

**POLYPLEX (THAILAND) LTD.**

**Financial Statements**

**For the Years Ended March 31, 2004 and 2003**

**and**

**Report of Certified Public Accountant**



**KPMG Phoomchai Audit Ltd.**

บริษัท เคพีเอ็มจี ภูมิภาค ไทย สอบบัญชี จำกัด

ชั้น 22 เอ็มไพร์ทาวเวอร์

195 ถนนสาทรใต้

แขวงยานนาวา เขตสาทร

กรุงเทพฯ 10120

Empire Tower, 22nd Floor

195 South Sathorn Road

Yannawa, Sathorn

Bangkok 10120, Thailand

Tel : 66 (2) 677 2000

Fax : 66 (2) 677 2222

www.kpmg.co.th

**REPORT OF CERTIFIED PUBLIC ACCOUNTANT**

To The Shareholders of Polyplex (Thailand) Ltd.

I have audited the balance sheets of Polyplex (Thailand) Ltd. as at March 31, 2004 and 2003, and the related statements of income and changes in shareholders' equity for the years ended March 31, 2004 and 2003. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polyplex (Thailand) Ltd. as at March 31, 2004 and 2003, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

(Vichien Thamtrakul)

Certified Public Accountant

Registration No. 3183

KPMG Phoomchai Audit Ltd.

Bangkok

May 21, 2004



**POLYPLEX (THAILAND) LTD.  
BALANCE SHEETS  
MARCH 31, 2004 AND 2003**

**A S S E T S**

		In Baht	
	Note	2004	2003
<b>CURRENT ASSETS</b>			
Cash and deposits at financial institutions		24,892,995	18,224,340
Short-term investment in fixed deposits		1,500,000	1,574,347
Trade accounts receivable		339,336,235	-
Inventories	4	145,158,097	34,513,388
Other current assets		<u>43,030,753</u>	<u>13,207,050</u>
<b>Total Current Assets</b>		<u>553,918,080</u>	<u>67,519,125</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment - net	5	1,608,884,452	924,009,469
Deferred charges – net		<u>6,568,070</u>	<u>3,480,169</u>
<b>Total Non-Current Assets</b>		<u>1,615,452,522</u>	<u>927,489,638</u>
<b>TOTAL ASSETS</b>		<u>2,169,370,602</u>	<u>995,008,763</u>

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

**POLYPLEX (THAILAND) LTD.  
BALANCE SHEETS  
MARCH 31, 2004 AND 2003**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	Note	In Baht	
		2004	2003
<b>CURRENT LIABILITIES</b>			
Short-term loans from financial institutions	5, 6	-	49,258,493
Trade accounts payable		296,324,249	40,195,054
Payables on purchase of fixed assets		47,651,810	75,143,038
Current portion of long-term loans	5, 7	27,683,950	28,644,660
Retention money		2,235,405	7,456,099
Other current liabilities		<u>23,940,009</u>	<u>11,024,615</u>
<b>Total Current Liabilities</b>		<u>397,835,423</u>	<u>211,721,959</u>
<b>NON-CURRENT LIABILITY</b>			
Long-term loans - net of current portion	5, 7	<u>832,615,925</u>	<u>453,473,192</u>
<b>Total Liabilities</b>		<u>1,230,451,348</u>	<u>665,195,151</u>
<b>SHAREHOLDERS' EQUITY</b>			
Authorized share capital	8		
- Preferred shares-non-cumulative and non-participating at Baht 10 par value, 52,800,000 shares in 2004 and 32,000,000 shares in 2003			
- Common shares at Baht 10 par value, 13,200,000 shares in 2004 and 8,000,000 shares in 2003			
Issued and paid-up share capital			
- 100% paid-up preferred shares for 34,109,480 shares and 71% paid-up for 18,690,520 shares in 2004 and 88% paid-up for 32,000,000 shares in 2003		473,797,492	281,600,000
- 100% paid-up common shares for 8,527,370 shares and 71% paid-up for 4,672,630 shares in 2004 and 88% paid-up for 8,000,000 shares in 2003		118,449,373	70,400,000
Advance towards future paid-up capital		2,323,852	535,882
Retained earnings (deficit)		<u>344,348,537</u>	<u>( 22,722,270)</u>
<b>Total Shareholders' Equity</b>		<u>938,919,254</u>	<u>329,813,612</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>2,169,370,602</u>	<u>995,008,763</u>

