick Film	43.0	43.0	48.0	48.0	105.40
Total	298.6	296.9	300.5	300.60	306.80
Compare to the World Capacity (%)	18.52	16.1	15.0	13.26	12.90

	2003	2004	2005	2006	2007
Other Asia					
- Thin Film	430.3	622.4	750.2	920.50	982.60
- Thick Film	87.0	104.1	98.0	173.30	216.30
Total	517.3	726.5	848.2	1,093.80	1,198.90
Compare to the World Capacity (%)	32.08	39.5	42.5	48.24	50.40
West Europe					
- Thin Film	147.7	152.8	165.4	196.50	196.70
- Thick Film	62.0	59.2	64.4	43.40	36.40
Total	209.7	212.0	229.8	239.90	233.10
Compare to the World Capacity (%)	13.01	11.5	11.5	10.58	9.80
The Rest of the World (ROW)					
- Thin Film	13.5	14.2	21.7	22.00	16.00
- Thick Film	7.6	13.7	9.0	11.10	10.80
Total	21.1	27.9	30.7	33.10	26.80
Compare to the World Capacity (%)	1.31	1.5	1.6	1.46	1.13
The World Production Capacity	1,612.40	1,839.10	1,997.40	2,267.40	2,378.60

Source : Company Data

Note to Table :

America : America Continent

Other Asia : Countries in Asia except Japan and Korea

West Europe : Countries in West Europe

The Rest of the World : Countries in : Europe other than West Europe, Africa, Australia and New Zealand

3.6.4.3 Industry condition

Global competition

There are currently three distinct classes of PET film manufacturers classified by size of production capacity:

- (i) World majors with production capacity of over 100,000 tons per year (e.g. Dupont-Teijin, Mitsubishi and Toray, Cifu etc). Recently, with the start up of the Thin PET film line in Turkey, Polyplex group has also attained a capacity level of more than 100,000 tons and become one of the world major players.
- (ii) Mid-size players with production capacity between 50,000 - 100,000 tons per year (e.g. Kolon, SKC, Flex and Jindal, etc.) and
- (iii) Small / local producers with production capacity of less than 50,000 tons per year

Demand for PET film for magnetic media application has been high in the past, prompting major producers to focus mainly on this segment. Competition in the magnetic media segment is thus confined only to these major ones based on their long and well established expertise and experience.

For other PET films including thin film, competition is seen among all groups of producers thanks to the consistently rising demand, especially for thin film which is used in packaging, industrial and electrical segments where healthy growth of demand is recorded. Thus small and mid sized producers (including Polyplex group) have expanded their capacity to cope with the increasing demand in these segments. This has led to the expectation of higher market share by some small and mid sized producers in various countries which have surplus production capacity.

Domestic competition

Thailand's PET film market is of small scale. PTL forecasts that domestic demand in Thailand is approximately 18,000 tons per year with an annual growth rate of about 6-8%. In the past, domestic producers have put emphasis on producing BOPP film rather than any other types. PTL itself has principally focused on PET film with initial production capacity of 15,000 tons per year, rising to 48,000 tons per year at present, hence the largest PET film production capacity in the country.

The production capacities of the various plastic film producers in Thailand are as follows:

Production line (tons per year)	Thai Film Industrials Plc.	A.J. Plast. Plc.	PTL
BOPP film	100,000	36,500	-
PET film	3,500	28,500	48,000
CPP film	3,500	-	-*
BOPA film	-	8,000	-
Metallized film	7,000	9,275	7,500
Extrusion Coating film	-	-	9,000
Other coated films	3,000	-	-
Total	117,000	82,275	64,500

Source: Annual Report of A.J.Plast Plc and T.F.I Plc

* CPP film project with a capacity of 10,000 MT per annum is under implementation, expected to start operations by Q2 of 2009-10.

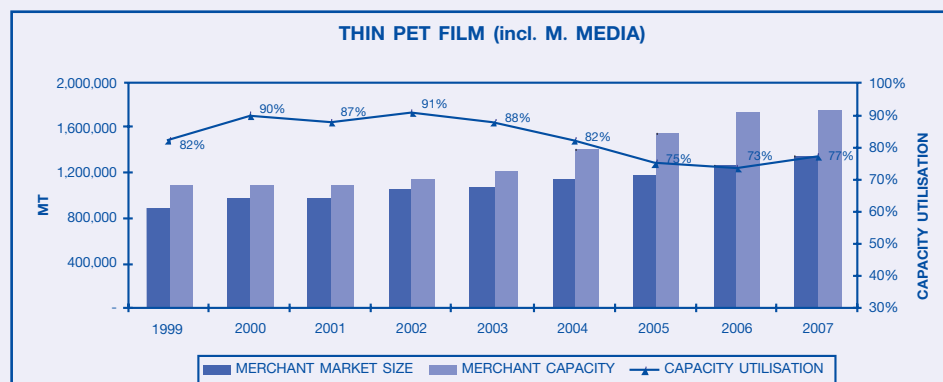
In 2002, Thailand's production capacity of PET film was around 12,000 tons, rising to 51,000 tons by 2003 year-end and about 80,000 tons currently.

Most of PTL's production is intended for exports while the other PET film producers have been more focused on the domestic markets. Despite the disparity between domestic supply and demand, PTL does not foresee any specific threat due to its different sales profile.

Conclusion on PET film industry

The PET film industry has expanded successively up to the present with good future prospects also foreseeable. The main driving factor for the past five years has been the growth of the packaging, industrial and electrical segments. Meanwhile, PET film producers have boosted their capacity utilization and/or their production capacity aggressively to respond to the increasing growth of demand. During 1999-2003, global average capacity utilization of PET film accounted for 82-91% of rated or nameplate capacity, considered a high utilization rate being close to the full machinery capacity. In practice, some producers can produce lower than the nameplate capacity due to the long use and hence the poor condition of machinery while some can produce with capacity utilization even higher than 100% of the nameplate capacity using new and modern machinery and based on their long-time expertise and experience.

However, from 2004 onwards, as a result of excess capacity built up, the average capacity utilization for thin films has declined, reaching a lowest of 73% last year and resulting in the overall sharp decline in margins and profitability in the industry. This is the cyclical nature of the industry and the demand growth has been catching up with the available supply to bring about improvement in capacity utilization as can be seen from the improvement in the capacity utilization rates for 2007 to 77% from a 73% in 2006. This continuing growth in demand is expected to further improve the capacity utilization rates to normal levels of about 82-85% in the next 2-3 years.



Despite the rising demand for PET film, it is not easy for new entrants to compete with the existing players. It is because it is an industry that needs high levels of know-how, skills and expertise to ensure the exact product size, standard and specifications required by the customers. Project management skills are also needed to enhance efficiency and cost effectiveness that will lead to competitiveness against other producers. Capacity expansion may be unavoidable to attain larger size and hence economy of scale.

Polyplex group has accumulated over 20 years experience in the PET film industry. It has been strengthened with consistent expansion in production capacity. Its

management is highly competent. Delivery of products is efficient by having geographically distributed production bases that allow for easy access to the customers. It has clear classification of markets among the companies in the group. For example, PTL which is based in Thailand is in charge of catering to markets in Thailand, East Asian countries, China, Southeast Asian countries and America, while PE which is based in Turkey, will serve customers in Europe, Middle East, Africa and Russia/CIS.

The emphasis on the countries with high demand growth potential, production and cost effectiveness and concentrating on business segments such as packaging, industrial and electrical segments which have recorded healthy growth all along has contributed to the Polyplex group becoming the fifth largest producer of thin PET film (excluding capacity for magnetic media).

In view of tariff barrier measures taken by importing countries such as anti-dumping and anti-subsidy duties, the Company's parent company based in India has experienced such threat from both the EU and the USA several times. It has thus been keen on the issue, having information on the criteria and inspection process adopted by those countries and knowing how to deal with the problem. As an outcome of the understanding of the process, that USA has levied zero duties till date under the anti-dumping measure against the parent company.

As regards Thailand, an Anti Dumping petition was launched by the USA manufacturers of PET film against PET imports from 4 countries i.e. China, Brazil, Thailand and UAE. As per the preliminary determination of the Department of Commerce (DOC) based on their initial findings, zero % Dumping duties have been levied against Thailand imports into the USA, whereas the following duty rates have been notified against the other countries' imports:

China - 46.82% - 76.72%

Brazil - 28.72% - 44.36%

UAE - 2.45%

This is only the preliminary determination and the final decision may change based on DOC findings during the course of onsite verification. The onsite verification for Thailand is scheduled for June'08. The DOC final determination is expected by July/August'08, followed by the International Trade Commission (ITC) final determination by August/September '08. The Company has been making its best possible efforts to co-operate and provide fairly detailed responses to the DOC enquiry and will continue to do so, in order to protect the same decision until the final determination.

Last year in March-2007, the appropriate authority in the Government of Brazil had initiated an anti dumping investigation against Thailand besides India, against imports of PET films into Brazil. The company as also its parent company in India had fully cooperated with the same and submitted their detailed questionnaire

responses. As an outcome of the preliminary determination of this investigation, an Anti Dumping duty of about 28 cents/Kg on imports from Thailand to Brazil and about 14 cents/Kg of Anti Dumping and Countervailing Duty on imports from India to Brazil has been notified. PTL's export sale to Brazil is insignificant as compared to the total sales volumes. (2007-08 was about 165 MT only.) As such, the adverse fall out of the investigation by the Government of Brazil has had a minimal impact on our sales.

The company is undertaking all the safeguards to insulate against the risk arising out of anti-dumping duties and other protective barriers imposed by the importing countries.

Outlook for the PET film industry:

- Except for a few producers who may consider expanding their capacities, there is unlikely to be any significant increase in production capacity from developing countries in Asia or from Europe, the USA or Japan/Korea in the next 1-2 years.
- New entrants from China have been increasingly dominating the market for PET film but their production is expected to mainly fulfill domestic demand which is growing rapidly. Moreover, with their limited skills, expertise and experience, their production cost and productivity levels fail to be competitive globally. They will need more time to develop the technical expertise to be on a par with the existing global players.
- The cyclical nature of the industry would continue but the severity of the ups and downs as witnessed in 1995 would be moderated.
- Dominance of the existing 3-4 large producers with market share of about 25-35% is likely to continue though with a reducing share. However, decline in their traditional market segments and slower growth in their home markets has constrained their ability to improve their PET film operations. Lowering production cost through acquisitions and joint ventures with low-cost Asian countries, rationalization of capacity and continued emphasis on technology intensive niche products could be an important strategic response.
- The transitioning of the industry to Asia would pose higher competitive pressure in the years to come.
- Demand for the products is likely to grow between 5-8% in the packaging, industrial and electrical segments.
- Mid size and new producers would increasingly look to diversify their product range from commodity grades to specialty grade films to improve margins.
- Besides Polyplex group, some other low cost producers are attempting to duplicate the distributed manufacturing model as evidenced from the recent set up of PET film line in Dubai by an Indian producer.

- Increasingly, the larger producers are trying to tie up strategic partnerships or acquisitions in order to ensure growth, presence in diversified markets or products or even as a measure to acquire technology for newer and sophisticated product range.

3.6.5 Manufacturing of product

3.6.5.1 Production

PTL's plant is located at No. 60/24 Moo 3, Siam Eastern Industrial Park, Rayong Province, on an area of 28 rai 50.9 square wah. In order to have better control over raw material quality and availability as also costs, PTL has also set up a captive Pet Resin facility. The first phase of the backward integration project involving setting up of a batch polycondensation plant of 20 tons/day capacity commenced operations in September-2004 and the second phase, being the Continuous process plant started operations in February, 2005. In August, 2005, PTL commenced production from its Metallizer plant in the same location. In November 2007, PTL commenced production from the Extrusion Coating line, which is a new product in the wide range on products manufactured by the Polyplex group. The commercial production from this line has begun in April 2008. This factory is set up opposite to the existing factory, in a new plot of land having an area of 35 rai, 2 nang, 54.80 square wah. The new expansion projects in the pipeline are proposed to be set up in the same plot of land.

3.6.5.2 Production capacity

The Company currently has two PET film production lines, two Metallised film lines, one Continuous Processing PET resin manufacturing plant, one Batch processing PET resin plant and one Extrusion Coating line. A project for setting up a CPP film line with a CPP metallized film line is underway and is expected to start operations by Q2 2009-10. Recently, the board has also approved in principle, a proposal to invest in an additional Thin PET Film line in Thailand. The new line proposed will be the largest available line with a capacity of 31,000 MT per annum. Capacity of Polyplex group, present and projected as on 31st March 2008, is as follows:

	Capacity (tons per year)	
	31 st March, 2008	Projected as at 31 st March 2009
a) PET film		
India	20,000	51,000
Thailand*	48,000	48,000
Turkey	24,000	48,000
Total capacity	92,000	147,000
b) PET resin		
India	20,000	65,500
Thailand*	52,500	52,500
Turkey	45,500	45,500
Total capacity	118,000	163,500
c) Metallized film		
India	4,800	11,300
Thailand*	7,500	16,200
Turkey	5,000	10,500
Total capacity	17,300	38,000
d) Extrusion Coating film		
India		-
Thailand*	9,000	9,000
Turkey		-
Total capacity	9,000	9,000

* Capacities for Thailand are as approved by BOI based on theoretical output and the actual attainable output could be lower.

During 2003/04, its production output of PET film accounted for 23,360 tons, representing a capacity utilization of 96.46% (as per then stated pro rata capacity of 24,000 tons per year). Its output reached 38,199 tons in 2004/05, 36,877 tons in 2005/06 and 36,847 tons in 2006/07, which represents 97.95%, 94.56% and 94.48% capacity utilization (on the effective capacity of 39000 tons per year) respectively. For the year 2007-08, production was 39,989 MT representing a capacity utilization of 102.54%.

(Tons)

	2003/04	2004/05	2005/06	2006/07	2007/08
Full production capacity	24,217	39,000	39,000	39,000	39,000
Production output	23,360	38,199	36,877	36,847	39,989
Capacity utilization (%)	96.46	97.95	94.56	94.48	102.54

3.6.5.3 Major raw materials

PET resin

PET Resin (polyethylene terephthalate resin) is the major raw material in the production process for PET films. In beginning, the company had procured most of its PET resin requirements from two unrelated suppliers belonging to one group with whom the Polyplex group enjoys a long-standing good relationship. The requirement of procuring PET resin from outside suppliers have gone down since 2004/05 after the company commenced production of its captive Pet resin in two phases.

The table below shows volume of PET resin consumed in 2004/05, 2005/06 2006/07 and 2007/08:

	2004/05		2005/06		2006/07		2007/08	
	Tons	%	Tons	%	Tons	%	Tons	%
Local	31,428	80.27	1,365	3.62				
Imports	3,971	10.14	-	-	989	2.63	-	-
Own Production	3,754	9.59	36,353	96.38	36,618	97.37	41,051	100.00
Total	39,153	100.00	37,718	100.00	37,607	100.00	41,051	100.00

Purified Terephthalic acid (PTA) and mono ethylene glycol (MEG):

The major raw materials for PET resin production are purified terephthalic acid (PTA) and mono ethylene glycol (MEG). To ensure uninterrupted procurement of raw materials the Company has currently tied up with one local supplier each for PTA and MEG. The company has entered into 1-2 year purchase agreement as per which 100% of the company's requirements would be supplied as per the specified price formula throughout the contractual period(s).

3.6.5.4 Impact on the environment

There is a negligible impact on environment caused from the production process since PET in both film and resins are generally recyclable.

Since its commencement of production in March 2003, PTL has not faced any significant problems relating to the environment. Inspection by the Industrial Factory Department has been undertaken on a regular basis, the result of which has come out that the Company's manufacturing process poses no environmental impacts. PTL has renewed its ISO 14001:2004 certification on environment management system and ISO 9001: 2000 certification on quality management system on March 9, 2007 for its film plants and the same has been extended for the resin and Metallizer plants also. The company has also obtained the EIA approval for its resin plant. The OHSAS 18001:2007 (Occupational Health and Safety management system) certification is in process, the pre-qualification audit has been successfully completed and the certification is expected soon.

4. Risk Factors

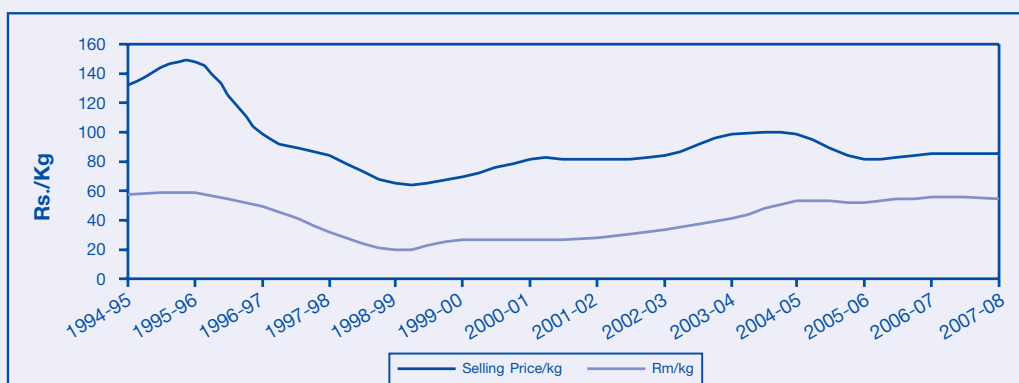
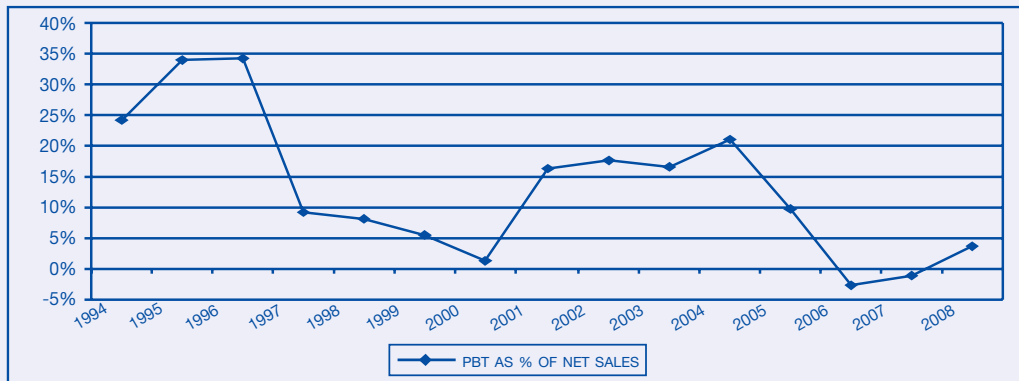
Before making a decision to invest in the shares of the Company, investors should prudently consider the information about risk factors described in this section and all information contained herein. Apart from the said risk factors, there are still other unpredictable risks that may adversely impact the Company's operating results.

The key risk factors are:

4.1 Industry Cycle

The industry cycle of PET film hinges on the spread between the PET film price and the prices of PTA and MEG which are major raw materials. At the time of tight supply, the PET film and raw material price spread will widen to a greater extent, thus encouraging manufacturers to increase production by expanding their capacity. On the contrary, if PET film supply is larger than market demand, the film price will drop, hence narrowing the spread between the film and raw material prices. This cyclical nature will inevitably affect every producer's revenues and profits. To illustrate such cyclical impact, the movement of profit before tax/sales of PCL, the parent company, is shown in comparison with that of the prices of PET film and raw materials, as below:

Comparison of profit before tax/sales of the parent company with prices of PET film and raw materials



Source: Company information

From the table, during 1994-1996, with large spread between the PET price and the raw material prices, PCL enjoyed high profit before tax of 24%-34% against sales. Later; however, the parent company recorded only 1%-9% profit before tax during 1997-2000 when such spread narrowed down significantly. A similar cyclical behaviour can be seen over the last 5-6 years. Thus, the cyclical nature of the industry has direct impact on the operating results of PET film producers and the Polyplex group.

