

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD
ENDED JUNE 30, 2019
AND REVIEW REPORT OF INDEPENDENT'S AUDITOR

Independent Auditor's Report on Review of Interim Financial

To the Board of Directors of Thai Film Industries Public Company Limited

I have reviewed accompanying separate statements of financial position as at June 30, 2019, the separate statements of comprehensive income for the three-month and six-month period ended June 30, 2019, changes in equity and cash flows for the six-month period ended June 30, 2019, and condensed notes ("Interim financial information") of Thai Film Industries Public Company Limited. Management is responsible for the preparation and presentation of this interim financial information

in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion

on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with the Thai Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Bases for Disclaimer of Conclusion

As discussed in Note 20 to the interim financial information, The Company has consecutive losses in the second quarter of 2019, the statement of comprehensive income for the three-month period showed a loss of Baht 32.80 million and for the six-month period amounting to Baht 59.21 million. Statement of financial base as of June 30, 2019 showing accumulated losses of Baht 1,916.82 million. In addition, according to the minutes of the Board of Directors Meeting No. 3/2019 on July 25, 2019, approved a temporary halt to its production on September 2019 onwards and reduce number of employees by lay off approximately 30% of the total number of employees and severance pay under Thai Labor law (Note 21.1). These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. However, The Company has inform on uncertainly halt its production due to customers has necessary to order film products for keeping in store for inventory, in which the Company is on process of adjust business plan.

Disclaimer of Conclusion

Since the matters basis for disclaimer of Conclusion are significant, I cannot give a conclusion to the interim financial information mentioned above.

Emphasis of Matter

Without expressing modified in respect of these matters, draw attention to

1. As discussion on note to financial statement no.17.4 (1) On May 8, 2008 the Company was sued by a bank as the third defendant in the Civil Court under the contract pledging the shares of an associated company as collateral. On November 29, 2016, the court dismissed the Company. On January 26, 2017, the plaintiff has filed an appeal and on March 24, 2017, the Company has filed an appeal. The court has orders to accept and appeals and objections to suspension of enforcement with bank. The Court of appeal will appoint the date for judgment on November 21, 2017. The Court of Appeal ruled that the agreement has not been suspended and the Company is only liable for the pledge shares, but not more than Baht 600 million. On August 1, 2019, the Supreme Court ruled that the liability of the third defendant must not more than Baht 600 million plus interest at the rate of 7.5% per annum of the such principal from October 31, 2007 until the pledge is forced to complete. In addition to the such judgment, let to comply with the judgment of the Court of Appeal. (2) On September 30, 2009, the Company was sued by the same bank as the third defendant under contractual pledge the same issue with the lawsuit case (1) in the Central Intellectual Property and International Trade Court. On June 22, 2017, the Central Intellectual Property and International Trade Court sentenced the Company jointly to repay Baht 902.3 million with interest at the rate of 7.5% per annum of the principal of Baht 600 million since the date of sue up to the date of completed payment. On September 20, 2017, the Company filed an appeal with the Court and the Court of appeal had scheduled to the date for judgment on September 5, 2018. The Court of Appeal identified “the Central Intellectual Property and International Trade Court did not identify the third defendant to be liable more than the pledge”. The Court of Appeal ruled same as the case by the Court of First Instance and the plaintiff and the Company did not file a lawsuit against the Supreme Court. Therefore, the case was ended.

In the case above, the Company is a defendant under the share pledge agreement of Baht 600 million. The Company’s lawyer has opinion that the Supreme Court ruled the third defendant must be liable under the pledge agreement to the plaintiff in the amount specified in the contract plus interest at the rate of 7.5% per annum, and does not be too liable more than the pledge. This means that if the plaintiff to enforce the case, he can enforce pledge under the pledge and can not force any other property of the Company. The pledged shares currently have no value, thus there is no impact on the Company's reimbursement.

2. As discussion on note to financial statement no.21.2 On July 27, 2019, the Company has sued by a creditor to the Central Bankruptcy Court and the creditor claimed that the Company has defaulted on payment of debts in the amount to Baht 83.91 million, which the Company has not been in insolvent debt status because, as of June 30, 2019, the Company still has total assets amounting to Baht 1,615.57 million, more than total liabilities amount to Baht 231.77 million and the Company is considering appointing a lawyer to solve the case further.