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

**POLYPLEX (THAILAND) LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	Note	In Baht	
		2004	2003
<b>REVENUES</b>			
Net sales	9	1,645,470,030	-
Other income		<u>72,375,858</u>	<u>408,565</u>
<b>Total Revenues</b>		<u>1,717,845,888</u>	<u>408,565</u>
<b>EXPENSES</b>			
Cost of sales		1,179,122,657	-
Selling and administrative expenses		<u>145,168,481</u>	<u>22,840,131</u>
<b>Total Expenses</b>		<u>1,324,291,138</u>	<u>22,840,131</u>
<b>PROFIT (LOSS) BEFORE INTEREST EXPENSE</b>		393,554,750	( 22,431,566)
<b>Interest Expense</b>		( 26,483,943)	( 125,704)
<b>NET PROFIT (LOSS)</b>	9	<u>367,070,807</u>	( 22,557,270)
<b>Basic Earnings (Loss) per Share</b>		<u>35.94</u>	( 3.14 )

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

**POLYPLEX (THAILAND) LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	Note	In Baht				
		Issued and Paid-up Share Capital		Advance Towards Future Paid-up Capital	Retained Earnings (Deficit)	Total
		Preferred Shares	Common Shares			
<b>Balance, Beginning of Year as at April 1, 2002</b>		-	100,000	-	( 165,000)	( 65,000)
Net loss		-	-	-	( 22,557,270)	( 22,557,270)
Increase in share capital	8					
Preferred shares						
• 88% paid-up for 32,000,000 shares		281,600,000	-	-	-	281,600,000
Common shares						
• 88% paid-up for 7,960,000 shares and 63% paid-up for 40,000 shares		-	70,300,000	-	-	70,300,000
Advance towards future paid-up capital		-	-	535,882	-	535,882
<b>Balance, End of Year as at March 31, 2003</b>		281,600,000	70,400,000	535,882	( 22,722,270)	329,813,612
Net profit		-	-	-	367,070,807	367,070,807
Increase in share capital	8					
Preferred shares						
• 12% paid-up for 32,000,000 share, 100% paid-up for 2,109,480 share and 71% paid-up for 18,690,520 shares		192,197,492	-	-	-	192,197,492
Common shares						
• 12% paid-up for 8,000,000 shares, 100% paid-up for 527,370 shares and 71% paid-up for 4,672,630 shares		-	48,049,373	-	-	48,049,373
Advance towards future paid-up capital		-	-	1,787,970	-	1,787,970
<b>Balance, End of Year as at March 31, 2004</b>		<u>473,797,492</u>	<u>118,449,373</u>	<u>2,323,852</u>	<u>344,348,537</u>	<u>938,919,254</u>

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

**POLYPLEX (THAILAND) LTD.**  
**Notes to Financial Statements**  
**March 31, 2004 and 2003**

**1. GENERAL**

Polyplex (Thailand) Ltd. was registered and incorporated on March 26, 2002 and engages in manufacturing and distributing the polyester film.

Head office : 75/26 Ocean Tower II, 18<sup>th</sup> Floor, Soi Sukhumvit 19, Sukhumvit Rd., Kwaeng North Klongtoey, Ket Wattana, Bangkok 10110.

Factory : Siam Eastern Industrial Park, 60/24 Moo 3, Tambol Marbyangporn, Amphur Pluakdaeng, Rayong 21140.

The Company's major shareholders are Polyplex Corporation Ltd. which owned 99.99% of the Company's share capital.

As at March 31, 2004 and 2003, the Company's employees totaled 218 and 103, respectively. The employee costs for the years ended March 31, 2004 and 2003 were approximately Baht 67.0 million and Baht 8.7 million, respectively.