To mitigate such risk, the Company has sought to undertake the following:

- With high productivity levels and cost control measures, Polyplex believes it is one of the lowest cost producers of polyester film in the world which will help it deliver better financial results than the other constituents of the industry. [Please see Section 3 Business Overview]
- Apart from the proposed investment in the additional PET Thin film project and the CPP Project in Thailand, PTL is also taking initiatives to evaluate various other opportunities to broaden its product portfolio, including the development of certain value added films like Extrusion Coated film, which started commercial production in April'08.
- Accessing customers operating across countries in the flexible packaging and industrial segments by presenting alternative sourcing options from India, Turkey and Thailand and thereby mitigating their risks. This enables a more stable pricing regime.
- Increased focus on product development through R&D or technology acquisitions besides creating a strong technical services team are likely to be additional differentiators between Polyplex and its competition

4.2. Risks relating to uncertainty in prices of the product and raw material

The basic raw material for production of PET film is PET resin, which is in turn produced from Purified Terephthalate Acid (PTA) or Di-Methyl Terephthalate (DMT) and Mono Ethylene Glycol (MEG).

Since the cost of resin is the single largest component of the total production cost, the fluctuation in the resin price may hurt the Company's operating margins depending upon the ability of the Company to pass the increase in costs to its customers. As selling prices are usually negotiated on a monthly / quarterly basis, in a balanced demand supply situation, PTL is usually able to adjust the selling prices following any changes in the PET resin cost and other operating costs.

Comparison between average raw material cost and average selling price of the Company for the past 5 years is given below.

	Raw material cost (Bt. per kg.)	Product selling price* (Bt. per kg.)
Year 2003/04 (Apr 1, 03 - Mar 31, 04)	37.07	73.68
Year 2004/05 (Apr 1, 04 - Mar 31, 05)	46.98	84.67
Year 2005/06 (Apr 1, 05 - Mar 31, 06)	39.33	74.09
Year 2006/07 (Apr 1, 06 - Mar 31, 07)	40.68	64.43
Year 2007/08 (Apr 1, 07 - Mar 31, 08)	38.49	64.87

* Average Net realization per Kg of Plain film

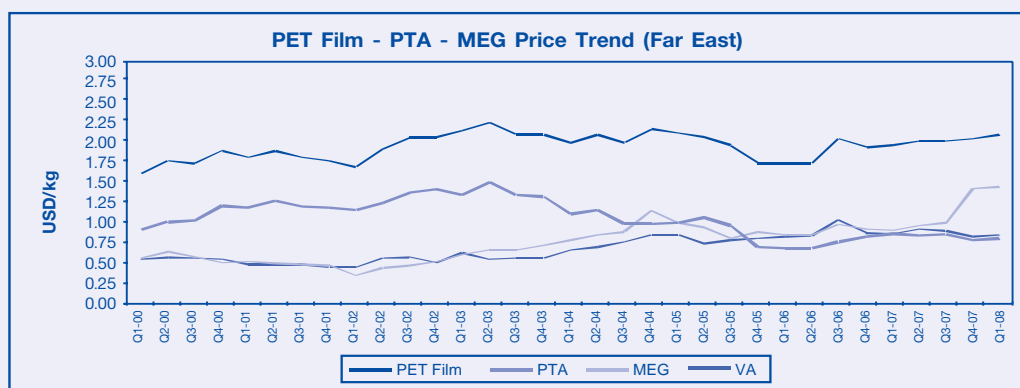
As seen from the above table, with the increase in the raw material cost from Bt. 37.07 per kg. to Bt. 46.98 per kg., the Company has raised its selling price from Bt. 73.68 per kg. to Bt. 84.67 per kg which in year 2005/06 comes down to Bt 74.09 per kg in line with raw material cost reduction to Bt 39.33 per kg. This indicates general ability to pass on the cost increase to customers. However, for 2006-07, PTL witnessed a fall in the selling price despite higher raw material costs due to increased global production capacities resulting in increased competition. Also raw material prices witnessed a sudden spike in the first 2 quarters of the financial year 2006-07 and the company was able to partially adjust the selling prices only towards the second half of the year.

It may be mentioned here that as far as 2006-07 and 2007-08 is concerned, since the company's revenue is 80-85% from export sales, the fall in selling prices is also partly caused by the significant appreciation of the baht against USD in particular.

For the year 2007-08, despite the increase in USD Raw material prices, there is a drop in raw material cost per kg, as the price increase is completely offset by the appreciation of Baht against the USD. Since the price fixation for the raw materials is in USD, the appreciation of Baht has benefited in terms of lower raw material cost in Baht terms.

Analysis of historical data shows high correlation between PTA/MEG - polyester film prices. The spread between two intermediates would vary depending upon the demand and supply situation of the commodity. Also sudden and sharp movements in raw material prices may affect the correlation for some time.

The chart below shows the trend in the pricing of PET film and PTA and MEG for the last 7 years:



Source: Industry information

The above data demonstrates that variations in the raw material prices by and large tend to get passed on to the end-customers. The demand-supply balance of PET films which could vary across regions could impact margins. The spread between the raw material and PET films, especially over the last few years, has moved in a band. PTL's contracts with some customers provide for a quarterly/periodic review in pricing which enables it to adjust for any raw material cost movement.

The Company monitors world and local input price trends carefully and determines its procurement plans accordingly.

4.3 Risk associated with reliance on only a few raw material suppliers

In the past, PTL had been procuring PTA and MEG (which are the key inputs for captive production of Pet resin) almost entirely from one supplier each. For PTA, the company was buying from a large local supplier and importing MEG from a reputed Middle Eastern producer out of its storage tanks in Singapore.

However, PTA and MEG are well traded commodities and available from a variety of sources. From the year 2006/07, the company has switched to local supply sources for both the raw materials and is now meeting 100% of its requirement domestically. The company has entered into long term / yearly contract for the supply of the raw material to ensure its availability. These contracts also have a supply guarantee clause to ensure that the risk of buying 100% from a single source and also a single plant operation is mitigated.

4.4 Risk from competition from existing manufacturers and entry of new players

PTL mainly focuses on export sales. With consistently rising demand for PET film, competition comes from such world leading manufacturers as Dupont-Teijin, Toray, Mitsubishi, all of which are well-established companies with long experience in this industry, as well as medium to small producers and new entrants with strong capital to accommodate investment in PET film plants and machinery.

Compared with the above large players, PTL has a lower cost of production and focuses on producing thin film which is PET film of high growth potential to serve packaging, industrial and electrical applications. For those who are new entrants, they need to improve and develop their production competence to ensure competitively low cost against the existing players, the process of which will certainly take some time. Besides, they need to build up their customer base which can happen gradually through supply of consistently good quality products. Thus, PTL is confident that it will readily be able to compete against both world leading producers and newcomers. While the financials of the company and group would reflect the cyclical trend of the industry, it would be able to demonstrate superior profitability in any market situation due to its competitive edge as reflected in lower costs, good quality, higher productivity, value added product mix and sales reach.

- The Company has strategically embarked on various expansion projects in Turkey and Thailand in the recent past and also has few other expansion projects in the pipeline which will further strengthen its competitiveness (Refer Section 3 -Business Overview for details on Projects commenced during the year and Section 5 -Future projects for new projects in the pipeline) The company has been continuously evaluating other growth options in PET film / value added products / related areas like CPP / BOPP films at all locations in Turkey/ Thailand/India and has also been evaluating possibilities for any acquisitions to further expand its manufacturing base and also to improve its cost structure, product offering and market reach / penetration.

4.5 Risk from trade barrier measures

Trade barrier measures taken by various countries are broadly of two major types:

- a) Anti-dumping (AD): An anti-dumping duty can be imposed on imports if the ex-factory prices of such imported products are proved to be lower than the local selling prices of the similar products in the countries of the exporters. For the past years, the countries adopting this measure are the EU and the US against such countries as India and South Korea. For instance, South Korean producers and exporters of goods to the EU are subject to additional import duty of 3-12% upon the normal rates.
- b) Anti-subsidy: A countervailing duty (CVD) can be imposed if the government or any government agency provides any benefits or privileges specifically to any company or exporter of such country. For instance, Indian producers and exporters of goods to the EU are subject to additional import duty of 3-19% upon the normal rates.

Such tax measures will cause import duty on the goods produced and exported from the targeted countries imposed at such a high rate that such goods will carry higher prices and hence have difficulty to compete with the products of the rivals. For manufacturers having a regional manufacturing base in such locations, such trade defense measures can be an opportunity if anti dumping duties are levied against imports from the Asian low cost producers.

In the recent US Anti Dumping petition against producers of PET film from Thailand, China, Brazil and Middle East, a zero % duty against Thailand imports has been notified in the preliminary determination announced in April'08.

The company is undertaking all the safeguards to insulate against the risk arising out of anti-dumping duties and other protective barriers imposed by the importing countries. A geographically well-diversified sales portfolio will help mitigate the adverse fall-out of such an action, if any.

4.6 Risks from future project

4.6.1 CPP Film project in Thailand

The Company is currently in the process of setting up a project for manufacture of CPP film line which will be a related product diversification for the company and help in diversifying its product risk. The technology for manufacture of CPP film is fairly established and the project would be similar to PET film, where sufficient know-how is already available with the company. Besides that, we also have an experienced projects team which has had a very good track record in the past, of starting projects on schedule and within budgeted project costs. The company also has customer synergies. The same set of customers may have a requirement for PET as well as CPP film, so we can make a broad base offering to the customers in the packaging converting industry and become a preferred single supplier for all their product needs. We can leverage on our existing sales and distribution network to further develop our customer base for CPP film. As far as the market risk is concerned, we are targeting a relatively small share of about 7% in the South East Asian market, which is fragmented with about 3-4 main players holding > 40% market share in the region and as such, gaining 7% market share is not such a big risk. The other smaller players have older and smaller lines which have productivity and quality issues. PTL is going for a wider line which will help in higher productivity, higher speed and better quality of products.

On the whole, the company is of the opinion that the risk associated with this project is not as high, since the Investment size is also relatively small.

4.6.2 Thin PET Film expansion project

The key risks arise mainly from Market, project execution, operation and maintenance of the plant and Project financing.

Market feasibility of the project is being carried out and the company has identified existing key markets where there is a potential to increase market share. The company is also exploring options to develop new markets where there is a strong growth potential. Since Thin PET film is an already existing product for the company, market development activities will be taken up in full swing so as to ramp up the production to full capacity in the shortest possible time

As far as the Project execution is concerned, the company does not foresee any major concern as it has an experienced Projects team which has implemented similar projects in the past smoothly in scheduled project time and well within the budgeted project cost. The team of competent managers will put in their best efforts to ensure that the plant is running at high productivity levels.

The company currently has 4 local banks in its portfolio of banks that have supported expansion projects in Thailand and in Turkey. The company is confident of gaining the support of these banks in financing the new expansion projects as

well. The company proposes to borrow up to 65-75% of the Project cost and will make a choice of 1 or more banks depending on the terms and conditions offered by each of the banks.

4.7 Risk from dependence on the parent company

Polyplex Corporation Ltd. (PCL), through direct and indirect shareholding, currently controls 70% of the shareholding in PTL.

Some of PTL's existing management team were previously employed by PCL and have played a vital role in successfully establishing PTL's plant ahead of the schedule and at a lower-than-estimated cost, together with ensuring high productivity levels resulting in the Company's ability to produce quality products at a competitive cost. With operations having been fully stabilized, the company is implementing a program for reducing the dependence on expatriates by increasing the proportion of local Thai staff in operating/managerial positions and has been successful in the production and other operational areas where this program was implemented..

The Company's present management team is composed of experienced key personnel in production, marketing, distribution and accounting/finance. It has thus been able to run the business on its own without reliance on the parent company. It is only in the research and development area where the parent company provides know-how free of charge seeing it as a subsidiary company.

PTL's business operation is independent from PCL in such undertaking as initial public offering, borrowing of loans, and other investments in the future, for instance. The parent company need not request any approval from any government bodies except for report of significant events to two stock exchanges where it is listed, namely Mumbai Stock Exchange and National Stock Exchange.

The Company is confident that there will be no conflict of business interest between PCL and PTL on account of the following:

- It is Polyplex's policy in business operation that there is an equitable distribution of business between the various manufacturing units aligned to efficient servicing of customers.
- The investment in PTL is in a significant proportion against PCL's assets, hence the success of PTL being critical for PCL.

(Details of marketing and investment policies between PTL and PCL in Section 3)

4.8 Risk from sponsor group holding about 70% of total shares

Currently, PTL's major shareholders are PCL (As of March 31, 2008 the promotor Mr. Sanjiv Saraf and related parties control 46.93% in PCL), holding 16.50%, and Polyplex (Asia) Pte. Ltd. ("PAPL") which is wholly owned by PCL, holding 53.50%, thus in aggregate holding 70% of PTL paid-up common shares of Bt. 800 million. Thus, in matters that require a three-fourths majority vote of shareholders, the minority

shareholders can successfully oppose corporate actions undertaken or supported by the majority shareholders. However, the parent company will continue to play a vital role in determining the Company's policy on business administration and operation. Particularly, PTL's top management team has mainly come from India with policy from the parent company in which Mr. Sanjiv Saraf is the major shareholder. He would thus be able to control the management of both PCL and PTL.

However, PTL has set up a three-member Audit Committee to provide for an audit of the operations and the management. Besides, PCL is listed on the Stock Exchanges in India and abides by the Corporate Governance regulations prevailing for listed companies in India.

4.9 Foreign exchange risk

Most of PTL's products, i.e. about 80-85%, are for exports, which are mostly denominated in US dollars and Euro. As against this, raw material (PTA & MEG) prices are also linked to the US dollar, although their payments are done in Baht and there are Long term loan related interest payments/loan repayments in USD and Euro. The company as at Mar 31st '08 had Euro loans of about 13.1 million and USD loans of about 13.2 million. There are only some expenses which are in Thai Baht, i.e. packing materials, salaries and other administrative expenses which have to be settled by income from domestic sales and from the surplus income from USD/Euro exports. Thus, broadly speaking, PTL has a US dollar balanced position on the trade front and Euro surplus position, which can be hedged somewhat against repayment of its long-term loans and investment into Turkey through PSPL. To the extent possible, the company has been trying to create a natural hedge to mitigate the risk from currency fluctuations. In some cases, the company has also taken tactical hedge through forward covers from time to time as a short term measure to mitigate risk.

The company may borrow additional amounts to the extent of USD 10-12 million for the CPP project and tie up another 40-50 million USD for the Thin film expansion project in Thailand. The currency of the loan will mostly likely be USD as the loan will be serviced out of revenues from these projects, which will be mainly from Exports, mostly dollar denominated.

4.10 Interest rate risk

As of March 31, 2008, the outstanding long term was Euro 13.1 million, USD 13.2 million and Baht 119.5 million, whereas outstanding short term loans was NIL. The USD loans have floating LIBOR based interest rates and the Euro loans have floating EURIBOR based rates. The Baht term loan is at a Fixed rate. The floating interest rate may put the Company at a risk of rising financial cost if the interest rates move up. Interest rate swap from floating EURIBOR to fixed EURIBOR was taken for partial Euro loan for an amount of 6 million for a period of 2 years from 2006-2008. The swap will end in October'08. The company has been constantly monitoring the interest rates and has taken interest rate swaps for converting the liability into fixed rates, if considered beneficial.

4.11 Risk from overlap of products and markets

The product portfolio of PCL, PTL and PE is quite similar. In order to mitigate the risk of overlap of products and markets, PCL, PTL and PE have agreed on a clear cut policy on market segmentation. Under the policy, markets have been assigned to all the 3 group companies on the basis of logistics (cost and delivery terms), varying product range, preferential duty access in certain markets, availability of material etc (Section 3).

The Polyplex group also has a policy on future investments in polyester film / related areas between the Company and its parent company. Investments in India/SAARC region would be decided and made by PCL and its other subsidiaries(excluding PTL) while investments In Thailand / ASEAN region as well as other countries would be in all likelihood be made by PTL or the subsidiaries in which the Company has a major stake (detailed in Section 3)

5. Future Projects

5.1 Future Projects (PTL - Thailand)

5.1.1. Cast Polypropylene Film Project (CPP film)

In order to de-risk the current business by diversifying its product portfolio, the company is in the process of implementing a CPP (Cast Polypropylene) film project. This project would be implemented by partially using the plot of land located opposite to the existing plant in Siam Eastern Industrial Park, where the company's Extrusion Coating Project has been installed and has recently commenced commercial production in April'08.

The likely width of the CPP line is about 4850 mm with an annual attainable capacity of about 10,000 TPA.

The estimated capital cost of the project based on the estimated line configuration and cost estimates is likely to be about USD 12.5 million. The estimated working capital requirement is USD 2.5 million.

The orders for the main machineries have already been placed with a vendor from USA. The long term loan agreement is in the process of being tied up with local bank/banks for USD 11.25 million with the balance to be funded from internal accruals.

Product & Usage

CPP film is quite similar to PET film with some general, Optical, Thermal, Mechanical and barrier properties. Some properties are better than that of BOPP/ PET film. For Eg: CPP film has very good barrier properties and it can act as a good heat sealant layer.

There are various grades of CPP film and each grade has different applications as given below:

- General Grade: The general packaging grade of CPP film is used for packaging in garments, breads, bakery products, flower wraps etc.
- Lamination grade: The lamination grade of CPP film is used as a sealing layer in packaging of food items such as biscuits, snacks etc.
- Metallised CPP film: This is also used in packaging of food items like potato chips, snack items etc.
- Twist grade: This is used mostly in candy wraps.
- Retort grade: This is used in packaging of ready to eat food products.

Project Rationale

The decision to invest in a CPP film line is a strategic investment decision to de-risk from current business by diversifying the product mix and to broad-base

its product offerings to the Packaging converting industry. The company will be able to leverage on the existing sales and distribution network to develop the markets for the CPP film. The line to be installed by the company is a wider line and thus the company will have cost competitive advantages over other manufacturers operating with smaller width lines.

Project Risk and mitigation plans

The timing of the project is coinciding with the continued demand growth in South East Asia. The historic demand growth has been about 6-8 % pa. The technology is fairly established and quite similar to PET technology, where the company has sufficient know-how and an experienced Project team available which has been successfully setting up Projects within the scheduled project time. Wherever required, company is considering hiring CPP technology/ process experts to provide their services. The company is of the opinion that the overall project risk is relatively low as the Investment size is also quite low.

5.1.2. Expansion of Thin PET Film line capacity

Project Details

In order to capture the high growth in the existing markets and new markets, the company proposes to expand its Thin PET film production capacity in Thailand. In addition to the Thin PET film line, the project would also include a Polyester Chips facility and Metallised film line. This project would be implemented by partially using the new plot of land in Siam Eastern Industrial Park, opposite to the existing plant.

The estimated capital cost of the project is USD 62 million. The broad break up of the capital cost is USD 52 million for plant & equipment, USD 5 million for Building & Civil costs; USD 2 million for engineering fees and balance USD 3 million for contingencies and other expenses. The working capital requirement is estimated at USD 8 million. The company proposes to make a debt borrowing to the extent of 65-75% of the total project cost and fund the balance out of its internal accruals.

Project Rationale

- Improve the production capacity to tap the high growth in the existing markets and leveraging on existing sales & distribution network to develop new markets.
- The line to be installed would be the largest line and will result in economies on the operational front thereby improving further the cost structure of the company.
- The Company will be able to increase the share of value added products like Metallised films, Thermal Laminated film etc.

- Operationally, the fixed costs especially salary and administrative overheads would decline significantly on a per unit basis as the additional costs would be a fraction of the existing levels.
- There would be synergies and savings in inventory for spares and other maintenance costs.

5.2 Other Capital Expenditure

As an ongoing effort to improve productivity, reduce losses, develop products and enhance quality control, PTL undertakes several small/medium capital expenditures on the basis of cost benefit analysis. The total outlay over the next 12-15 months for such projects is estimated at between Bt. 100-125 million. Some of the key expenses could be TDO chain, additional slitting machine, some insurance spares and miscellaneous equipments.

6. Legal Dispute

- None -

7. Shareholding Structure and Management

7.1 Shareholding Structure

7.1.1 Securities

PTL's current registered capital is Bt. 960 million of which, Bt. 800 million is paid up, divided into 800 million ordinary shares each of Bt. 1 par value.

7.1.2 The shareholders structure as on 31st March 2008 is as follows:

Name	Ordinary shares	%
Polyplex Corp. Ltd. (PCL)	131,999,940	16.50
Polyplex (Asia) Pte. Ltd. (PAPL)	427,999,915	53.50
General public	240,000,000	30.00
Existing small shareholders*	145	0.00
Total	800,000,000	100.00

* Beneficial interest held by PCL and PAPL

PCL's shareholding structure as of March 31, 2008 is shown as below:

Name	%
Promoter/Sponsor Group	
- Utkarsh Trading & Holding Ltd.	1.29
- Sanjiv Sarita Investment Private Ltd.	4.35
- Others	0.15
- Secure Investments Ltd.	17.31
- Mahalaxmi Trading & Investment Co.,Ltd.	23.83
Total	46.93
Institutional investors	7.12
Indian public	35.66
Other shareholders	10.29
Grand total	100.00

PAPL is 100% held by PCL and together PAPL and PCL hold 70% of PTL.

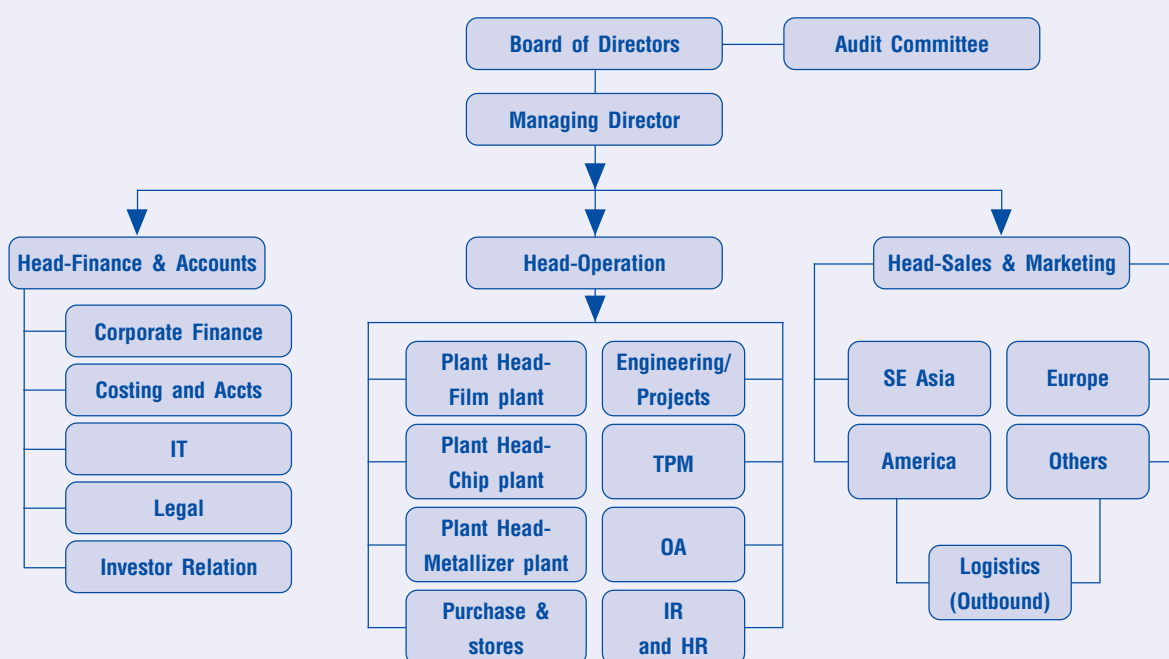
7.1.3 Dividend payment policy

The Board of PTL has recommended a dividend of Baht 0.40 per share as per its policy stated in the prospectus of about 40% of its annual net profit, taking into account economic conditions, growth plans, future deployment opportunities, the Company's financial position and liquidity and subject to the approval by the shareholders.

The following table shows the comparison of dividend payment for the last 4 years. The dividend per share for the year is highest as compared with the previous 3 years, in line with the growth in profitability this year and also as per company's policy of paying dividend at 40% of net profits. In the years when the profit has been lower due to cyclical downtrend in the PET film industry, the dividend per share has also come down.

Year ended	31.03.2005	31.03.2006	31.03.2007	31.03.2008
Net profits ('000 Baht)	721,024	560,974	341,842	813,551
Dividend ('000 Baht)	280,000	224,000	136,000	320,000
Dividend as a % of Net profits	39%	40%	40%	39%
Dividend per share	0.35	0.28	0.17	0.40

7.2 MANAGEMENT STRUCTURE



PTL has a board of directors, an audit committee and other need-based committees as may be appointed by the shareholders or the board of directors from time to time. The board members and executive officers are qualified persons with complete qualifications as per Section 68 of the Public Limited Companies Act B.E. 2535 and as per the Notification of the Securities and Exchange Commission (SEC) No. KorJor. 12/2543 Re: Application for Permission and Permission to Sell Newly Issued Shares dated March 22, 2000.

Details of the board of directors and other committees are as follows:

7.2.1 Board of Directors

As of May 31, 2008, PTL's Board of Directors is composed of eight members as follows:

- | | | |
|----|----------------------------|--|
| 1. | Mr. Manu Leopaiprote | Board chairman and
Audit Committee Chairman |
| 2. | Dr. Virabongsa Ramangkura | Director (and Audit Committee member) |
| 3. | Mr. Shiraz Erach Poonevala | Director (and Audit Committee member) |
| 4. | Mr. Sanjiv Saraf | Managing Director |
| 5. | Mr. Praphad Phodhivorakhun | Director |
| 6. | Mr. Pranay Kothari | Director |
| 7. | Mr. Ranjit Singh | Director |
| 8. | Mr. Rohit Kumar Vashistha | Director and Head-Sales & Marketing |

Mrs. Supritha Pai Kasturi is the secretary to the Board of Directors

Authorized signatories

Any one of the four authorized signatories, namely Mr. Sanjiv Saraf, Mr. Pranay Kothari, Mr. Ranjit Singh, and Mr. Rohit Kumar Vashistha are empowered to sign with the Company's seal affixed.

Power and duties of the board of directors (the Board)

The Board of Directors has the powers, duties and responsibilities to faithfully and prudently conduct the operations of the Company in accordance with the Company's objectives and Articles of Association, applicable laws and resolutions of the shareholders' meetings, for the benefit of the Company. A summary of the substantial duties and responsibilities of members of the Board of Directors is set out below:

1. to hold the annual general meeting of shareholders within 4 months from the close of the accounting period;
2. to call the meeting of the Board of Directors at least once every three months;
3. to arrange for the preparation and submission of the audited balance sheet and profit and loss statement at the end of each accounting period to the shareholders' meeting for its consideration and approval;
4. to authorise any one or several directors to perform any action on behalf of the Board of Directors under the supervision of the Board of Directors, or granting the power-of-attorney to such designated director(s) to perform any action within the specified time as the Board of Directors may think fit; provided, however, that the Board of Directors has the sole discretion to revoke or modify such designated director or power-of-attorney as the Board of Directors may think fit.

For this purpose, the Board of Directors may authorize the Executive Committee, if any, to conduct any activities within the specified scope of work, duties and responsibilities of the Executive Committee. No authorization will entitle the Executive Committee to consider and approve the transaction which may cause a conflict of interest between the Executive Committee or any related person or interested person as the one party and the Company or its subsidiary companies as the other party. However, an exception is granted where the transaction conforms to the approved policies and rules of the Board of Directors;

5. to determine the goals, prospects, policies, business plans and budgets of the Company, and to ensure that the management work performed by the Executive Committee, if any complies with the set policies. However, the Board of Directors needs to obtain the resolution of the shareholders' meeting before entering into these legal transactions, for instance, increase or reduction of capital, issue of bonds, sale or transfer of all or any substan-

tial parts of the Company's businesses to any third party, purchase or acceptance of transfer of other businesses, amendment to the Memorandum of Association, and so on.

The Board of Directors is also responsible for ensuring the Company's compliance with the securities and exchange law and rules of the SET, for instance, rules concerning the entry into connected transactions and concerning purchase or sale of substantial assets, including any law governing the Company's business;

6. to review the management structure and appoint the Executive Committee, General Manager and any subcommittees, as it deems appropriate;
7. to ensure that the Company's performance follows the business plans and budgets at all times;
8. to refrain from conducting any similar or competitive business, participating as partner in an ordinary partnership or partner with unlimited liability in a limited partnership or director in a private company or in any other firm, company or corporation operating the business similar to or in competition with the Company, regardless of whether for his/her own benefit or for others' benefit. However, an exception is granted where the director provides notice to the shareholders' meeting in advance of his/her effective appointment as director of the Company; and
9. to notify the Company without delay of the event of likelihood that the director may have direct or indirect interests as a result of (i) the Company's entry into any agreement; and (ii) his/her increased or decreased holding of shares or bonds in the Company or its subsidiary companies.

7.2.2 Audit Committee

The Company's Audit Committee comprises of:

- | | | |
|----|----------------------------|--------------------------|
| 1. | Mr. Manu Leoparote | Audit Committee Chairman |
| 2. | Dr. Virabongsa Ramangkura | Audit Committee member |
| 3. | Mr. Shiraz Erach Poonevala | Audit Committee member |

Mrs.Supritha Pai Kasturi is the secretary to the Audit Committee.

Power and duties of the Audit Committee

1. to review the sufficiency, credibility and objectivity of the financial reporting of the Company by coordinating with the external auditors and management responsible for preparing the quarterly and yearly financial reports. The Audit Committee may suggest issues or matters to be included for review or audited by the external auditors during its audit of the Company;
2. to review the adequacy and effectiveness of internal control systems and internal audit functions by coordinating with the external auditors and internal auditors (if any);

3. to review compliance with the Securities and Exchange Acts, Regulations of the SET, and any other relevant laws;
4. to consider and advise on the appointment of the external auditor including the audit fee, taking into account the creditability of the external auditor, the adequacy of its resources, the firm's audit engagements, and the experience of its supervisory and professional staff;
5. to ensure compliance with all connected transaction disclosures or conflict-of-interest disclosures;
6. to take care of any other matters assigned to it by the Board of Directors, such as reviewing the Company's financial and risk management policies, reviewing compliance with the Code of Corporate Conduct of the management, and reviewing with the company's management, all important reports which must be disclosed to the public according to the law (e.g. Management Discussion and Analysis (MD&A), etc.);
7. to report the activities of the Audit Committee in the company's annual report, which must be signed by the chairman of the Audit Committee, and to express in such annual report the Audit Committee's opinion on (i) the accuracy and completeness of the procedures for the preparation of the report and information disclosure, (ii) the sufficiency of the internal control system of the Company, (iii) the appointment of the existing auditor for another term, (iv) the compliance by the Company with rules and regulations of SET, SEC and other applicable laws, and report on any information that the shareholders and investors should be aware of under the scope of power of the duty that has been assigned by the Board of Director.
8. to report the performance of the Audit Committee to the Board of Directors at least once every three months; and
9. to express its opinion on the performance, appointment, removal and determination of remuneration of the internal auditor.

7.2.3 Management

PTL's senior management during 2007-08 consisted of six persons as below:

1.	Mr. Sanjiv Saraf	Managing Director
2.	Mr. R S Gaur	Head- Operations
3.	Mr. Manish Gupta	Head - Commercial
4.	Mr. Ravi Singhal	Head - Engineering & Projects
5.	Mr. Rohit Kumar Vashistha	Head - Sales & Marketing
6.	Mr. A.S.Shastry	Head - Production*

* For part of the year - Until Feb'08

Power and duties of Managing Director

1. to monitor and supervise the day-to-day business operations and management of the Company.
2. to undertake or perform duties in line with the policy, plan and budget approved by the board of directors and/or the Executive Committee (if any) of the Company.
3. to perform as the authorized person of the Company in administering the business in line with the objective, regulations, policy, rules, stipulations, orders and resolutions of the meeting of the Board and/or resolutions of the meeting of shareholders.
4. to appoint and manage the performance of the working committees to ensure benefit and efficiency as well as transparency in management, and be authorized to appoint and/or assign any person to specifically perform on his behalf. Such delegation of power and authority shall come under the purview of such certain authorization letter and/or comply with the regulations, stipulations or orders issued by the board of directors and/or the Company.
5. to determine mission, objectives, framework and policy of the Company including orders and supervision in overall for optimum benefit in administration.
6. to follow up and assess the Company's operational results on a regular basis to cope with both internal and external risks.
7. to consider and approve expenditure spending in the normal course of business operations, such as transacting with banks regarding deposit accounts or procurement of raw materials for production in the amount up to Bt. 150 million per transaction.
8. to consider the recruitment and employment of personnel as well as transfer, rotation across functional lines/departments/divisions, or termination of employment of personnel, and determine rate of wages, remuneration, bonus and welfare package relating to personnel.
9. to issue orders, regulations, announcements and memorandum to ensure the operations come out in line with the policy and for the benefit of the Company as well as to maintain discipline in the organization.
10. to perform any other duties as occasionally assigned by the Board of Directors

Power to approve any transactions (i) which may cause a conflict of interest with the Company or its subsidiary; or (ii) in which the interests of the Managing Director or other interested person may be in conflict with the Company or its subsidiary, under the applicable rules and regulations of the SET, do not fall within the scope of the powers and authorities of

the Managing Director to act at his/her own discretion or to designate any person to act on his/her behalf. Typically, these transactions need the consideration and approval of the Board of Directors and/or the shareholders' meeting in accordance with the Articles of Association of the Company and subject to applicable laws.

7.2.4. Selection of members of the board of directors, independent directors and the audit committee

The Company has no Nomination Committee to select and nominate any persons to be appointed as directors of the Company. In this regard, the Board will undertake the selection process, taking into account the experience, expertise and competency of the prospective persons and the qualifications required as per the criteria prescribed in the Public Limited Companies Act B.E. 2535 and as announced by the SEC and relevant agencies, as also the provisions of Articles of Association of the company. Nomination will be made at the shareholders' meeting and election made under the procedures prescribed in the Company's regulations as below:

1) Selection of members of the Board of Directors

- a) The Company has a board of directors consisting of at least 5 persons. The board of directors must elect one of their members to be the Chairman and may elect another member to be a Vice-Chairman and any other positions as they see fit. At least one-half of the directors must reside in Thailand.

A director need not be a shareholder of the company.

- b) A meeting of shareholders must elect the directors in accordance with the following procedures and rules:-
 - a. Each shareholder has one vote for each share held;
 - b. Each shareholder may exercise the votes in electing one or more persons to be the directors but the votes are indivisible; and
 - c. The person who obtains the highest votes will be elected as a director in respective order according to the required number of directors, but if two or more persons obtain equal votes, the Chairman must exercise a casting vote.
- c) At every general meeting of shareholders, one-third (1/3) of the directors, or if it is not a multiple of three, then number nearest to one-third (1/3) must retire from office.
- d) There must be a drawing by lots to determine the directors retiring on the first and second years following the registration of the company. In each subsequent year, the directors who occupy the position for the longest period must retire.

A retiring director is eligible for re-election.

II) Selection of members of the Audit Committee/Independent Director

Audit Committee is composed of at least three independent directors. The Company has a policy to select and nominate Audit Committee / Independent director in compliance with the SEC Notification no. KorJor. 12/2543 regarding application for and approval of offering of newly issued shares, with each of whom to have the following qualifications:

- a) Hold shares not exceeding 5% of the total shares with voting rights of the Company, an affiliated company, a subsidiary company, an associated company or a juristic person that may have conflict of interest,
- b) Not be an employee or a staff member or an advisor who receives a regular salary or a person with controlling power of the Company, an affiliated company, a subsidiary company, an associated company or a juristic person that may have conflict of interest,
- c) Not be a person having blood relation or legal relation in the manner of being any family member or spouse thereof of the executives, the major shareholders, the persons with controlling power or any persons to be nominated to the managerial positions or the persons with controlling power of the Company or a subsidiary company.
- d) Have no business relation with the Company, an affiliated company, a subsidiary company, an associated company or any juristic person that may have conflict of interest in the manner that may hinder the use of individual's independent judgment, and have no other nature that will hinder the individual's provision of independent opinions relating to the Company's operations.

In addition, at least one independent director appointed as an Audit Committee member must have sufficient knowledge and experience in finance and accounting areas so that he/she can review the reliability of the financial statements. Other qualifications must also be taken into account, comprising business experience, expertise in the field related to the business and ethical qualifications, to ensure maximum benefits to the Company.

The appointment of Audit Committee members is subject to the same criteria and procedures as those in the appointment of directors of the Board. The vacating Audit Committee member upon completion of his/her office term may be re-appointed for another term. In the event that there is a vacancy on the grounds other than the completion of office term, the Board shall select and appoint the person who possesses the required qualifications to fill the vacancy to complete the number of the Audit Committee members as prescribed by the Board. The newly appointed Committee member shall be in the office only for the remaining period of the office term of the vacating member.

7.2.5 Remuneration for management

a. Monetary remuneration

Directors

Before the transformation into a public company, PTL had five directors. These directors did not receive any meeting allowance from the Company. As of March 31, 2008, the Company had eight directors. All the independent and non-executive directors had renounced their right to the remuneration as directors of the Company and/or any of the subsidiaries in the past 3 years. However, in line with the growth of the company and the services provided by the Directors to the Company, it is proposed to fix a remuneration of Baht 50,000 per month for the year 2008-09 to all the independent directors as mentioned below:

1. Mr. Manu Leoparote
2. Dr. Virabongsa Ramangkura
3. Mr. Praphad Phodhivorakhun
4. Mr. Shiraz Erach Poonevala

Mr. Manu Leoparote, in his capacity as the Chairman of the Board of Directors and the Chairman of the Audit Committee would be entitled to an additional remuneration of Baht 25,000 per month, for each role.

For the Audit Committee, each member would be entitled to a sitting fee of Baht 10,000 per meeting attended.

The above remuneration package to the Independent directors and Audit committee members would be proposed to the Shareholder meeting for their consideration and approval.

The remuneration details of the senior management, including the 2 executive directors of PTL is as below :

Remuneration (In '000 Baht)	2005/06 (Apr-Mar)	2006/07 * (Apr-Mar)	2007/08 (Apr-Mar)**
Number of executives	6	5	5
Salaries (In '000' Baht)	10,600	7,890	10,391
Others (In '000' Baht)	6,500	4,614	7,939
Total	17,100	12,504	18,330

* Certain figures for the previous year have been rectified.

** Including remuneration of a senior management person who was in the company for only part of the year. So the number of executives were 6 until part of the year and 5 as on Mar 31st '08.

b. Other remuneration

Directors None

Executives None

7.2.6 Personnel

As of March 31, 2008, PTL had a total workforce of 288 persons, 257 of whom are personnel at the plant in Rayong Province and 31 at the head office in Bangkok. The Company also has 23 expatriates, 9 of whom are at the head office in Bangkok and the remaining 14 in Rayong.