**2. BASIS OF FINANCIAL STATEMENT PREPARATION**

The statutory financial statements are prepared in Thai Baht in the Thai language in conformity with generally accepted accounting principles in Thailand except for certain accounting standards covering: Cash Flow Statements, Impairment of Assets, and Financial Instruments: Disclosure and Presentation, that are exempted in accordance with the announcement of The Institute of Certified Accountants and Auditors of Thailand No. 004/2544-2546 dated December 21, 2001 "Accounting Standards with Exemption of Enforcement on Non-Public Companies". Accordingly, the accompanying financial statements are intended solely to present the financial position, and results of operations in accordance with accounting principles and practices generally accepted in Thailand.

The accompanying financial statements are prepared under the historical cost convention.

For convenience of the readers, the English translation of financial statements has been prepared from the Thai language statutory financial statements which are issued for domestic financial reporting purposes.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are as follows:

**Cash and Deposits at Financial Institutions**

Cash and deposits at financial institutions are carried in the balance sheets at cost. Cash on hand is kept for general purpose within the Company. Deposits at financial institutions include savings deposits in short-term and highly liquid investments that are readily convertible to known amounts of cash with original maturity of three (3) months or less and that are subject to an insignificant risk of change in value.

**POLYPLEX (THAILAND) LTD.**  
**Notes to Financial Statements (Continued)**  
**March 31, 2004 and 2003**

**Accounts Receivable**

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts at the years end. Bad debts, if any, are written-off when identified.

The Company provides allowance for doubtful accounts, if any, equal to the estimated collection losses that may be incurred in the collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the existing receivables.

**Inventories**

Inventories including work-in-process are valued at the lower of cost or net realizable value and adjusted for provision for loss on obsolete items, if any. Net realizable value is the selling price in the ordinary course of business less the costs of completion, marketing and distribution. For processed finished goods, costs include the applicable direct manufacturing costs and allocation of fixed and variable overhead costs. Unrealizable inventories, if any, have been fully written-off.

Costs are determined by the following methods:

- Finished goods and work-in-process - at average cost
- Raw materials, spare parts and factory supplies - at moving weighted average cost

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment loss (if any). When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statements of income.

**Borrowing Costs**

The Company capitalizes borrowing costs incurred on the acquisition of assets into the cost of the underlying asset. The capitalization of borrowing costs will be discontinued when the assets are completed and ready for their intended operational use.

**Depreciation**

The Company depreciates its property, buildings, plant and equipment by the straight-line method and all other assets by the sum of the year digits method, over the estimated useful lives of the assets as follows:

	<u>No. of Years</u>
Buildings and improvements	20
Machinery and equipment	18
Furniture, fixtures and office equipment	5
Transportation equipment	5



**POLYPLEX (THAILAND) LTD.**  
**Notes to Financial Statements (Continued)**  
**March 31, 2004 and 2003**

**Deferred Charges**

Front-end fee of the loan from financial institutions are being amortized by the straight-line method over the term of loan over the periods of the respective loan agreements.

**Repair and Maintenance Expenses**

Repair and maintenance expenses are recorded as expenses in the year in which they arise unless they are capitalized in which case expenses of which they are recorded as part of the associated assets.

**Revenue Recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognized net of trade discounts on the date of invoice.

Service income, if any, throughout the year is generally recognized when completed work is billed.

Interest income is recognized on the principal outstanding over the duration period at the effective yield rate.

**Foreign Currency Transactions**

Transactions in foreign currencies throughout the years are recorded in Baht at the prevailing rates at the transaction dates. Outstanding monetary assets and liabilities denominated in foreign currencies at the balance sheet dates are translated into Baht at the prevailing Bank of Thailand rates as of those dates. Gains or losses arising from the translation are credited to or charged against current operations.

**Income Tax**

The provision for income tax (if any) is based on the amount currently payable according to the Revenue Code.

**Basic Earnings (Loss) per Share**

Basic earnings (loss) per share is determined by dividing the net profit (loss), adjusted for preferred shares dividends (if declared), by the weighted average number of paid-up common shares outstanding during the year (10,212,035 in 2004 and 7,193,096 shares in 2003).