Department	Number of employees		
	As of March 31,2006	As of March 31,2007	As of Mar 31,2008
1. Executives	6	5	5
2. Production	146	141	140
3. Commercial, IT,Personnel & Admn.	43	44	50
4. Sale and Marketing	14	12	16
5. Chip plant	24	26	25
6. Metallizer	16	18	33
7. Laminate	0	0	19
Total	249	246	288

Employee (non-executive) remuneration

(Bt. thousand)

Remuneration	2005/2006 (Apr-Mar)	2006/2007 (Apr-Mar)	2007/2008 (Apr-Mar)
No. of employees	243	241	283
Salaries & Wages	52,513	55,309	59,753
Overtime pay	7,491	7,292	6,985
Bonus	7,619	10,810	19,900
Provident fund*	443	567	595
Others	25,589	29,794	35,805
Total	93,656	103,772	123,038

* The Company started contributing to the provident fund since September 2004.

There has been no labor dispute for the past years.

HRD Policy

The company realizes the importance of its staff as they are valuable assets which play a major role in the success and growth of the company. Therefore it has a policy to develop the efficiency, knowledge and skills of its staff at all levels by having well organized training programmes on a periodic basis. Training programmes are designed to improve various aspects of work life like technical competence, team building, enhancement of leadership skills, time management skills etc thereby improving the quality of the working life of the employees. Feedback of employees participating in such trainings is taken in order to help improvement of quality of seminars and trainings to be conducted in future.

8. Good Corporate governance & Internal Control

8.1 Corporate governance

8.1.1 Policy on Corporate governance

PTL is aware of the significance and has the intention of running its business operations following a policy of good governance as a major factor in enhancing the company's efficiency as a tool of operational transparency and accountability. The Company has formulated a policy which emphasizes regular disclosure to the public and the shareholders. In addition, the Company adopts strict internal controls and audits in recognition of their importance. It also has several risk management policies, keeping in mind a good relationship and business ethic towards business partners, shareholders and all concerned parties.

8.1.2 Rights of shareholders

The Company recognizes the importance of equal rights of all shareholders and considers all the shareholders as owners of the Company irrespective of the percentage of shares owned.

The Company has a policy to report to shareholders regularly on progress of operations, either directly or through the Stock Exchange of Thailand or through information on its website after listing. Shareholders will be given seven days advance notice of all shareholder meetings, including the meeting agenda and related information. The shareholders would be encouraged to participate in the general meetings and their views and comments would be noted and followed up.

8.1.3 Rights of stakeholders

PTL has always provided equal importance to the requirements of all its stakeholders as under:

- **Personnel:** PTL considers personnel as a critical success factor in the growth and profitability of the Company and is committed to providing a quality work environment as also fair and equitable returns by way of performance linked bonus.
- **Business partners:** It has always been the policy of PTL to develop long standing and growing relationships with all its business partners based on mutual benefit and guided by good business ethics.
- **Competitors:** PTL will always abide by the framework of fair competition and would work towards market development and growth to the mutual benefit of the industry.
- **Creditors:** To abide by the loan covenants and provide all information about the progress of the Company to its creditors as may be required for smooth business dealings.

- Customers: PTL is determined to create satisfaction and confidence among customers in receiving good and quality products and customer services.
- Shareholders: PTL is determined to conduct business in a transparent and efficient manner with a view to constantly strive to enhance shareholder value.
- Community/Society: PTL realizes and cares for the safety of society, environment and quality of life of people. It places priority on activities relating to the community and the society and also by compliance of applicable laws and regulations relating to the same.

8.1.4 Shareholders' meetings

The Company has a policy to enable shareholders to attend meetings without undue effort. It endeavors to organize the shareholders' meeting with equitable treatment for all participants and in strict accordance with legal procedures, from meeting invitations, proxy form for those who are unable to attend the meeting, and distribution of meeting documents to inform all concerned of the meeting agendas. The meeting venue and time will be convenient while the meeting session will allow adequate time for shareholders to ask questions on business operations or voice their opinion.

8.1.5 Leadership and vision

The Board of Directors is the forum for review of plans, vision, strategies and key policies. Elaborate budgets have been formulated for all functional areas in the Company and a system of balanced scorecards has also been implemented for each department and individual as also at the corporate level to align interests and priorities across the organization. The Board of Directors would play a leading role in regular review of the actual operations vis-à-vis budgets as well as other key performance indicators.

8.1.6 Conflict of interest

The policy is based on the principle that any decision to be made by personnel at all levels in business operations must be in the best interest of the Company. It is the duty of all personnel to avoid any transactions and/or dealings which could result in financial losses to PTL and result in personal monetary benefit. The Audit Committee is entrusted to watch over and review the internal controls and audit function to ensure their efficiency and also ensure adequate disclosures to be made as per the SEC/SET guidelines.

8.1.7 Business ethics

PTL has a code of conduct for all personnel who emphasize observance of ethical practices, honesty and accountability. Responsibility towards all stakeholders and external agencies is encouraged in order to foster a good corporate culture and social responsibility.

8.1.8 Check and balance by non-executive directors

The Company has altogether eight directors as detailed below:

Status	Executive Directors	Non-Executive Directors	Audit Committee
Shareholders' representative Directors	2	2	-
Independent Directors	-	1	3

8.1.9 Integration or delegation of title and authority

The Chairman of the Board of Directors is an independent director and is also the Chairman of the Audit Committee. Independent directors constitute 50% of the Board of Directors and thus composition of the Board would ensure fair and effective management monitoring. The Managing Director is the CEO in charge of day-to-day operations and has specified powers with certain key decisions requiring approval by the Board of Directors.

8.1.10 Remuneration for directors and executives

The remuneration of the Board of Directors and the Audit Committee is proposed to the Shareholder meeting for their consideration and approval. The Managing Director's remuneration is fixed by the Board of Directors in discharge of duties as the CEO of the Company. The remuneration of the management is open for review by the shareholders who may set the appropriate policies and guidelines on this matter.

8.1.11 Board meetings

The meetings of the Board of Directors are usually convened at least once every quarter to review the operations / quarterly financial results and other matters. There were four Board meetings conducted during the year 2007/2008. Attendance of directors is as follows:

Name	Position	Attendance
Mr. Manu Leoparote	Board Chairman & Audit Committee Chairman	4/4
Dr. Virabongsa Ramangkura	Director & Audit Committee member	4/4
Mr. Shiraz Erach Poonevala	Director & Audit Committee member	4/4
Mr. Sanjiv Saraf	Director & Managing Director	4/4
Mr. Praphad Phodhivorakhun	Director	3/4
Mr. Pranay Kothari	Director	2/4
Mr. Ranjit Singh	Director	3/4
Mr. Manish Gupta	Director & General Manager (Commercial)	4/4

8.1.12 Supporting committees or sub-committees

The Board of Directors have recommended and shareholders have approved an Audit Committee consisting of three independent directors. The Audit Committee members have the requisite qualifications under the relevant SET rules & guidelines. The powers and allocation of work have been clearly defined by the shareholders and include review of internal control systems, review of financial reports, connected transaction or transaction involving conflict of interest.

8.1.13 Internal control and audit system

The Board of Directors exercises control through setting of annual budgets and operational objectives, periodical review of which is done from time to time. Meanwhile, the Audit Committee oversees the internal controls and audit in the Company and suggests measures for improvement.

8.1.14 Board of Directors' report

The Board of Directors is responsible for the Company's financial statements. As a part of the annual report, the directors have commented on the financial results of the Company.

8.1.15 Relationship with investors

PTL places significance on the timely disclosure of accurate information to its shareholders and investors. PTL holds regular meeting with analysts and investors and has also been participating in the SET Opportunity day on a half yearly basis to disseminate information about the Company and its operations. As regards investor relations, the Company has developed an IR section in the company website. Investor queries can be sent to the IR website (investorrelations@polyplexthailand.com) and will be responded to by the management of PTL. Further information regarding the Company may be obtained by contacting at tel. 0-2665-2706-8.

Measures to prevent use of internal information for executives' personal benefit

The Company has a policy on supervision of usage of internal company information by its directors and management for their own benefit. The directors and management who come to possess internal company information are not permitted to buy or sell the securities of the Company for a specified period prior to its announcement of operating results.

8.2 Internal Controls

At the 2/2008 board of directors' meeting of PTL held on May 20, 2008 with all the three audit committee members also attending, the board assessed PTL's internal control by means of making inquiries with its management. Based on the assessment

of PTL's internal control system in five aspects, namely organization and environment, risk management, control of the executives' operation, information technology system & information communication and follow-up system, the board viewed that PTL has adequate internal control with regard to the making of transaction with its major shareholders, directors, executives, or persons connected with the above mentioned persons.

The board considered that the Company's adequate and appropriate internal control and follow-up of the operations would be able to safeguard its assets against any illegitimate use by the executives.

8.3 Connected Transactions

8.3.1 A summary of the connected transactions between PTL and the connected parties during 2005/2006, 2006-07 and 2007-08 is as follows -

Party having conflict of interest	Relationship	Description of transaction	Pricing policy	Net Amount Paid to PCL by PTL (Bt. 000's)		
				2005-06	2006-07	2007-08
Polyplex Corporation Ltd. (PCL)	PCL is the Company's major shareholder, owning directly and indirectly the 70% of the Company's share capital and the two parties have common directors.	PCL made advance payments on behalf of the Company for administrative expenses, which were traveling expenses of employees, accommodations for employees' family, educational fees for employees' children, insurance claims of employees etc. The Company has already expensed these amounts and/or collected these amounts from the employees and paid them back to PCL.	The price of the transaction between PCL and the Company was a normal price in general business practice and was the price as actually paid by PCL in advance for the Company without any extra charge by PCL.	2272	1,275	986*
Polyplex Corporation Ltd. (PCL)	PCL is the Company's major shareholder, owning directly and indirectly the 70% of the Company's share capital and the two parties have common directors.	PTL made payments on behalf of PCL, which were traveling expenses of PCL employee family.	The price of the transaction between PCL and the Company was a normal price in general business practice and was the price as actually paid by company in advance for PCL without any extra charge.	10	17	51*

* The outstanding amount payable by PTL to PCL as on 31-Mar-2008 is NIL.

8.3.2 Necessity and reasonableness of the connected transaction

The connected transaction involved the advance payments made by PCL on behalf of the Company for administrative expenses. The payments were made for such expenses as transportation, accommodations for employees' family, educational fees for employees' children, insurance claims of employees etc. The

Company has already expensed these amounts and/or collected these amounts from the employees and paid them back to PCL. The reimbursement of advances/expenses was actually paid back to PCL at the actual prices incurred without any extra charge by PCL and the transaction value was small.

8.3.3 Measures or procedures for approval of the connected transaction

The audit committee of PTL has examined the connected transaction described in the table above and viewed that it is in accordance with the normal business practice. For such transactions in the future, the Company can undertake the transactions and inform the audit committee on a quarterly basis.

For any other future connected transactions, the Company will assign the concerned units to gather the relevant information and provide it to the audit committee to be used as a basis for its consideration on those transactions as to whether they are consistent with the normal business practice and the market price. The Company would follow the regulations of the SEC and SET in this regard. The audit committee has to consider and inform the board of directors for the approval. The directors who have a conflict of interest may not partake in the giving of comments on those connected transactions.

8.3.4 Policy or potential for the connected transactions

For any connected transactions that may take place in the future, the Company has a policy to set appropriate conditions on the said transactions based on the reasons and necessity of the Company. The connected transactions performed over the past period were merely advance payments, with a small transaction value, made for such expenses as transportation, accommodations for employees' family, educational fees for employees' children, insurance claims of employees etc. Moreover, there were no extra charges by the parent company regarding such cost and expenses as brand name and R & D, and so on. In performing any future connected transactions, PTL board of directors will comply with the law governing securities and exchange and the regulations, notifications and orders of the Stock Exchange of Thailand, as well as the regulations regarding disclosure of information about connected transactions and acquisition or disposal of core assets of companies or subsidiary companies according to the accounting standards defined by the Institute of Certified Accountants and Auditors of Thailand.

Where the connected transaction involves any person who may have a conflict of interest, the Company will arrange for the audit committee to give opinions on the necessity and appropriateness of that transaction. In case the audit committee has no expertise in any such transaction, the Company will have an independent expert or its external auditor provide opinions on that transaction for use as a basis of decision-making by the board of directors or the shareholders, as the case may be. The Company will disclose such connected transactions in the notes to the financial statements duly audited by its external auditor.

9. Financial Position and Operational Performance

9.1 Financial statements

Auditor

Year	Name of auditor	CPA no.	Auditing firm
2007/08 (Apr 1, 2007 - Mar 31, 2008)	Mr.Narong Puntawong	3315	Ernst & Young
2006/2007 (Apr 1, 2006 - Mar 31, 2007)	Mr.Pisit Chiwaruangroch	2803	KPMG Phoomchai Audit Ltd.
2005/2006 (Apr 1, 2005 - Mar 31, 2006)	Mr. Vichien Thamtrakul	3183	KPMG Phoomchai Audit Ltd.
2004/2005 (Apr 1, 2004 - Mar 31, 2005)	Mr. Vichien Thamtrakul	3183	KPMG Phoomchai Audit Ltd.
2003/2004 (Apr 1, 2003 - Mar 31, 2004)	Mr. Vichien Thamtrakul	3183	KPMG Phoomchai Audit Ltd.

Auditor's report

In the Auditor's report on the financial statements for all the years from the years ended March 31, 2003 upto the year ended March 31, 2008, the Auditors have given an unqualified opinion that the financial statements were fairly presented and prepared in accordance with generally accepted accounting principles.

For the year 2005/2006, 2006/2007 and 2007/2008, the consolidated financial statements of PTL and its subsidiary companies are used for comparison. PTL set up subsidiaries, namely Polyplex (Singapore) Pte. Ltd. (PSPL) in July 2004, Polyplex Europa Polyester Film Sanayi Ve Ticaret Anonim Sirketi (PE) in September 2004 and Polyplex (Americas) Inc. in January 2006. Thus, for convenience in reference, the term 'the Company' referred to hereafter in the financial statements will cover both the Company and its subsidiaries.

Polyplex (Thailand) Plc.

Balance Sheet

Unit: Bt. 000's

	Unconsolidated						Consolidated					
	2005/2006		2006/2007		2007/2008		2005/2006		2006/2007		2007/2008	
	April-March		April-March		April-March		April-March		April-March		April-March	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Assets												
Current Assets												
Cash and cash equivalents	53,458	1.16	31,154	0.66	9,117	0.16	164,139	2.93	129,638	2.22	86,878	1.05
Investment in marketable securities	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	797,090	17.32	589,476	12.47	943,815	16.59	647,552	11.56	788,529	13.51	1,441,559	17.37
Inventories	436,363	9.48	276,095	5.84	225,976	3.97	871,240	15.55	662,144	11.34	766,603	9.24
Other current assets	109,577	2.38	86,208	1.82	53,918	0.95	130,165	2.32	99,589	1.71	81,556	0.98
Total Current Assets	1,396,488	30.35	982,932	20.80	1,232,826	21.67	1,813,096	32.36	1,679,899	28.78	2,376,596	28.64
Non-Current Assets												
Investment in subsidiary	1,186,452	25.79	1,745,028	36.93	2,152,858	37.85	-	-	-	-	-	-
Land, premises and equipment-net	2,010,874	43.71	1,967,163	41.63	2,285,942	40.19	3,764,846	67.20	3,996,505	68.46	5,898,890	71.08
Intangible assets-net	-	-	-	-	-	-	-	-	7,247	0.12	7,225	0.09
Deferred expenses-net	2,940	0.06	-	-	-	-	2,940	0.05	-	-	-	-
Other non current assets	4,093	0.09	30,188	0.64	16,575	0.29	21,176	0.38	154,268	2.64	16,622	0.20
Total Non-current Assets	3,204,359	69.65	3,742,379	79.20	4,455,375	78.33	3,788,962	67.64	4,158,020	71.22	5,922,738	71.36
Total Assets	4,600,847	100.00	4,725,312	100.00	5,688,201	100.00	5,602,058	100.00	5,837,919	100.00	8,299,334	100.00

Polyplex (Thailand) Plc.

Balance Sheet

Unit: Bt. 000's

	Unconsolidated						Consolidated					
	2005/2006		2006/2007		2007/2008		2005/2006		2006/2007		2007/2008	
	April-March		April-March		April-March		April-March		April-March		April-March	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Liabilities & Shareholders' Equity												
Current Liabilities												
Accounts payable	434,509	9.44	418,490	8.86	522,028	9.18	471,522	8.42	614,153	10.52	898,019	10.82
Long-term loans-due within one year	-	-	41,224	0.87	114,832	2.02	277,595	4.96	155,740	2.67	252,939	3.05
Short-term loans from financial institutions-	-	-	18,371	0.32	23,652	0.42	238,052	4.08	77,465	0.93		
Other current liabilities	45,158	0.98	28,318	0.60	36,791	0.65	121,259	2.16	73,324	1.26	87,396	1.05
Total current liabilities	479,667	10.43	488,031	10.33	692,022	12.17	894,028	15.96	1,081,270	18.52	1,315,818	15.85
Non-current Liabilities												
Long-term loans-net of amount due within one year	522,297	11.35	616,107	13.04	1,077,118	18.94	1,225,141	21.87	1,232,807	21.12	2,652,766	31.96
Other non-current liabilities	-	-	-	-	-	-	71	0.00	1,483	0.03	1,869	0.02
Loss on investment in subsidiaries exceeding carrying amount	129,396	2.81	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,131,360	24.59	1,104,138	23.37	1,769,139	31.10	2,119,240	37.83	2,315,560	39.66	3,970,453	47.84
Shareholders Equity												
Issued & Paid-up Share Capital												
Preferred shares	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00
Ordinary shares	800,000	17.39	800,000	16.93	800,000	14.06	800,000	14.28	800,000	13.70	800,000	9.64
Premium on ordinary shares	1,370,460	29.79	1,370,460	29.00	1,370,460	24.09	1,370,460	24.46	1,370,460	23.48	1,370,460	16.51
Advance towards future paid-up capital		0.00	-	-				0.00	-		-	
Translation adjustment	(47,320)	(1.03)	-	0.00	-	0.00	(47,320)	(0.84)	(126,291)	(2.16)	2,523	0.03
Retained earnings (deficits)	1,346,347	29.26	1,450,714	30.70	1,748,602	30.74	1,346,347	24.03	1,464,189	25.08	2,141,739	25.81
Total Shareholders' Equity	3,469,487	75.41	3,621,174	76.63	3,919,062	68.90	3,469,487	61.93	3,508,358	60.10	4,314,723	51.99
Minority Interest	-	0.00	-	0.00	-	0.00	13,331	0.24	14,002	0.24	14,158	0.17
Total Liabilities and Shareholders' Equity	4,600,847	100.00	4,725,312	100.00	5,688,201	100.00	5,602,058	100.00	5,837,919	100.00	8,299,334	100.00

Polyplex (Thailand) Plc.
Statement of Income and Retained Earnings

Unit: Bt. 000's

	Unconsolidated						Consolidated					
	2005/2006		2006/2007		2007/2008		2005/2006		2006/2007		2007/2008	
	April-March		April-March		April-March		April-March		April-March		April-March	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Revenues												
Net sales	3,283,512	96.23	3,324,285	98.81	3,531,976	99.08	3,299,991	96.28	4,718,570	98.12	6,398,679	98.99
Other revenues	80,560	2.36	65,508	1.95	77,664	2.18	94,120	2.75	90,263	1.88	111,212	1.72
Gain/(loss) on foreign exchange	47,946	1.41	(25,503)	(0.76)	(44,797)	(1.26)	33,339	0.97	-	-	(45,672)	(0.71)
Total Revenues	3,412,018	100.00	3,364,289	100.00	3,564,843	100.00	3,427,450	100.00	4,808,832	100.00	6,464,218	100.00
Costs and Expenses												
Cost of sales	2,455,589	71.97	2,850,734	84.74	2,764,455	77.55	2,416,220	70.50	3,854,393	80.15	4,949,656	76.57
Selling and administrative expenses	253,671	7.43	288,263	8.57	317,808	8.92	420,966	12.28	525,861	10.94	597,585	9.24
Loss from investment in subsidiary	125,926	3.69	-	-	-	-	-	-	-	-	-	-
Total Expenses	2,835,186	83.09	3,138,997	93.30	3,082,264	86.46	2,837,186	82.78	4,380,254	91.09	5,547,242	85.81
Profit (loss) before interest expenses	576,832	16.91	225,293	6.70	482,579	13.54	590,264	17.22	428,579	8.91	916,977	14.19
Interest expenses	(15,858)	(0.46)	(37,457)	(1.11)	(48,691)	(1.37)	(25,583)	(0.75)	(80,811)	(1.68)	(91,331)	(1.41)
Income Tax	-	-	-	-	-	-	(5,013)	(0.15)	(4,381)	(0.09)	(9,297)	(0.14)
Net profit (loss) after income tax	560,974	16.45	187,836	5.58	433,889	12.17	559,668	16.32	343,387	7.14	816,349	12.63
Net (profit)/loss of minority interest	-	-	-	-	-	-	1,306	0.04	(1,545)	(0.03)	(2,799)	(0.04)
Goodwill amortised	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss)	560,974	17.37	187,836	5.58	433,889	12.17	560,974	16.37	341,842	7.11	813,551	12.59
Earnings (losses) per share (Bt.)	0.70	-	0.23	-	0.54	-	0.70	-	0.43	-	1.02	-