**4. INVENTORIES**

	In Thousand Baht	
	2004	2003
Finished goods	49,856	2,461
Work-in-process	12,445	6,851
Raw materials	58,946	21,657
Spare parts, packing materials and others	19,482	3,466
Materials in transit	4,429	78
Total	<u>145,158</u>	<u>34,513</u>

**POLYPLEX (THAILAND) LTD.**  
**Notes to Financial Statements (Continued)**  
**March 31, 2004 and 2003**

**5. PROPERTY, PLANT AND EQUIPMENT**

	In Thousand Baht					Balance as at March 31, 2004
	Balance as at April 1, 2003	Movements during the Year				
	Additions	Disposals	Transfers in	Transfers out		
<b>At Cost</b>						
Land	29,644	13,458	-	-	-	43,102
Buildings and improvements	-	8,493	-	107,652	-	116,145
Machinery and equipment	-	33,448	-	1,413,911	-	1,447,359
Furniture, fixtures and office equipment	8,013	10,480	-	-	-	18,493
Transportation equipment	3,164	9,766	-	-	-	12,930
Assets under construction and installation	813,230	638,330	-	71,493	(1,521,563)	1,490
Advance for purchase of machinery	<u>71,493</u>	<u>38,466</u>	<u>-</u>	<u>-</u>	<u>( 71,493)</u>	<u>38,466</u>
Total	<u>925,544</u>	<u>752,441</u>	<u>-</u>	<u>1,593,056</u>	<u>(1,593,056)</u>	<u>1,677,985</u>
<b>Less accumulated depreciation</b>						
Buildings and improvements	-	4,225	-	-	-	4,225
Machinery and equipment	-	56,417	-	-	-	56,417
Furniture, fixtures and office equipment	679	4,022	-	-	-	4,701
Transportation equipment	<u>856</u>	<u>2,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,758</u>
Total	<u>1,535</u>	<u>67,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,101</u>
Net	<u>924,009</u>					<u>1,608,884</u>

Depreciation included in the statements of income for the years ended March 31, 2004 and 2003 was approximately Baht 67.6 million and Baht 1.5 million, respectively.

The Company's land and structure thereon and certain machinery are pledged/mortgaged as collateral for short-term credit facilities and long-term loans as described in Notes 6 and 7.

During the years 2004 and 2003, the Company capitalized the borrowing costs incurred on the loans obtained for the acquisition of buildings and machinery to the cost of buildings, assets under construction and installation totaling to approximately Baht 4.4 million and Baht 4.7 million, respectively.

**6. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS**

	In Thousand Baht	
	2004	2003
Liabilities under packing credits	-	47,238
Liabilities under trust receipts	<u>-</u>	<u>2,021</u>
Total	<u>-</u>	<u>49,259</u>

The Company had credit facilities totalling Baht 396 million in 2004 and Baht 264 million in 2003 with certain local financial institutions. These facilities are guaranteed by the personal guarantee of the Company's director and the mortgage of certain parcels of land, and structure thereon and machinery.

**POLYPLEX (THAILAND) LTD.**  
**Notes to Financial Statements (Continued)**  
**March 31, 2004 and 2003**

**7. LONG-TERM LOANS**

	In Thousand Baht	
	2004	2003
Long-term loans	860,300	482,118
Less: portion due within one year	( 27,684)	( 28,645)
Net	<u>832,616</u>	<u>453,473</u>

The Company had various long-term loan agreements with two (2) local financial institutions totalling USD 31 million in 2004 and USD 14 million in 2003 and repayable in various amount as specified in the agreements up to September 2010 and May 2011, respectively. The above loans bear interest as at March 31, 2004 at LIBOR plus 2.20% to 2.25% per annum and are collateralized by the mortgage the Company's land and construction thereon and pledge of the Company's certain machinery.

Under the terms of the loan agreements, the Company must comply with certain covenants and restrictions as stipulated therein, such as maintain financial ratio, payment of dividends and etc.