Polyplex (Thailand) Public Company Limited

Cash Flow Statement

Unit: Bt. 000's

	Unconsolidated			Consolidated		
	2005/2006 April-March	2006/2007 April-March	2007/2008 April-March	2005/2006 April-March	2006/2007 April-March	2007/2008 April-March
Cash flow from operating activities						
Net profit (loss)	560,974	187,836	433,889	560,974	341,842	813,551
Adjustment to reconcile net profit of net cash provided by operating activities						
Depreciation and amortization	126,622	130,307	130,698	155,609	223,802	241,788
Increase (decrease) allowance for doubtful debts	-	308	(100)	-	308	251
Allowance for diminution in value of inventories (reversal)	-	-	-	-	3,041	(3,041)
Dividend income	-	-	(4,315)	-	-	-
Interest Expense	15,858	37,457	48,691	25,583	80,811	91,331
Income Tax expense	-	-	-	5,013	4,381	9,297
Gain on disposal of property, plant and equipment	(244)	(1)	(155)	(244)	(1)	(155)
Unrealized losses (gains) on foreign exchange	18,240	6,237	30,057	10,662	6,237	35,710
Loss from subsidiary	125,926	-	-	-	-	-
Net loss of minority interest	-	-	-	(1,306)	1,545	2,799
Profit (Loss) from operation before changes in operating assets and liabilities	847,376	362,144	638,765	756,291	661,965	1,191,530
Decrease (Increase) in operating assets						
Accounts receivable	(179,287)	198,379	(367,426)	23,669	(150,212)	(679,532)
Balance due from a related company	-	-	-	14,079	188	19,916
Inventories	(130,674)	160,268	50,119	(497,591)	206,056	(101,418)
Other current assets	(35,969)	23,369	32,290	(33,631)	30,577	18,785
Other non-current assets	(2,564)	(23,156)	(2,219)	(10,727)	(139,072)	137,646
Increase (Decrease) in operating liabilities						
Accounts payable	8,835	(44,541)	89,025	(72,404)	95,651	193,726
Other current liabilities	(58,231)	16,329	1,945	(13,714)	8,261	3,018
Income tax paid	-	-	-	(129)	(6,954)	(4,771)
Other non-current liabilities	-	-	-	71	1,412	386
Cash flow provided from (used in) operating activities	449,486	692,791	442,498	165,914	707,871	779,286

Polyplex (Thailand) Public Company Limited

Cash Flow Statement

Unit: Bt. 000's

	Unconsolidated			Consolidated		
	2005/2006 April-March	2006/2007 April-March	2007/2008 April-March	2005/2006 April-March	2006/2007 April-March	2007/2008 April-March
Cash flow from Investing activities						
Acquisition of subsidiary	-	-	4,315	(20,497)	-	-
Other Long Term Investment	(748,421)	-	-	-	-	-
Repayment of accounts payable on purchase of fixed assets	-	-	15,833	-	-	-
Investment in marketable securities	100,763	(500,120)	(407,830)	100,763	-	-
Purchase of fixed assets	(160,753)	(91,075)	(431,600)	(1,663,381)	(480,384)	(1,872,461)
Payment of intangible asset	-	-	-	(2,528)	(309)	(1,873)
Sale of fixed assets	969	25	234	969	969	1,205
Increase in Investment in subsidiary	(41,660)	-	-	-	-	-
Net cash used in investing activities	(849,102)	(591,170)	(819,048)	(1,584,674)	(479,724)	(1,873,129)
Cash flow from financing activities						
Interest Paid	(13,046)	(37,305)	(44,585)	(22,771)	(80,659)	(87,225)
Increase (Decrease) in loans from financial institutions	-	-	18,371	23,652	214,400	(178,480)
Dividend Paid	(280,000)	(224,000)	(136,000)	(280,000)	(224,000)	(136,000)
Dividend paid to minority shareholders	-	-	-	-	-	(1,692)
Increase/(decrease) in long-term loans	515,147	137,380	516,727	1,495,585	(111,843)	1,517,158
Investment of minority interest	-	-	-	6,552	-	-
Cash provided from financing activities	222,101	(123,926)	354,513	1,223,018	(202,102)	1,113,761
Currency Translation changes	-	-	-	(41,970)	(60,546)	(62,679)
Increase in cash and cash equivalents	(177,515)	(22,305)	(22,037)	(237,712)	(34,501)	(42,760)
Cash and cash equivalents at the beginning of period (April 1)	230,973	53,458	31,154	391,385	164,139	129,638
Effect of exchange rate changes on balances held in foreign currencies	-	-	-	10,466	-	-
Cash and Cash equivalents at the end of period (March 31)	53,458	31,154	9,117	164,139	129,638	86,878

Polyplex (Thailand) Public Company Limited

Ratios

		Unconsolidated			Consolidated		
		2005/2006	2006/2007	2007/2008	2005/2006	2006/2007	2007/2008
		April-March	April-March	April-March	April-March	April-March	April-March
<u>Liquidity Ratios</u>							
Current ratio	(time)	2.91	2.01	1.78	2.03	1.55	1.81
Quick ratio	(time)	1.77	1.27	1.38	0.91	0.85	1.16
Cash flow current ratio	(time)	0.89	1.43	0.75	0.23	0.72	0.65
Receivable current ratio	(time)	4.60	4.79	4.61	5.17	6.57	5.74
Avg. debt collection period	(day)	78.20	75.08	78.14	69.65	54.78	62.73
Inventory turnover period	(time)	47.97	104.31	126.67	20.26	23.16	32.13
Avg. selling period	(day)	7.50	3.45	2.84	17.77	15.54	11.20
Payable current ratio	(time)	5.71	6.92	6.37	5.38	7.42	7.38
Loan repayment period	(day)	63.09	52.04	56.52	66.88	48.50	48.76
Cash cycle	(day)	22.61	26.49	24.46	20.54	21.83	25.18
<u>Profitability Ratios</u>							
Gross profit margin	(%)	25.21%	14.25%	21.73%	26.78%	18.31%	22.65%
Operating profit margin	(%)	17.49%	5.57%	12.73%	14.02%	7.17%	13.31%
Other profit margin	(%)	2.36%	1.93%	2.15%	2.75%	1.88%	1.71%
Cash to profit margin	(%)	63.96%	276.24%	83.91%	28.11%	165.17%	80.95%
Net profit margin	(%)	16.44%	5.54%	12.02%	16.37%	7.11%	12.50%
Return on equity	(%)	16.77%	5.30%	11.51%	16.74%	9.76%	20.72%
<u>Efficiency Ratios</u>							
Return on assets	(%)	13.44%	4.03%	8.33%	11.98%	5.98%	11.51%
Return on fixed assets	(%)	34.48%	15.99%	26.55%	23.80%	14.56%	21.30%
Asset turnover	(time)	0.82	0.73	0.69	0.73	0.84	0.92
<u>Financial Policy Ratios</u>							
Debt to equity ratio	(time)	0.33	0.30	0.45	0.61	0.66	0.92
Interest coverage ratio	(time)	44.36	9.49	12.60	29.21	8.05	12.66
Commitment coverage ratio (cash basis)	(time)	2.80	7.61	0.94	0.10	0.93	0.38
Pay out ratio	(%)	39%	40%	40%	39%	40%	40%

9.2 Explanation and analysis of operational performance and financial status

9.2.1 Operational performance

PTL, a subsidiary of PCL, was incorporated on March 26, 2002 to engage in the production and distribution of PET film (Polyethylene Terephthalate Film or Polyester Film) mainly for export markets focusing on packaging, industrial and electrical segments. PTL commenced operations from its first production line on April 2, 2003 and the second production line on November 12 of the same year. PTL's factory is situated in Siam Eastern Industrial Park, Rayong on a land area of 20 rai 22 sq. wah which was later expanded by another land area of 8 rai 28.9 sq.wah for implementation of the captive pet resin project. Another plot of land with an area of 35 rai, 2 nang and 54.80 square wah was bought opposite to the factory, where PTL's Extrusion Coating project started commercial production in April'08. The future expansion projects of PTL are expected to come up in the vacant part of the new land. PTL was awarded the ISO 9001:2000 and the ISO14001:2004 accreditation in December 2003 and May 2004 respectively for its film plants and similar certification has been received subsequently at the time of extension in March 2007 for its Resin and Metallizer plants.

The Company has targeted to become one of the world market leaders in PET film by continuously expanding its market share through regular expansions in capacity. With the start up of the second thin PET film line in Turkey in May'08, Polyplex group has become one of the major global players in the PET film industry with a capacity of more than 100,000 MT per annum. The company has regularly expanded its customer base and is getting into new product lines, such as metallized film, extrusion coated films and other specialty films and is now making investments in other related product diversification projects such as CPP film etc.. In order to achieve these goals, it has set out clear business strategies, i.e. 1) focus on product development and technical services to penetrate high growth and high margin markets, 2) Cost leadership, 3) boosting delivery efficiency through focus on distributed manufacturing and logistics, and 4) diversifying the product lines 5) Customer satisfaction through supply of consistent quality products

Revenues

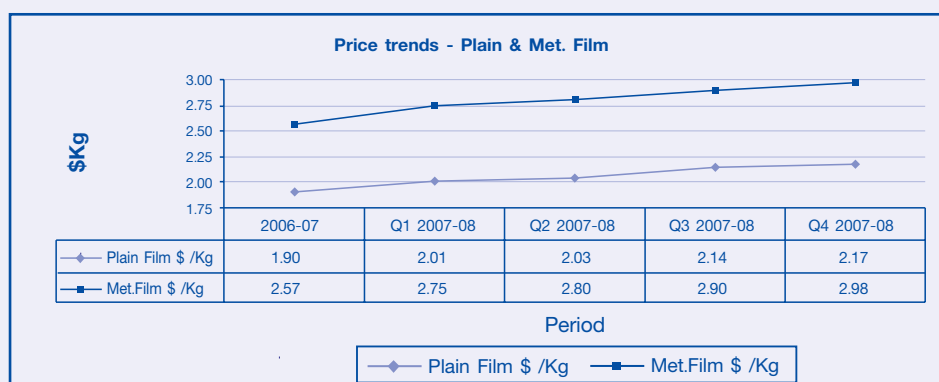
PTL's total sales revenue is mainly driven by Exports, with 80-85% of its total sales revenue coming from exports. It is apparent that PTL largely concentrates on the overseas markets, fostered by its parent company's longstanding relationship with the overseas customers and experience in the export markets for more than 20 years which helped build up its name recognition and reliability among these customers.

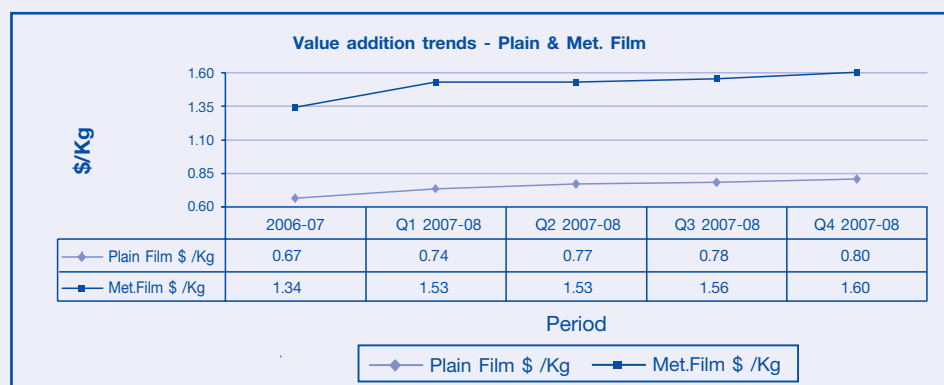
Table illustrating PTL's sales revenue film export and domestic sales of Film and chips

Market	2005/06		2006/07		2007/08	
	Bt. million	%	Bt. million	%	Bt. million	%
Exports	2,767.78	84.29	2,828.11	85.07	2,890.14	81.83
Domestic sales	515.73	15.71	496.18	14.93	641.83	18.17
Total	3,283.51	100.00	3,324.28	100.00	3,531.98	100.00

In the year 2007/2008 (April 1- March 31, 2008), PTL achieved total sales revenues of Bt. 3,532 million, an increase of Bt. 208 million over the corresponding previous year. Major features of sales revenue in 2007/2008 are as follows:

- The revenue from sale of film has gone up from Bt. Bt. 2,633.22 million in 2006-07 to Bt. 2,882 million in 2007-08, an increase of about 9.5% from previous year which is attributable to increase in volumes coming from productivity improvements in the plain film plant (from an average of 94.5% in 2006-07 to 102.5% in 2007-08) as well as significantly higher productivity levels in the Metallised film plant (from an average of 74% in 2006-07 to 90% in 2007-08) and better realizations due to higher proportion of value added products like Metallised films in the sales portfolio. The increase could have been much higher if not for the strong baht appreciation against the USD, by about 9-10% as compared to 2006-07. Since PTL's revenue is mainly from exports, the sales revenue in baht terms have declined although the average USD pricing of PET films have improved by about 20 cents in plain film and about 25-30 cents in Metallized films. The value additions have improved by about 10 cents/kg in plain film and metallized film by about 20 cents/kg. Below is a comparison of quarterly average selling prices and value addition on plain and metallized films of PTL for 2007-08 which illustrate the improvements in 2007-08 which translated into higher net profitability for the year.





- In 2007/2008, PTL generated revenue from sale of surplus polyester chips to its subsidiary in Turkey and also made sales to other customers in the export as well as domestic market. These export sales contributed Bt. 545.33 million to the total revenue of PTL. The revenue generated from sale of chips in domestic market was Bt. 104.74 million.

Expenses

The key elements of PTL's cost structure are raw materials (PTA & MEG), packing, electricity & fuel, depreciation, staff cost and selling & administrative expenses.

Raw material cost made up 69.10% of total expenses in 2007-08, as compared to 68.85% in 2006-07 followed by packing costs of 4.08%, which has reduced from 4.48% in the previous year, electricity & water of 3.83% as compared with 3.93% in the previous year, depreciation on building, plant and machinery of 4.03% as compared with 3.91% in the previous year and staff costs of 2.94% as compared with 2.61% in 2006-07.

The selling & administrative expenses amounted to Bt. 317.81 million or 10.31% of total expenses as compared with Bt. 288.26 million or 9.18% in 2006-07. They principally included the shipment costs for the exported products, freight charges, inland insurance on domestic sales as well as other general administrative expenses.

The movement in the per unit cost of raw material is a global phenomenon in the PET film industry resulting from the movement in crude oil prices and the demand-supply situation for PTA and MEG. The raw material cost in 2007-08 was Bt 38.49 as against Bt. 40.68/kg in 2006-07. Despite the increase in USD Raw material prices in 2007-08, there is a drop in raw material cost per kg in baht terms, as the price increase is completely offset by the appreciation of Baht against the USD. Since the price fixation for the raw materials is in USD, the appreciation of Baht has benefited in terms of lower raw material cost in Baht terms.

The other variable cost which includes packing cost was Bt.3.05 /kg in 2007-08 as against Bt. 3.67/kg in 2006-2007, which is an improvement of about 17% on account of efficiency in packing material consumption and other cost saving measures adopted. The per unit cost fixed costs have reduced to Bt. 11.98 /kg in 2007-08 as against Bt. 13.56/kg in 2006-07 mainly on account of significant savings in stores and spares consumption resulting from better plant efficiency and savings in power and fuel expenses due to cost saving measures like use of Natural gas as fuel etc . Overall, the unit cost of sales has decreased by about 11% primarily due to cost saving measures and also due to lower raw material cost in baht terms as explained above.

During the year 2007-08, PTL incurred an extraordinary net FX loss of Bt. 50.2 million as against Bt. 25.5 million in the previous year. FX losses were mainly on account of foreign exchange fluctuation on USD export debtors with the Baht appreciating against the US dollar and also the losses on restatement of long term Euro loans and Euro denominated liabilities for import creditors due to appreciation of Euro against baht. However, this loss was partially offset by some gain on restatement of USD loans and export debtors denominated in Euro, resulting in an overall Net FX loss of Bt. 50.2 million. Out of the entire net FX loss, about Bt. 30 million is net unrealized loss relating to restatement of Euro loans, Euro import creditors and USD export debtors.

Gross profit

PTL had a gross profit margin of 21.73% in 2007-08, which is higher than the 14.25% in the previous year due to improvement in sales realizations as the industry has started recovering from the downcycle witnessed in the previous year and also due to increase in share of value added films in the sales portfolio. The operating profit margin has also increased to 12.73% from a 5.57% in the previous year due to the same reason and also due to other savings in fixed costs.

Net profit

During the year 2007-08, there was a significant increase in the Net profit of PTL from Bt. 187.84 million to Bt. 433.89 million, an increase of about 130%. The net profit margin was 12.02%, a significant increase from 5.54% in the previous year. The subsidiaries have also contributed significantly to the profitability of the company for 2007-08 resulting in a consolidated net profit of Bt. 813.5 million, an increase by 138% as compared with 341.84 million in 2006-07. Increased productivity resulting in increased sales volumes, better sales realizations due to higher proportion of value added films and various costs savings have resulted in overall increase in profitability of PTL as well as its subsidiaries.

Return on equity

The ROE of PTL for 2007-08 has increased to 11.51% from 5.30% in 2006-07 mainly due to increase in profitability for the year. On a consolidated basis, the increase is from 9.76% in 2006-07 to 20.72% in 2007-08.

PTL has a policy to pay dividend at about 40% of net profits. For the year 2007-08, PTL's board has proposed to the shareholders a dividend of 40 satang per share on a par value of Baht 1 each share.

9.2.2 Financial status

Total assets

PTL's total assets have grown steadily from the time of inception till date with the installation of new production lines and various other expansion projects in Thailand and also at the subsidiary level in Turkey. In 2007-08 PTL's total assets were 5,688.20 million, an increase of 20% as compared to Bt. 4,725 million in the previous year. PTL's fixed assets were Bt. 2,285.94 million in 2007-08 and Bt. 1,967.16 million in 2006-07 which constituted 40.18 % and 41.63% of the total assets respectively. Increase in value of fixed assets is due to the capital work-in-progress relating to the investments in new projects - Extrusion Coating Project and Metallized film project which commenced production in April '08 and May'08 respectively.

On a consolidated basis, the total assets in 2007-08 were Bt. 8,299 million, a significant increase from Bt.5,837 million in 2006-07. The consolidated fixed assets were Bt. 5,898.89 million, up from Bt. 3,996.5 million in 2006/07 which constituted 71.08% and 68.46% of the total assets respectively. Increase in consolidated fixed assets is on account of capital work-in-progress relating to the new investments in the PET thin film line and Metallised film projects in Turkey, which commenced production in May'08. Part of the investments in the PET thin film project of Turkey were funded through investments of about USD 15 million from Thailand, out of which USD 10 million were funded through long term loans availed by PTL from Thai banks and the balance was funded through internal accruals.