**8. SHARE CAPITAL**

	No. of Shares (Thousand Shares)		In Thousand Baht	
	2004	2003	2004	2003
<b>Preferred Shares</b>				
Authorized share capital	<u>52,800</u>	<u>32,000</u>	<u>528,000</u>	<u>320,000</u>
April 1				
88% paid-up	32,000	-	281,600	-
Increase during the year by:				
- 12% paid-up	32,000	-	38,400	-
- 71% paid-up	18,691	-	132,703	-
- 100% paid-up	2,109	-	21,095	-
- 88% paid-up	<u>-</u>	<u>32,000</u>	<u>-</u>	<u>281,600</u>
March 31	<u>52,800</u>	<u>32,000</u>	<u>473,798</u>	<u>281,600</u>
<b>Common Shares</b>				
Authorized share capital	<u>13,200</u>	<u>8,000</u>	<u>132,000</u>	<u>80,000</u>
April 1				
88% Paid-up	8,000	-	70,400	-
Increase during the year by:				
- 12% paid-up	8,000	-	9,600	-
- 71% paid-up	4,673	-	33,175	-
- 100% paid-up	527	-	5,274	-
- 88% paid-up	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>70,400</u>
March 31	<u>13,200</u>	<u>8,000</u>	<u>118,449</u>	<u>70,400</u>
<b>Total Paid-up Share Capital</b>	<u>66,000</u>	<u>40,000</u>	<u>592,247</u>	<u>352,000</u>

**POLYPLEX (THAILAND) LTD.**  
**Notes to Financial Statements (Continued)**  
**March 31, 2004 and 2003**

**Preferred Shares**

The significant nature and extent of the preferential rights accruing to the non-cumulative and non participating preferred shares are summarized as follows:

1. The preferred shareholders are entitled to receive the dividend at the rate of MLR of Siam City Bank Public Co., Ltd. on the date of declaration plus 2% per annum of paid-up par value of each share.
2. Upon the dissolution of the Company, the preferred shareholders are entitled to receive, in preference to the common shareholders, the return of capital from the remaining assets of the Company but not exceeding the paid-up amount on each preference share.

At the ordinary and extraordinary shareholders' meetings held during the years 2002 to 2003, the shareholders passed resolutions on the share capital as follows:

- a) Increase in share capital by call for 40% paid-up share capital for 40,000 common shares at Baht 10 par value amounted of Baht 160,000.
- b) Increase in share capital from Baht 400,000 (divided in 40,000 shares at Baht 10 par value) to Baht 400,000,000 (dividend into 32,000,000 preferred shares at Baht 10 par value and 8,000,000 common shares at Baht 10 par value) and call for 88% paid-up share capital of Baht 352,000,000. The Company registered the increase in share capital with the Ministry of Commerce on May 7, 2002.
- c) Increase in share capital from Baht 400,000,000 (dividend into 32,000,000 preferred shares at Baht 10 par value and 8,000,000 common shares at Baht 10 par value) to Baht 660,000,000 (divided into 52,800,000 preferred shares at Baht 10 par value and 13,200,000 common shares at Baht 10 par value). The Company registered the increase in share capital with the Ministry of Commerce on May 16, 2003 and called for paid-up share capital as follows:
  - 100% for 42,636,850 shares amounted of Baht 426,368,500 (divided into 34,109,480 preferred shares and 8,527,370 common shares at Baht 10 par value).
  - 71% for 23,363,150 shares amounted of Baht 165,878,365 (divided into 18,690,520 preferred shares and 4,672,630 common shares at Baht 10 par value).

**9. PROMOTIONAL PRIVILEGES**

By virtue of the provisions of the Board of Investment Promotion Act B.E. 2520, the Company has been granted certain promotional privileges on the manufacturing and distributing the polyester firm as per the prevailing policy. The Company must comply with certain conditions and restrictions provided for in the promotion certificate.

**POLYPLEX (THAILAND) LTD.**  
**Notes to Financial Statements (Continued)**  
**March 31, 2004 and 2003**

**10. COMMITMENTS AND CONTINGENT LIABILITIES**

As at March 31, 2004, the Company:

- 10.1 Had unused letters of credit with certain local banks totalling approximately USD 3.15 million.
- 10.2 Was contingently liable to certain local banks for letters of guarantee issued by said banks totaling approximately Baht 1.2 million.
- 10.3 Had foreign currency forward contracts with two (2) local financial institutions whereby the Company has commitments to sell approximately USD 5.0 million in exchange with Baht 193.6 million in April 2004.

**11. RECLASSIFICATION OF ACCOUNTS**

Certain accounts in the 2003 financial statements were reclassified to conform with the 2004 financial statement presentation.