Accounts receivable

The average collection period of PTL was 78 days (96 days based on closing balance only) in 2007-08, as compared to 75 days (64 days based on closing balance only) in 2006-07. The normal credit term granted for related parties is 60 to 120 days while credit term for third parties varied from 30 to 165 days. PTL's net accounts receivable as of March 31, 2008 stood at Bt. 943.82 million which was up from Bt. 589.48 million as of March 31, 2007. The increase in receivables is mainly in unrelated parties on account of increase in credit period to a key distributor in Europe and also on account of increase in chips receivables. Overall increase in receivables is also on account of increased volumes of sales.

PTL's outstanding accounts receivable can be classified as shown below:

(Bt. million)

Period	As at 31.3.2006	As at 31.3.2007	As at 31.3.2008
Not yet due	757.57	538.12	904.59
Overdue upto 3 months	35.59	51.11	38.35
3-6 months	3.93	0.25	0.88
Total	797.09	589.48	943.82

Inventories

The total inventories of PTL for 2007-08 have reduced to Bt. 225.98 million from Bt. 276.1 million in 2006-07. The reduction in inventory is mainly due to reduction in stock of raw material, mainly polyester chips. The average selling period for 2007-08 was 3.37 days (2.84 days on closing balance only) and 3.97 days for 2006-07 (3.79 days on closing balance only). PTL aligns its supply chain (raw material procurement, production and dispatch) in a manner that minimum levels of inventories are required to be maintained.

The consolidated inventory of the company was Bt. 766.6 million in 2007/2008, as against Bt. 662.14 million in 2006-07, an increase of 15.78% mainly on account of increase in stock of finished goods (material-in-transit). There is a decrease in stock of raw materials and some increase in work-in-process at the subsidiary in Turkey resulting in a net increase of Bt. 104.46 million in overall inventory.

Return on assets

PTL's return of assets has increased to 8.33% in 2007-08 from 4.03% in 2006-07 mainly due to increase in profitability.

On a consolidated basis, the return on assets has increased to 11.51% in 2007-08 from 5.98% in 2006-07 which is again due to increase in profitability.

9.2.3 Liquidity

Cash flow

In the year 2007-08, PTL had a cash flow from operations of Bt. 442.5 million and cash flow from long term loans and other short term bank borrowings of Bt. 535.1 million. Of these, Bt. 415.53 million was used for purchase of fixed assets & other assets and Bt. 407.83 million was invested in subsidiaries and Bt. 44.58 million was paid as finance charges on the Long term and short term borrowings. Dividend of Bt. 4.3 million was received from the USA subsidiary. There is net outflow of Bt. 136 million on account of dividend for 2006-07. The deficit thereof together with the opening balance of Bt. 31.15 million resulted in a net closing balance of Bt. 9.12 million.

For the year 2007-08, PTL and its subsidiaries showed a cash flow from operations of Bt. 779.29 million and cash flow from long term loans and other

short term bank borrowings of Bt. 1,338.68 million. Of these, Bt. 1,873.13 million was used for purchase of machinery & equipment and other fixed assets and Bt. 87.22 million was paid as finance charges on the long term and short term borrowings. There is net outflow of Bt. 136 million on account of dividend paid by PTL for 2006-07 and Bt 1.7 million of dividend payout by PA to the minority shareholders..The balance thereof along with the negative translation adjustment of Bt. 62.68 million and the opening balance of Bt. 129.64 million resulted in a net closing balance of Bt. 86.88 million.

Liquidity ratio

In 2007-08, PTL's current ratio and quick ratio were 1.78 and 1.38 respectively. The average debt collection period during 2007-08 was 78 days along with loan repayment period of 57 days and average selling period of 3 days resulted in cash cycle of 24 days. The average debt collection period has remained more or less the same as in 2006-07.

In 2007-08 the consolidated current ratio and quick ratio were 1.81 and 1.16 respectively. The average debt collection period during 2007-08 was 63 days along with loan repayment period of 49 days and average selling period of 11 days resulted in a cash cycle of 25 days.

In 2006-07 the PTL's current ratio and quick ratio were 2.01 and 1.27 respectively. The average debt collection period during 2006/2007 was 75 days along with loan repayment period of 52 days and average selling period of 4 days resulted in to cash cycle of 27 days. The consolidated current ratio and quick ratio were 1.55 and 0.85 respectively. The average debt collection period during 2006-07 was 55 days along with loan repayment period of 48 days and average selling period of 16 days resulted in a cash cycle of 22 days.

9.2.4 Sources of funds

PTL sources of funds consist of loans from financial institutions and shareholders' equity.

Total liabilities

As at 31.3.2008, PTL's total liabilities stood at Bt 1,769.14 million, an increase from Bt. 1,104.14 million in the previous year, mainly due to increase in long term borrowings for financing the investments in new projects in Thailand and Turkey.

PTL's current liabilities in 2007-08 were Bt. 692.02 million against Bt 488.03 million in 2006-07. Increase in current liabilities is mainly due to increase in current portion of long term loans and also due to increase in payables for raw materials /other trade accounts payables and also the increase in payables for fixed assets.

The consolidated total liabilities in 2007-08 were Bt 3,970.45 million as compared with Bt. 2,315.56 million in 2006-07. Of these total liabilities the current liabilities in 2007-08 were Bt. 1,315.82 million as against Bt. 1,081.27 million in 2006-07.

Increase in total liabilities is mainly due to increase in long-term loans availed by PTL and the subsidiary in Turkey from local financial institutions for financing of following projects.

- Extrusion Coating line in Thailand
- PET film line in Turkey
- Metallizer plant in Turkey and Thailand

In 2007-08, the consolidated accounts payable stood at Bt 773.79 million, as against Bt.567.02 million in 2006-07 representing an increase of 36.47% due to increase in Trade accounts payables.

Commitments

As at 31 March 2008, company had the following commitments and contingent liabilities:

- (a) PTL had commitments totaling Baht 21.5 million under various service agreements. These agreements terminate between June 2008 and July 2010.
- (b) PTL had forward foreign exchange contracts to sell EUR 3.0 million at the contractual exchange rates of Baht 47.98 - 49.48 per EUR 1.

The Turkey subsidiary had forward foreign exchange contracts as follows:

<u>Bought amount</u>	<u>Contractual exchange rate</u>
YTL 0.7 million	YTL 1.359 per USD 1
YTL 1.0 million	YTL 2.006 - 2.092 per EUR 1
USD 0.3 million	USD 1.580 per EUR 1

- (c) The group had capital commitments of approximately Baht 209.54 million, relating to the construction of factory buildings, and acquisition of machinery and equipments. For PTL standalone, the capital commitments were Baht 39.27 million.
- (d) As at 31 March 2008, the Group is committed for rental as follows:

	<u>Thousand Baht</u>
Payable within:	
1 years	2,761
2 to 5 years	5,134

- (f) PTL has given short term guarantees worth USD 6.0 million against working capital facilities of its subsidiaries. In addition to this, PTL has given guarantee of EUR 34.5 million for the long term loans taken by its Turkey subsidiary, out of which EUR 17.4 million against thin film line expansion project will be valid until the mortgage and commercial enterprise pledge are established in favor of the lending bank.

Apart from above, as at 31 March 2008 there were outstanding bank guarantees of approximately Baht 1.5 million and EUR 7.9 million issued by the banks on behalf of PTL and its subsidiaries in respect of certain performance bonds as required in the normal course of businesses.

Shareholders' equity

PTL's shareholders' equity on a consolidated basis in 2007-08 rose to Bt 4,314.72 million from Bt. 3,508.36 million in 2006-07, representing a growth rate of 23% during the year. The increase in 2007-08 is due to increased profitability for the year. The shareholder equity is after accounting for the payment of Bt. 136 million as dividend during 2007-08.

Leveraging & interest coverage

The debt-equity ratio of PTL in 2007-08 was 0.45 times as against 0.3 times in 2006-07, the increase being due to availment of long term loans from banks during the year. The interest coverage ratio was 12.60 times in 2007-08 as against 9.49 in 2006-07. Increase in the interest coverage ratio is due to the increase in the EBITDA as compared to previous year.

On a consolidated basis, the debt-equity ratio in 2007-08 was 0.92 times, as against 0.66 times in 2006-07 with the rise contributed by a portion of long term loans availed during the year by both PTL and subsidiary in Turkey for financing the various expansion projects. The interest coverage ratio was 12.66 times in 2007-08, as against 8.05 times in the previous year, increase being due to improvement in EBITDA for the year.

9.3 Main factors and influence which may affect the future operational performance and financial position

The outlook for the long term remains stable for the company, with the immediate outlook for 2008-09 showing positive signs due to continued improvement in the market situation and also due to additional volumes coming from new projects which started up in Turkey and Thailand in May'08. PTL is confident of retaining its competitive edge due to various reasons:

1. Benefit from its various projects as under:

- a. PTL and PE have both derived significant benefits from the captive PET resin production to serve its raw material demand on costs, quality and security of availability. The main advantages of a captive resin plant are lower cost of production because of efficiencies in raw material sourcing as also a lower conversion cost besides ensuring timely availability of raw material for the film plants. Easy availability of PTA and MEG would reduce the supply risk although cost of the same still remains a matter of concern for any PET film manufacturer as it has a direct impact on the margins of every manufacturer. However, with the improving market situation, significant cost increase can be passed on to the end customers to protect

- our margins. Captive production of resin would also allow the company to develop new film products.
- b. Metallizer plants in Thailand and Turkey have helped improve the product mix. With the start up of the second metallizer plants in Turkey and Thailand, the company's capacity to produce value added films and sell additional volumes to its existing as well as new customers has increased significantly and this is expected to contribute to revenue and profitability growth in a significant manner.
 - c. The new extrusion coating plant in Thailand, which commenced operations in April'08 will further help the company to reduce their exposure to commodity grades of film and increase the proportion of value added films.
 - d. The CPP film project under implementation will also help the company in product diversification and diversify the risk associated with the cyclical nature of the PET film industry.
2. The company has started deriving benefits from the larger size and distributed manufacturing operations across 3 locations whereby it has qualified as a preferred global supplier with many multinational and large customers with global operations.
 3. The company had also invested significantly in distribution, especially the acquisition of a company in USA (Polyplex (Americas) Inc.). Although not immediately evident, over the medium term, it is expected that this investment would lead to a better market penetration and improved customer service for North American markets.

9.4 Remuneration for auditor/s

1. Audit fee

The Company and its subsidiaries paid audit fee as below:

- A total of Bt ____ - ____ paid to the auditor/s for the past fiscal year; and
- A total of Bt 2,000,000.00 paid to the accounting firm the auditor/s work for, or the person or business related to the auditor/s and the accounting firm for the past fiscal year.

2. Non-audit fee

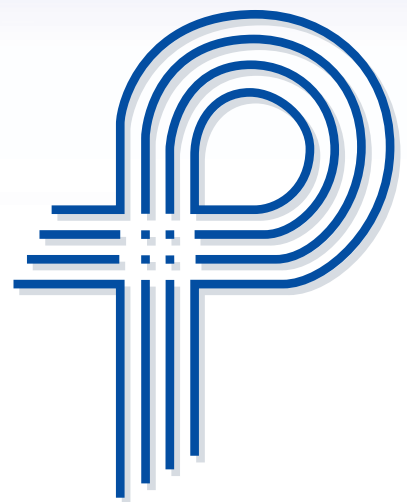
The Company and its subsidiaries made payment for other services, i.e. due diligence, non-accounting advisory service, examination of compliance with conditions of promotion certificates, and legal and tax services, as follows:

- A total of Bt. ____ - ____ paid to the auditor/s for the past fiscal year and Bt. ____ - ____ payable in the future for the service not yet fully done for the past fiscal year; and
- A total of Bt 36,600 paid to the accounting firm the auditor/s work for, or the person or business related to the auditor/s and the accounting firm for the past fiscal year, and Bt. 517,230.00 payable in the future for the service not yet fully done for the past fiscal year.

Financial Statements

**For the Years Ended March 31, 2008
and Report of Certified Public Accountant**

Polyplex (Thailand) Public Company Limited and Subsidiaries



Report of Independent Auditor

To the Shareholders of Polyplex (Thailand) Public Company Limited

I have audited the accompanying consolidated balance sheet of Polyplex (Thailand) Public Company Limited and its subsidiaries as at 31 March 2008, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended; and the separate financial statements of Polyplex (Thailand) Public Company Limited for the same period. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements as at 31 March 2008 and for the year then ended include the financial statements of two subsidiaries which were audited by other auditors, whose reports have been furnished to me. My opinion on the consolidated financial statements, insofar as they relate to the amounts included for these subsidiaries, is based solely on the reports of those other auditors. These consolidated financial statements reflect total assets of those subsidiaries as at 31 March 2008 of approximately Baht 307.6 million, total revenues and net income for the year then ended of approximately Baht 641.4 million and Baht 499.9 million, respectively. The consolidated financial statements of Polyplex (Thailand) Public Company Limited and its subsidiaries as at 31 March 2007 and for the year then ended; and the separate financial statements of Polyplex (Thailand) Public Company Limited for the same period were audited by other auditor, who expressed an unqualified opinion on those statements under his report dated 15 May 2007.

I conducted my audit 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 audit and the reports of the other auditors referred to in the previous paragraph provide a reasonable basis for my opinion.

In my opinion, based on my audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Polyplex (Thailand) Public Company Limited and its subsidiaries and of Polyplex (Thailand) Public Company Limited as at 31 March 2008, the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.



Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited

Bangkok: 13 May 2008

Balance sheets

Polyplex (Thailand) Public Company Limited and its Subsidiaries
As at 31 March 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007 (Restated)
Assets					
Current assets					
Cash and cash equivalents		86,878,071	129,638,340	9,116,683	31,153,610
Trade accounts receivable					
Unrelated parties - net	7	1,441,559,003	788,528,591	816,579,470	452,561,816
Related parties	6, 7	-	-	127,235,692	136,913,821
Trade accounts receivable - net		1,441,559,003	788,528,591	943,815,162	589,475,637
Inventories - net	8	766,602,968	662,143,780	225,976,364	276,095,116
Other current assets					
Input tax refundable		11,233,332	29,065,493	11,233,332	29,065,493
Export incentive receivables		25,185,175	24,808,951	25,185,175	24,808,951
Others		45,137,565	45,714,088	17,499,490	32,333,551
Total current assets		2,376,596,114	1,679,899,243	1,232,826,206	982,932,358
Non-current assets					
Investments in subsidiaries	9	-	-	2,152,857,959	1,745,027,959
Property, plant and equipment - net	10	5,898,890,087	3,996,504,760	2,285,941,918	1,967,163,029
Intangible assets	11	7,225,285	7,246,915	-	-
Other non-current assets					
Advance payment for purchases of assets		3,456,421	143,316,320	3,456,421	19,289,012
Others		13,165,996	10,951,894	13,118,734	10,899,369
Total non-current assets		5,922,737,789	4,158,019,889	4,455,375,032	3,742,379,369
Total assets		8,299,333,903	5,837,919,132	5,688,201,238	4,725,311,727

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

Balance sheets (Continued)

Polyplex (Thailand) Public Company Limited and its Subsidiaries
As at 31 March 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007 (Restated)
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	12	77,464,510	238,052,008	18,371,463	-
Trade accounts payable					
Unrelated parties		739,603,269	552,749,083	478,434,238	389,622,702
Related party	6	34,183,623	14,267,389	-	-
Total trade accounts payable		773,786,892	567,016,472	478,434,238	389,622,702
Current portion of long-term loans from					
financial institutions	13	252,938,710	155,740,126	114,831,915	41,224,032
Other current liabilities					
Accounts payable for purchases of fixed assets		124,231,799	47,136,838	43,593,391	28,866,873
Corporate income tax payable		6,837,214	2,311,053	-	-
Others		80,558,749	71,013,286	36,790,515	28,317,771
Total current liabilities		1,315,817,874	1,081,269,783	692,021,522	488,031,378
Non-current liabilities					
Long-term loans from financial institutions - net					
of current portion	13	2,652,766,149	1,232,806,855	1,077,117,529	616,106,768
Other non-current liabilities		1,869,376	1,483,015	-	-
Total non-current liabilities		2,654,635,525	1,234,289,870	1,077,117,529	616,106,768
Total liabilities		3,970,453,399	2,315,559,653	1,769,139,051	1,104,138,146

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

Balance sheets (Continued)

Polyplex (Thailand) Public Company Limited and its Subsidiaries
As at 31 March 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007 (Restated)
Shareholders' equity					
Share capital					
Registered					
960,000,000 ordinary shares of Baht 1 each		960,000,000	960,000,000	960,000,000	960,000,000
Issued and fully paid share capital					
800,000,000 ordinary shares of Baht 1 each		800,000,000	800,000,000	800,000,000	800,000,000
Share premium		1,370,460,000	1,370,460,000	1,370,460,000	1,370,460,000
Translation adjustment		2,523,455	(126,291,003)	-	-
Retained earnings					
Appropriated - statutory reserve	14	96,000,000	81,250,000	96,000,000	81,250,000
Unappropriated		2,045,739,468	1,382,938,847	1,652,602,187	1,369,463,581
Equity attributable to the company's shareholders					
		4,314,722,923	3,508,357,844	3,919,062,187	3,621,173,581
Minority interest - equity attributable to minority shareholders of subsidiaries					
		14,157,581	14,001,635	-	-
Total shareholders' equity		4,328,880,504	3,522,359,479	3,919,062,187	3,621,173,581
Total liabilities and shareholders' equity		8,299,333,903	5,837,919,132	5,688,201,238	4,725,311,727

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

Statements of income

Polyplex (Thailand) Public Company Limited and its Subsidiaries
For the years ended 31 March 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007 (Restated)
Revenues					
Sales	17	6,398,678,583	4,718,569,669	3,531,976,235	3,324,284,716
Other income		111,211,780	90,262,712	77,664,251	65,507,850
Total revenues		6,509,890,363	4,808,832,381	3,609,640,486	3,389,792,566
Expenses					
Cost of sales		4,949,656,470	3,854,393,227	2,764,455,437	2,850,733,904
Selling and administrative expenses		597,585,102	525,860,536	317,808,245	288,262,760
Exchange loss		45,672,062	-	44,797,341	25,503,319
Total expenses		5,592,913,634	4,380,253,763	3,127,061,023	3,164,499,983
Income before interest expenses and corporate income tax					
		916,976,729	428,578,618	482,579,463	225,292,583
Interest expenses		(91,330,592)	(80,810,635)	(48,690,857)	(37,456,820)
Corporate income tax	16	(9,296,976)	(4,380,820)	-	-
Income after corporate income tax		816,349,161	343,387,163	433,888,606	187,835,763
Net income attributable to minority interest		(2,798,540)	(1,545,185)	-	-
Net income for the year		813,550,621	341,841,978	433,888,606	187,835,763
Basic earnings per share					
Net income	18	1.02	0.43	0.54	0.23

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

Statements of changes in shareholders' equity

Polyplex (Thailand) Public Company Limited and its Subsidiaries
For the years ended 31 March 2007 and 2006

(Unit: Baht)

	Consolidated financial statement						
	Issued and fully paid share capital	Share premium	Translation adjustment	Retained earnings		Minority interest- equity attributable	
				Appropriated - statutory reserve	Unappropriated	to minority shareholders of subsidiaries	Total
Balance as at 31 March 2006	800,000,000	1,370,460,000	(47,320,403)	64,150,000	1,282,196,869	13,330,865	3,482,817,331
Translation adjustment	-	-	(78,970,600)	-	-	(874,415)	(79,845,015)
Dividend payment (Note 19)	-	-	-	-	(224,000,000)	-	(224,000,000)
Appropriation to statutory reserve	-	-	-	17,100,000	(17,100,000)	-	-
Net income for the year	-	-	-	-	341,841,978	1,545,185	343,387,163
Balance as at 31 March 2007	800,000,000	1,370,460,000	(126,291,003)	81,250,000	1,382,938,847	14,001,635	3,522,359,479
Balance as at 31 March 2007	800,000,000	1,370,460,000	(126,291,003)	81,250,000	1,382,938,847	14,001,635	3,522,359,479
Translation adjustment	-	-	128,814,458	-	-	(950,222)	127,864,236
Dividend payment (Note 19)	-	-	-	-	(136,000,000)	-	(136,000,000)
Dividend paid by subsidiary	-	-	-	-	-	(1,692,372)	(1,692,372)
Appropriation to statutory reserve	-	-	-	14,750,000	(14,750,000)	-	-
Net income for the year	-	-	-	-	813,550,621	2,798,540	816,349,161
Balance as at 31 March 2008	800,000,000	1,370,460,000	2,523,455	96,000,000	2,045,739,468	14,157,581	4,328,880,504

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

Statements of changes in shareholders' equity

Polyplex (Thailand) Public Company Limited and its Subsidiaries
For the years ended 31 March 2007 and 2006

(Unit: Baht)

	Separate financial statement					
	Issued and fully paid share capital	Share premium	Translation adjustment	Retained earnings		Total
				Appropriated - statutory reserve	Unappropriated	
Balance as at 31 March 2006 - as previously reported	800,000,000	1,370,460,000	(47,320,000)	64,150,000	1,282,196,828	3,469,486,828
Cumulative effect of the change in accounting policy for investments in subsidiaries (Note 4)	-	-	47,320,000	-	140,530,990	187,850,990
Balance as at 31 March 2006 - as restated	800,000,000	1,370,460,000	-	64,150,000	1,422,727,818	3,657,337,818
Dividend payment (Note 19)	-	-	-	-	(224,000,000)	(224,000,000)
Appropriation to statutory reserve	-	-	-	17,100,000	(17,100,000)	-
Net income for the year	-	-	-	-	187,835,763	187,835,763
Balance as at 31 March 2007	800,000,000	1,370,460,000	-	81,250,000	1,369,463,581	3,621,173,581
Balance as at 31 March 2007 - as previously reported	800,000,000	1,370,460,000	(126,291,003)	81,250,000	1,382,938,806	3,508,357,803
Cumulative effect of the change in accounting policy for investments in subsidiaries (Note 4)	-	-	126,291,003	-	(13,475,225)	112,815,778
Balance as at 31 March 2007 - as restated	800,000,000	1,370,460,000	-	81,250,000	1,369,463,581	3,621,173,581
Dividend payment (Note 19)	-	-	-	-	(136,000,000)	(136,000,000)
Appropriation to statutory reserve	-	-	-	14,750,000	(14,750,000)	-
Net income for the year	-	-	-	-	433,888,606	433,888,606
Balance as at 31 March 2008	800,000,000	1,370,460,000	-	96,000,000	1,652,602,187	3,919,062,187

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

Cash flow statements

Polyplex (Thailand) Public Company Limited and its Subsidiaries
For the years ended 31 March 2008 and 2007

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
				(Restated)
Cash flows from operating activities				
Net income	813,550,621	341,841,978	433,888,606	187,835,763
Adjustments to reconcile net income to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	240,378,954	222,392,717	130,698,457	130,307,165
Amortisation of goodwill	1,408,855	1,408,855	-	-
Doubtful debts (doubtful debts recovery)	250,829	307,833	(100,000)	307,833
Allowance for diminution in value of inventories (reversal)	(3,040,820)	3,040,820	-	-
Dividend income	-	-	(4,315,019)	-
Interest expenses	91,330,592	80,810,635	48,690,857	37,456,820
Income tax expenses	9,296,975	4,380,820	-	-
Unrealised loss on exchange rate	35,710,339	6,236,624	30,056,587	6,236,624
Gains on sales of property, plant and equipment	(154,904)	(679)	(154,904)	(679)
Net income attributable to minority interest	2,798,540	1,545,185	-	-
Income from operating activities before changes in operating assets and liabilities	1,191,529,981	661,964,788	638,764,584	362,143,526
Operating assets (increase) decrease				
Trade accounts receivable	(679,532,265)	(150,211,721)	(367,425,945)	198,379,103
Inventories	(101,418,368)	206,055,639	50,118,752	160,267,584
Export incentive receivables	(376,224)	7,906,368	(376,224)	7,906,368
Other current assets	19,161,270	22,670,327	32,666,222	15,462,335
Other non-current assets	137,645,797	(139,072,311)	(2,219,365)	(23,155,618)
Operating liabilities increase (decrease)				
Trade accounts payable	193,726,279	95,651,016	89,025,363	(44,541,410)
Amounts due to related company	19,916,234	188,031	-	-
Other current liabilities	3,017,717	8,260,704	1,944,998	16,328,884
Other non-current liabilities	386,361	1,412,031	-	-
Income tax paid	(4,770,814)	(6,953,842)	-	-
Net cash from operating activities	779,285,968	707,871,030	442,498,385	692,790,772

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

Cash flow statements (Continued)

Polyplex (Thailand) Public Company Limited and its Subsidiaries
For the years ended 31 March 2008 and 2007

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
				(Restated)
Cash flows from investing activities				
Increase in investments in subsidiaries	-	-	(407,830,000)	(500,120,235)
Dividend received from subsidiary	-	-	4,315,019	-
Decrease in advance payment for purchases of assets	-	-	15,832,591	-
Decrease (increase) in accounts payable for purchases of fixed assets	80,324,929	(6,637,980)	17,956,486	(4,454,107)
Proceeds from sales of property, plant and equipment	1,205,449	969,000	234,163	25,000
Purchases of property, plant and equipment	(1,952,786,115)	(473,745,933)	(449,556,605)	(86,620,649)
Increase in intangible assets	(1,872,872)	(308,654)	-	-
Net cash used in investing activities	(1,873,128,609)	(479,723,567)	(819,048,346)	(591,169,991)
Cash flows from financing activities				
Interest paid	(87,224,681)	(80,658,936)	(44,584,946)	(37,305,121)
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(178,479,625)	214,399,514	18,371,463	-
Increase (decrease) in long-term loans from financial institutions	1,517,157,878	(111,842,526)	516,726,517	137,379,600
Dividend payment	(136,000,000)	(224,000,000)	(136,000,000)	(224,000,000)
Dividend paid to minority shareholders	(1,692,372)	-	-	-
Net cash from (used in) financing activities	1,113,761,200	(202,101,948)	354,513,034	(123,925,521)
Decrease in translation adjustment	(62,678,828)	(60,546,015)	-	-
Net decrease in cash and cash equivalents	(42,760,269)	(34,500,500)	(22,036,927)	(22,304,740)
Cash and cash equivalents at beginning of year	129,638,340	164,138,840	31,153,610	53,458,350
Cash and cash equivalents at end of year	86,878,071	129,638,340	9,116,683	31,153,610

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

Cash flow statements

Polyplex (Thailand) Public Company Limited and its Subsidiaries
For the years ended 31 March 2008 and 2007

1. General information

Polyplex (Thailand) Public Company Limited (“The Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Polyplex Corporation Limited, which was incorporated in India. The Company is principally engaged in the manufacture and distribution of polyester films, metallized films, laminated polyester films and PET resins. The registered addresses of the Company’s head office and factory are as follows:

Head office : 75/26 Ocean Tower II, 18th Floor, Soi Sukhumvit 19, Sukhumvit Road, Kwaeng North Klongtoey, Khet Wattana, Bangkok.

Factory : Siam Eastern Industrial Park, 60/24 Moo 3, Tambol Mabyangporn, Amphur Pluakdaeng, Rayong.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of the Company and the following subsidiary companies:

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at 31 March		Revenues as a percentage to the consolidated total revenues for the year ended 31 March	
			2008	2007	2008	2007	2008	2007
			Percent	Percent	Percent	Percent	Percent	Percent
Polyplex (Americas) Inc.	Distribution of polyester film	United States of America	80.24	80.24	3.69	3.69	9.85	12.05
Polyplex (Singapore) Pte. Ltd.	Investment holding company	Singapore	100.00	100.00	0.02	0.07	-	0.44
Polyplex Europa Polyester Film Sanayi Ve Ticaret Anonim Sirketi (100% owned by Polyplex (Singapore) Pte. Ltd.)	Manufacture and distribution of polyester film and chips	Turkey	100.00	100.00	55.18	47.44	41.67	39.38

- b) The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of “Translation adjustment” in shareholders’ equity.
- c) Significant balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- d) Investments in the subsidiary companies as recorded in the Company’s books of account are eliminated against the equity of the subsidiary companies. The resultant differences are amortised over a period of 5 years commencing as from the date of acquisition of the investment.

2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

The Federation of Accounting Professions has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

- 3.1 Accounting standards which are effective for the current year
- TAS 44 (revised 2007) Consolidated and Separate Financial Statements
 - TAS 45 (revised 2007) Investments in Associates
 - TAS 46 (revised 2007) Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 as discussed in Note 4.

- 3.2 Accounting standards which are not effective for the current year
- TAS 25 (revised 2007) Cash Flow Statements
 - TAS 29 (revised 2007) Leases
 - TAS 31 (revised 2007) Inventories
 - TAS 33 (revised 2007) Borrowing Costs
 - TAS 35 (revised 2007) Presentation of Financial Statements
 - TAS 39 (revised 2007) Accounting Policies, Changes in Accounting Estimates and Errors
 - TAS 41 (revised 2007) Interim Financial Reporting
 - TAS 43 (revised 2007) Business Combinations
 - TAS 49 (revised 2007) Construction Contracts
 - TAS 51 Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. Change in accounting policy for recording investments in subsidiaries in the separate financial statements

During the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated and Separate Financial Statements”, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous period’s separate financial statements as though the investments in the subsidiaries had originally been recorded using the cost method. The change has the effect of suppressing net income in the separate income statements for the year ended 31 March 2008 and 2007 by Baht 379.7 million (Baht 0.47 per share) and Baht 154.0 million (Baht 0.19 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiaries” in the separate statements of changes in shareholders’ equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries in the Company’s separate financial statements, with no effect to the consolidated financial statements.

5. Significant accounting policies

5.1 Revenue recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging.

5.4 Inventories

Finished goods and work in process are valued at the lower of cost (average method) and net realisable value. Cost includes all production costs and attributable factory overheads.

Raw materials, spare parts and factory supplies are valued at the lower of cost (average method) and net realisable value and are charged to production costs whenever consumed.

5.5 Investments

Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

5.6 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Buildings and building improvements	- 20, 50 years
Machinery and equipment	- 18 years
Furniture, fixtures and office equipment	- 5 - 10 years
Motor vehicles	- 5 years

Depreciation is included in determining income.

No depreciation is provided on land, machinery in transit, and assets under installation and construction.

5.7 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the expected future period, for which the assets are expected to generate economic benefit, as follows:

Goodwill	- 5 years
Computer software	- 5 years

The amortisation is included in determining income.

5.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company and its subsidiaries, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company and its subsidiaries that gives them significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the operations of the Company and its subsidiaries.

5.9 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

5.10 Impairment of assets

The Company and its subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, they make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

5.11 Capitalisation of interest costs

The interest costs of borrowings for use in the construction of the buildings and machinery are capitalised as part of the costs of those assets. Capitalisation ceases when the buildings and machinery are ready for use or when the construction is suspended, and until active construction resumes.

5.12 Employee benefits

Salaries, wages, bonuses, contributions to the social security fund and provident fund, and other employee benefits are recognised as expenses when incurred.

5.13 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.14 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.15 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. These transactions arose in the ordinary course of business and have been concluded on commercial terms and bases agreed upon between the Company and those companies. Below is a summary of those transactions.

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements	financial statements	financial statements	financial statements	
	2008	2007	2008	2007	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	449.8	1,049.9	Market price or transfer pricing policy guidelines
Dividend income	-	-	4.3	-	As declared
<u>Transactions with related companies</u>					
Other income	0.3	4.7	-	-	Market price
Purchases of raw materials	113.7	31.1	-	-	Market price
Other expenses	2.0	1.2	1.0	1.2	Market price

The balance of the accounts as at 31 March 2008 and 2007 between the Company and those related companies are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
Polyplex (Americas) Inc.	-	-	112,479,798	129,936,825
Polyplex Europa Polyester Film Sanayi Ve Ticaret Anonim Sirketi	-	-	14,755,894	6,976,996
Total trade accounts receivable - related parties	-	-	127,235,692	136,913,821
<u>Trade accounts payable - related party</u>				
Parent company				
Polyplex Corporation Ltd.	34,183,623	14,267,389	-	-
Total trade accounts payable - related party	34,183,623	14,267,389	-	-

Directors and management's remuneration

In 2008 the Company paid salaries, meeting allowances and gratuities to its directors and management totaling Baht 18.3 million (2007: Baht 12.5 million).

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 22.4 to the financial statements.

7. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 31 March 2008 and 2007 are aged, based on due date, as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2008	2007	2008	2007
Unrelated parties				
Not yet due	1,369,428,230	714,537,952	777,346,674	401,202,766
Past due				
Up to 3 months	67,853,371	73,744,970	38,351,949	51,113,381
3 - 6 months	4,277,402	245,669	880,847	245,669
Over 6 months	825,857	925,857	825,857	925,857
Total	1,442,384,860	789,454,448	817,405,327	453,487,673
Less: Allowance for doubtful debts	(825,857)	(925,857)	(825,857)	(925,857)
Net	1,441,559,003	788,528,591	816,579,470	452,561,816
Related parties				
Not yet due	-	-	127,235,692	136,913,821
Total	-	-	127,235,692	136,913,821
Trade accounts receivable - net	1,441,559,003	788,528,591	943,815,162	589,475,637

8. Inventories

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2008	2007	2008	2007
Finished goods	144,174,171	166,940,890	21,823,255	29,990,982
Work in process	129,480,790	62,434,002	43,188,705	30,505,122
Raw materials	197,810,479	261,848,402	110,969,009	166,242,099
Spare parts and factory supplies	104,933,652	75,502,896	49,995,395	49,356,913
Materials in transit	190,203,876	98,458,410	-	-
Total	766,602,968	665,184,600	225,976,364	276,095,116
Less : Allowance for diminution in value				
of inventories	-	(3,040,820)	-	-
Inventories - net	766,602,968	662,143,780	225,976,364	276,095,116

9. Investments in subsidiaries

These represent investments in ordinary shares and preference shares in the following subsidiary companies.

(Unit: Baht)

Company's name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received for the year ended 31 March	
	2008	2007	2008	2007	2008	2007	2008	2007
				Percent	Percent			
<u>Ordinary shares</u>								
Polyplex (Singapore) Pte. Ltd.	EUR 0.8 million	EUR 0.8 million	100.00	100.00	41,440,000	41,440,000	-	-
Polyplex (Americas) Inc.	USD 1.3 million	USD 1.3 million	80.24	80.24	41,660,675	41,660,675	4,315,019	-
					83,100,675	83,100,675	4,315,019	-
<u>Preference shares</u>								
Polyplex (Singapore) Pte. Ltd.	EUR 41.3 million	EUR 30.9 million	100.00	100.00	2,062,253,476	1,553,810,039	-	-
Share deposit paid in advance					7,503,808	108,117,245	-	-
					2,069,757,284	1,661,927,284	-	-
Total investments in subsidiaries					2,152,857,959	1,745,027,959	4,315,019	-

As at 31 March 2008, the Company had investments in 193,500 preference shares of Polyplex (Singapore) Pte. Ltd. (2007: 140,200 shares). These preference shares are non-cumulative and non-participative preference shares. The Company is entitled to receive dividend at a rate not to exceed 7% per annum, in years in which dividend is declared.

10. Property, plant and equipment

(Unit: Baht)

	Consolidated financial statements							
	Land	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and construction	Machinery in transit	Total
Cost								
31 March 2007	160,292,055	562,897,000	3,707,094,992	58,860,075	30,939,962	21,828,972	-	4,541,913,056
Purchases	3,478,633	130,000	13,794,303	2,017,431	1,662,000	1,839,903,232	93,673,387	1,954,658,986
Disposals	-	-	(1,036,214)	(274,454)	(1,690,295)	-	-	(3,000,963)
Transfer in/(Transfer out)	-	5,396,512	26,794,296	2,568,097	356,858	(36,893,032)	-	(1,777,269)
Translation adjustment	3,880,188	26,135,484	107,674,129	1,850,169	624,906	62,185,110	-	202,349,986
31 March 2008	167,650,876	594,558,996	3,854,321,506	65,021,318	31,893,431	1,887,024,282	93,673,387	6,694,143,796
Accumulated depreciation								
31 March 2007	-	35,319,228	467,504,645	24,536,002	18,048,421	-	-	545,408,296
Depreciation for the year	-	16,510,274	209,647,432	8,588,418	4,968,469	-	-	239,714,593
Disposals	-	-	(90,946)	(210,851)	(1,648,621)	-	-	(1,950,418)
Transfer in/(Transfer out)	-	(104,043)	(1,175,500)	1,018,287	356,858	-	-	95,602
Translation adjustment	-	891,345	10,354,949	407,784	331,558	-	-	11,985,636
31 March 2008	-	52,616,804	686,240,580	34,339,640	22,056,685	-	-	795,253,709
Net book value								
31 March 2007	160,292,055	527,577,772	3,239,590,347	34,324,073	12,891,541	21,828,972	-	3,996,504,760
31 March 2008	167,650,876	541,942,192	3,168,080,926	30,681,678	9,836,746	1,887,024,282	93,673,387	5,898,890,087
Depreciation for the year								
2007 (Baht 206.2 million included in manufacturing cost, and the balance in selling and administrative expenses)								221,837,313
2008 (Baht 224.3 million included in manufacturing cost, and the balance in selling and administrative expenses)								239,714,593

(Unit: Baht)

	Consolidated financial statements							Total
	Land	Buildings and building improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and construction	Machinery in transit	
Cost								
31 March 2007	103,181,652	163,510,492	2,076,370,350	28,472,643	17,109,232	6,280,372	-	2,394,924,741
Purchases	-	130,000	13,794,303	1,950,692	1,662,000	338,346,223	93,673,387	449,556,605
Disposals	-	-	-	(234,400)	(1,690,295)	-	-	(1,924,695)
Transfer in/(Transfer out)	-	5,040,000	770,000	-	-	(5,810,000)	-	-
31 March 2008	103,181,652	168,680,492	2,090,934,653	30,188,935	17,080,937	338,816,595	93,673,387	2,842,556,651
Accumulated depreciation								
31 March 2007	-	26,786,914	367,617,406	19,454,660	13,902,732	-	-	427,761,712
Depreciation for the year	-	8,335,092	115,839,481	4,408,265	2,115,619	-	-	130,698,457
Disposals	-	-	-	(196,815)	(1,648,621)	-	-	(1,845,436)
31 March 2008	-	35,122,006	483,456,887	23,666,110	14,369,730	-	-	556,614,733
Net book value								
31 March 2007	103,181,652	136,723,578	1,708,752,944	9,017,983	3,206,500	6,280,372	-	1,967,163,029
31 March 2008	103,181,652	133,558,486	1,607,477,766	6,522,825	2,711,207	338,816,595	93,673,387	2,285,941,918
Depreciation for the years								
2007 (Baht 122.8 million included in manufacturing cost, and the balance in selling and administrative expenses)								<u>130,307,165</u>
2008 (Baht 124.2 million included in manufacturing cost, and the balance in selling and administrative expenses)								<u>130,698,457</u>

The Company and its subsidiaries have pledged their assets amounting to approximately Baht 3,192.2 million (2007: Baht 2,094.8 million) as collateral against credit facilities received from financial institutions (The Company only: Baht 1,784.1 million, 2007: Baht 1,376.1 million).

During the year ended 31 March 2008, the Company and its subsidiaries capitalised borrowing cost amounting to Baht 19.1 million (2007: Baht 2.01 million) as part of the cost of buildings and assets under construction and installation (The Company only: Baht 4.5 million, 2007: nil).

11. Intangible assets

(Unit: Baht)

	Consolidated financial statements		
	Computer software	Goodwill	Total
Cost			
As at 31 March 2007	2,818,727	7,044,275	9,863,002
Additions	1,872,872	-	1,872,872
Translation adjustment	262,275	-	262,275
As at 31 March 2008	4,953,874	7,044,275	11,998,149
Accumulated amortisation			
As at 31 March 2007	855,018	1,761,069	2,616,087
Amortisation expenses for the year	664,361	1,408,855	2,073,216
Translation adjustment	83,561	-	83,561
As at 31 March 2008	1,602,940	3,169,924	4,772,864
Net book value			
As at 31 March 2007	1,963,709	5,283,206	7,246,915
As at 31 March 2008	3,350,934	3,874,351	7,225,285
Amortisation expenses for the year			
2007			1,964,259
2008			2,073,216

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

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Bank overdrafts	54,660,930	-	18,371,463	-
Short-term loans from financial institutions	22,803,580	238,052,008	-	-
Total	77,464,510	238,052,008	18,371,463	-

As at 31 March 2008, bank overdrafts of the Company and a subsidiary company carry interest at rates of MOR and 5.1% per annum, respectively. The subsidiary's bank overdrafts are guaranteed by the Company.

As at 31 March 2008, short-term loans from financial institutions of subsidiaries carry interest at a rate of Libor+1% per annum (2007: 4.50% - 4.68% per annum) and are guaranteed by the Company.

13. Long-term loans from financial institutions

(Unit: Baht)

Loans	Repayment schedule	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
Floating rate loans (Euribor + 0.6% to 3.125%)	Repayable as from April 2006 to December 2017	2,228,513,283	1,233,611,169	656,282,396	657,330,800
Floating rate loans (Libor + 1.5% to 2.0%)	Repayable as from December 2009 to November 2016	416,157,048	-	416,157,048	-
Fixed rate loans (3.83% - 5.01%)	Repayable as from April 2006 to December 2013	261,034,528	154,935,812	119,510,000	-
Total		2,905,704,859	1,388,546,981	1,191,949,444	657,330,800
Less: Current portion		(252,938,710)	(155,740,126)	(114,831,915)	(41,224,032)
Net		2,652,766,149	1,232,806,855	1,077,117,529	616,106,768

The Company's loan facilities are secured by the mortgage of land, premises and machinery of the Company. The subsidiary's loan facilities are secured by the pledge of land, premises and machinery of the subsidiary, and are guaranteed by the Company.

The loan agreements contain covenants that, among other things, require the Company and its subsidiaries to maintain a certain debt to equity ratio and debt service coverage ratio, and require a subsidiary to maintain a particular current ratio.

14. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

15. Number of employees and related costs

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Number of employees at end of year (persons)	520	425	288	246
Employee costs for the year (Thousand Baht)	339,350	282,854	141,368	116,276

16. Corporate income tax

No corporate income tax was payable for the years, since the Company has been granted promotional privileges under the Investment Promotion Act B.E. 2520 by the Board of Investment.

17. Promotional privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of polyester films, metallized films, laminated polyester films and PET resins. As a promoted company, the Company must comply with certain conditions and restrictions provided for in the promotional certificates.

The Company's sales for the years ended 31 March 2008 and 2007 divided according to promoted and non-promoted operations are set out below.

(Unit: Baht)

	Separate financial statements					
	Promoted operations		Non-promoted operations		Total	
	2008	2007	2008	2007	2008	2007
Sales						
Domestic sales	641,831,562	496,178,167	-	-	641,831,562	496,178,167
Export sales	2,890,144,673	2,828,106,549	-	-	2,890,144,673	2,828,106,549
Total sales	<u>3,531,976,235</u>	<u>3,324,284,716</u>	-	-	<u>3,531,976,235</u>	<u>3,324,284,716</u>

18. Basic earnings per share

Basic earnings per share are calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

19. Dividends

On 27 July 2007, the Annual General Meeting of the Company's shareholders resolved to pay a dividend of Baht 0.17 per share, or a total Baht 136.0 million, to the shareholders from the earnings for the year ended 31 March 2007.

On 28 July 2006, the Annual General Meeting of the Company's shareholders resolved to pay a dividend of Baht 0.28 per share, or a total Baht 224.0 million, to the shareholders from the earnings for the year ended 31 March 2006.

20. Financial information by segment

The Company and its subsidiaries' operations involve principally a single industry segment, the manufacture and distribution of polyester films, metallized films, laminated polyester films and PET resins, and are carried on in two geographic areas in Thailand and abroad, as operated by subsidiaries. The financial information of the Company and its subsidiaries by geographical segment, for the years ended 31 March 2008 and 2007 are as follows:

(Unit: Million Baht)

	Thailand		Abroad		Elimination of inter-segment revenues		Consolidation	
	2008	2007	2008	2007	2008	2007	2008	2007
	Sales to external customers	3,082.2	2,274.4	3,316.5	2,444.2	-	-	6,398.7
Intersegment sales	449.8	1,049.9	192.7	25.3	(642.5)	(1,075.2)	-	-
Total sales	<u>3,532.0</u>	<u>3,324.3</u>	<u>3,509.2</u>	<u>2,469.5</u>	<u>(642.5)</u>	<u>(1,075.2)</u>	<u>6,398.7</u>	<u>4,718.6</u>
Segment income	482.6	225.3	465.6	198.1			918.4	430.0
Unallocated income and expenses:								
Amortisation of goodwill							(1.4)	(1.4)
Interest expenses							(91.3)	(80.8)
Corporate income tax							(9.3)	(4.4)
Minority interest							(2.8)	(1.6)
Net income							<u>813.6</u>	<u>341.8</u>
As at 31 March 2008 and 2007								
Property, plant and equipment	2,285.9	1,967.2	3,612.9	2,029.3	-	-	5,898.9	3,996.5
Unallocated assets							2,400.4	1,841.4
Total assets							<u>8,299.3</u>	<u>5,837.9</u>

Transfer prices between segments are as set out in Note 6 to the financial statements.

21. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 2 percent of basic salary. The fund, which is managed by a licensed fund manager, will be paid to employees in accordance with the fund rules. During the year ended 31 March 2008, the Company contributed Baht 737,404 (2007: Baht 663,021) to the fund.

22. Commitments and contingent liabilities

22.1 Capital commitments

As at 31 March 2008, the Company and its subsidiaries had capital commitments of approximately Baht 209.54 million (2007: Baht 868.96 million), relating to the construction of factory buildings, and acquisition of machinery and equipments (The Company only: Baht 39.27 million, 2007: Baht 124.73 million).

22.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office building space, motor vehicles and equipment.

Future minimum rentals payable under these leases as at 31 March 2008 are as follows:

	<u>Thousand Baht</u>
Payable within:	
1 years	2,761
2 to 5 years	5,134

22.3 Service agreements

As at 31 March 2008, the Company had commitments totaling Baht 21.5 million under various service agreements. These agreements terminate between June 2008 and July 2010.

22.4 Guarantees

The Company has given short term guarantees worth USD 6.0 million against working capital facilities of its subsidiaries. In addition to this, the company has given guarantee of EUR 34.5 million for the long term loans taken by its subsidiary (Polyplex Europa Polyester Film Sanayi Ve Ticaret Anonim Sirketi) out of which EUR 17.4 million against thin film line expansion project will be valid until the mortgage and commercial enterprise pledge are established in favor of the lending bank.

Apart from above, as at 31 March 2008 there were outstanding bank guarantees of approximately Baht 1.5 million and EUR 7.9 million (2007: Baht 12.6 million, USD 2.4 million and EUR 0.35 million) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of businesses (The Company only: Baht 1.5 million, 2007: Baht 12.6 million and USD 2.4 million).

23. Financial instruments

23.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investments, trade accounts payable, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, notes and other receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, other receivables and notes receivable as stated in the balance sheet.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts, and short-term and long-term borrowings. Significant financial assets and liabilities as at 31 March 2008 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Consolidated financial statements						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate
	Within 1 year	1-5 years	Over 5 years				
	(Million Baht)						(% p.a.)

Financial Assets

Cash and cash equivalent	-	-	-	51.7	35.2	86.9	0.13-15.75
Trade accounts receivable	-	-	-	-	1,441.6	1,441.6	-
	-	-	-	51.7	1,476.8	1,528.5	

Financial liabilities

Bank overdrafts and short-term loans from financial institutions	36.3	-	-	41.2	-	77.5	Libor + 1, MOR and 5.1
Trade accounts payable	-	-	-	-	773.8	773.8	-
Accounts payable for purchases of fixed assets	-	-	-	-	124.2	124.2	-
Long-term loans	80.6	180.4	-	2,644.7	-	2,905.7	See Note 13
	116.9	180.4	-	2,685.9	898.0	3,881.2	

	Separate financial statements						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate
	Within 1 year	1-5 years	Over 5 years				
	(Million Baht)						(% p.a.)

Financial Assets

Cash and cash equivalent	-	-	-	8.5	0.6	9.1	0.13-2.10
Trade accounts receivable	-	-	-	-	943.8	943.8	-
	-	-	-	8.5	944.4	952.9	

Financial liabilities

Bank overdrafts and short-term loans from financial institutions	-	-	-	18.4	-	18.4	MOR
Trade accounts payable	-	-	-	-	478.4	478.4	-
Accounts payable for purchases of fixed assets	-	-	-	-	43.6	43.6	-
Long-term loans	-	119.5	-	1,072.4	-	1,191.9	See Note 13
	-	119.5	-	1,090.8	522.0	1,732.3	

The Company entered into interest rate swap agreements to manage risk associated with the certain financial liabilities carrying floating interest. The details of long-term loans from financial institutions are set out in Notes to the financial statements No. 13.

As at 31 March 2008, the Company has an interest rate swap agreement with a bank by which the Company agreed to swap the interest rate of EUR 5.7 million (2007: EUR 6.0 million) from a floating interest rate, Euribor per annum, to a fixed interest rate at 3.12 percent per annum.

Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arise mainly from trading transactions that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The Company's balances of financial assets and liabilities denominated in foreign currencies as at 31 March 2008 are summarised below.

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Average exchange rate as at 31 March 2008 (Baht per 1 foreign currency unit)
US dollar	13.7	14.3	31.3929 - 31.6229
Euro	7.4	13.1	49.4394 - 50.0139
Japanese yen	13.6	-	0.3131 - 0.3183

As at 31 March 2008, the Company had forward foreign exchange contracts to sell EUR 3.0 million at the contractual exchange rates of Baht 47.98 - 49.48 per EUR 1.

As at 31 March 2008, a subsidiary had forward foreign exchange contracts as follows:

Bought amount	Contractual exchange rate
YTL 0.7 million	YTL 1.359 per USD 1
YTL 1.0 million	YTL 2.006 - 2.092 per EUR 1
USD 0.3 million	USD 1.580 per EUR 1

23.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

24. Reclassification

Certain other amounts in the financial statements for the year ended 31 March 2007 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity other than the effect arising from the change in accounting policy as described in Note 4.

25. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 13 May 2008.

Information of Director and Management of the Company

	Name - Surname	Position	Age (Years)	Education/Training	Relation among family within Company	% of Shareholding	Working Experiences in the 5 preceding years		
							Period	Position	Company / Type of Business
1	Mr.Manu Leopairote	Board Chairman & Audit Committee Chairman	65	<u>Bachelor's degree</u> Economics (Hons.), Thammasat University <u>Master's degree</u> M.Sc. (Econ.), University of Kentucky, USA National Defence College Class 34	-	-	2004-Present Present 2005-2007 2005-2007 2005-2007 2005-Present 1994-Present	Board Chairman & Audit Committee Chairman Chairman Director Director Director Chairman Chairman	Polyplex (Thailand) Plc. Thai Oil Power Co., Ltd. Thai Oil Plc. PTT Chemical Plc. PTT Exploration and Production Plc Neighbouring Countries Economic Development Cooperation Agency (Public Organization) TECHNONET ASIA,Singapore
2	Mr.Sanjiv Saraf	Director & Managing Director	50	<u>Bachelor's degree</u> Agricultural Engineering, Indian Institute of Technology, Kharagpur	-	-	2006-Present 2004-June'08 2004-March'08 2004-Present 2002-Present 2002-Present	Director Director Director Director & Chairman Managing Director Chairman	Polyplex (Americas) Inc. Polyplex (Asia) Pte. Ltd. Polyplex (Singapore) Pte. Ltd. Polyplex Europa Polyester Film Sanayi Ve Ticaret Anom Sirketi, Turkey Polyplex (Thailand) Plc. Polyplex Corporation Ltd.

Information of Director and Management of the Company

	Name - Surname	Position	Age (Years)	Education/Training	Relation among family within Company	% of Shareholding	Working Experiences in the 5 preceding years		
							Period	Position	Company / Type of Business
3	Mr.Pranay Kothari	Director	49	Fellow Chartered Accountant Institute of Chartered Accountants of India <u>Associate Company Secretary</u> The Institute of Company Secretaries of India	-	-	2006-Present 2004-March'08 2004-Present 2004-Present 2002-Present 2001-Present	Director Director Director Director Director Executive Director	Polyplex (Americas) Inc. Polyplex (Asia) Pte. Ltd. Polyplex (Singapore) Pte. Ltd. Polyplex Europa Polyester Film Sanayi Ve Ticaret Anom Sirketi, Turkey Polyplex (Thailand) Plc. Polyplex Corporation Ltd.
4	Mr.Ranjit Singh	Director	51	<u>Bachelor's degree</u> Mechanical Engineering, Birla Institute of Technology & Science, Pilani, India <u>Master's degree</u> MBA, India of Institute of Management, Ahmedabad	-	-	July 2007- Present 2004-March'08 2004-Present 2002-Present	Executive Director Director Director Director	Polyplex Corporation Ltd. Polyplex (Asia) Pte. Ltd. Polyplex Europa Polyester Film Sanayi Ve Ticaret Anom Sirketi, Turkey Polyplex (Thailand) Plc.

Information of Director and Management of the Company

	Name - Surname	Position	Age (Years)	Education/Training	Relation among family within Company	% of Shareholding	Working Experiences in the 5 preceding years		
							Period	Position	Company / Type of Business
5	Dr.Virabongsa Ramangkura	Director & Audit Committee member	65	<u>Bachelor's degree</u> First Class Honors, B.A. (Political Science), Chulalongkorn University <u>Master's Degree</u> Economics, University of Pennsylvania, U.S.A. Ph.D. (Economics), University of Pennsylvania, U.S.A., Doctor of Law (Honorary), Webster University, USA	-	-	2004-Present 1994-Present 1995-Present 2004-Present 2005-Present 2006-Present Present Present Present Present 2005-Present 2006-Present 1999-Present 2008-Present 2001-Present 2004-Present	Director & Audit Committee member Chairman Chairman of the Executive Board Chairman Chairman Chairman Chairman Director Director Director Director Director Director Advisory on the Board Advisory on the Group Foundation and Honorary Member Advisory Chairman	Polyplex (Thailand) Plc. Bangkok Expressway Public Co., Ltd. Advance Agro Public Co., Ltd. Thai-Lao Association for Friendship Finansa Co., Ltd. South East Asia Energy Co., Ltd. Bang-Mod Hospital Co., Ltd. Advance Paper Co., Ltd. Advance Agro Holding Co., Ltd. Thailand Development Research Institute Foundation Bangkok Airways Co., Ltd. IRPC Public Co., Ltd. Bangkok Bank Public Co., Ltd. King Power International Co., Ltd. BOAO Forum for Asia Areeya Property Public Co., Ltd.

Information of Director and Management of the Company

	Name - Surname	Position	Age (Years)	Education/Training	Relation among family within Company	% of Shareholding	Working Experiences in the 5 preceding years		
							Period	Position	Company / Type of Business
6	Mr.Praphad Phodhivorakhun	Director	62	<u>Bachelor's degree</u> Political Science, Ramkhamhaeng University Post Graduate Degree, National Defense College of Thailand <u>Master Degree</u> Business Administration (MBA), Public Administration (MPA) Ramkhamhaeng University Honorary Doctorate Degree in Business Administration Rajabhat University of Lampong	-	-	2004-Present Present Present Present Present Present Present Present Present Present Present Present Present Present Present	Director Chairman of Board of Directors Chairman of Board of Directors Chairman of Board of Directors Chairman of Board of Directors Chairman of Board of Directors President President Director Director Board Chairman Chairman	Polyplex (Thailand) Plc. Kang Yong Electric Plc. Mitsubishi Electric Kang Yong Wattana Co., Ltd. Siam City Leasing and Factoring Plc. Yokohama Rubbers (Thailand) Co., Ltd. Kang Yong' Group of Companies K. Y. Intertrade Co., Ltd. Nitto Seiko (Thailand) Co., Ltd. Kulthorn Kirby Plc. Thai Refrigeration Components Co., Ltd. Thailand Institute of Scientific and Technological Research University Board of Councillors, Rajamangala University of Technology Rattanakosin.

Information of Director and Management of the Company

	Name - Surname	Position	Age (Years)	Education/Training	Relation among family within Company	% of Shareholding	Working Experiences in the 5 preceding years		
							Period	Position	Company / Type of Business
							Present	Associate Judge	Central Intellectual Properties and International Trade Court
							Present	Member of the International Advisory Committee	Ritsumeikan Asia Pacific University, Japan
							Present	Commissioner	Commission on National Environment
							Present	Commissioner	Commission on Consumers' Protection
							Present	Member of Board	Export and Import Bank of Thailand (EXIM Bank)
							Present	Member	National Economic and Social Advisory Council
7	Mr. Shiraz Erach Poonevala	Director & Audit Committee Member	44	<u>Bachelors of Commerce</u> Sydenham College of Commerce, India <u>Master of Commerce</u> Sydenham College of Commerce, India Associated Chartered Accountant Institute of Chartered Accountants of India	-	-	2004-Present	Director & Audit Committee member	Polyplex (Thailand) Pcl.
							March 2008-Present	Director - Investment	G.P. Group of Companies Limited
							2005-March 2008	Senior Vice President	Seamico Securities Plc.
							2002-2005	Director	Paragon Partners Co., Ltd.

Information of Director and Management of the Company

	Name - Surname	Position	Age (Years)	Education/Training	Relation among family within Company	% of Shareholding	Working Experiences in the 5 preceding years		
							Period	Position	Company / Type of Business
8	Mr.Rajendra Singh Gaur	Sr. General Manager & Head - Operations	48	<u>Bachelor's degree</u> Electronics, Institute of Electrical Engineers, India	-	-	2005-Present 1987-2005	Sr. General Manager (Operations) General Manager (Technical)	Polyplex (Thailand) Plc. Polyplex Corporation Ltd.
9	Mr.Rohit Kumar Vashistha	Director and Head - Sales & Marketing	37	<u>Bachelor's degree</u> in Metallurgy, IT -BHU, India <u>Master's degree</u> International business, Indian Institute of Foreign Trade, India	-	-	May'08-Present 2003- Present 1996-2002	Director Head - Sales & Marketing Head (International Trade)	Polyplex (Thailand) Plc. Polyplex (Thailand) Plc. Tata Steel
10	Mr. Ravi Singhal	Head - Engineering & Projects	37	Bachelor's degree H.B.T.I. University, Kanpur-India.	-	-	Present 2003-2007	Head - Engineering & Projects Manager - Electrical & Instrumentation	Polyplex (Thailand) Plc Polyplex (Thailand) Plc