Mr.Jirote Sirirorote

Certified Public Accountant (Thailand) No. 5113

Karin Audit Company Limited

August 14, 2019

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2019

(Unit : Thousand Baht)

	Notes	Separate	
		June 30, 2019	December 31, 2018
		"UNAUDITED" "REVIEWED"	"AUDITED"
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		9,169	1,462
Trade and other current receivables - net	4	130,590	171,053
Inventories - net	5	96,668	151,106
Spare parts and supplies - net		55,735	53,767
Advance for Investment - net	6	-	-
Other current assets		7,068	6,940
TOTAL CURRENT ASSETS		299,230	384,328
NON-CURRENT ASSETS			
Investments in associated companies under absolute order control of property - net	7	-	-
Other long-term investments related companies - net	8	-	-
Land used in operation - at appraised value	9	474,877	474,877
Plant and equipment used in operation - net	10	587,547	610,914
Property, plant and equipment not used in operation - net	11	252,947	270,519
Other non-current assets		965	873
TOTAL NON-CURRENT ASSETS		1,316,336	1,357,183
TOTAL ASSETS		1,615,566	1,741,511

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2019

(Unit : Thousand Baht)

	Notes	Separate	
		June 30, 2019	December 31, 2018
		"UNAUDITED" "REVIEWED"	"AUDITED"
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Bank overdrafts and short-term loans from financial institutions	12	548,562	405,841
Trade and other current payables - other	3.1	182,354	265,990
Short-term borrowings - Related companies	3.1	77,663	80,000
Current loans under debt restructuring agreements	13	384,288	369,697
Current provisions for employee benefits		140	140
Other current liabilities		1,230	1,111
TOTAL CURRENT LIABILITIES		1,194,237	1,122,779
NON-CURRENT LIABILITIES			
Non-current loans under debt restructuring agreements	13	-	150,831
Deferred tax liabilities		149,106	149,253
Non-current provisions for employee benefits		40,458	27,669
TOTAL NON-CURRENT LIABILITIES		189,564	327,753
TOTAL LIABILITIES		1,383,801	1,450,532
EQUITY			
SHARE CAPITAL			
Authorized share capital			
2,661,750,000 ordinary shares : Baht 1 per share		2,661,750	2,661,750
Issued and paid-up share capital			
2,047,500,000 ordinary shares : Baht 1 per share		2,047,500	2,047,500
Discount on common shares		(88,750)	(88,750)
Retained earnings (Deficits) -Unappropriated		(1,916,817)	(1,857,603)
Other components of equity		189,832	189,832
TOTAL EQUITY		231,765	290,979
TOTAL LIABILITIES AND EQUITY		1,615,566	1,741,511

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
 STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2019

"UNAUDITED"
 "REVIEWED"

(Unit : Thousand Baht)

	Notes	Separate	
		2019	2018
Sales	16	307,058	414,459
Costs of sales	3.2	(276,573)	(375,415)
Gross profit margin		30,485	39,044
Other income	14	12,308	11,839
Distribution costs	3.2	(9,532)	(11,303)
Administrative expenses	3.2	(51,223)	(42,615)
Other expenses		(1,518)	(13,192)
Finance costs	3.2	(13,977)	(7,583)
Profit (loss) before income tax expense		(33,457)	(23,810)
Tax (expense) income		660	(236)
Profit (loss) for the periods		(32,797)	(24,046)
Other comprehensive income		-	-
Total comprehensive income (expense) for the periods		(32,797)	(24,046)
Profit (loss) attributable to			
Owners of parent		(32,797)	(24,046)
Non-controlling Interests		-	-
		(32,797)	(24,046)
Total comprehensive income (expense) attributable to			
Owners of parent		(32,797)	(24,046)
Non-controlling Interests		-	-
		(32,797)	(24,046)
Basic earnings (loss) per share			
Basic earnings (loss) per share from continuing operations	15	(0.016)	(0.012)

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
 STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

"UNAUDITED"
 "REVIEWED"

(Unit : Thousand Baht)

	Notes	Separate	
		2019	2018
Sales	16	641,054	834,580
Costs of sales	3.2	(580,447)	(763,026)
Gross profit margin		60,607	71,554
Other income	14	21,418	21,593
Distribution costs	3.2	(19,451)	(23,590)
Administrative expenses	3.2	(95,408)	(86,649)
Other expenses		(1,389)	(7,601)
Finance costs	3.2	(25,138)	(11,376)
Profit (loss) before income tax expense		(59,361)	(36,069)
Tax (expense) income		147	(149)
Profit (loss) for the periods		(59,214)	(36,218)
Other comprehensive income		-	-
Total comprehensive income (expense) for the periods		(59,214)	(36,218)
Profit (loss) attributable to			
Owners of parent		(59,214)	(36,218)
Non-controlling Interests		-	-
		(59,214)	(36,218)
Total comprehensive income (expense) attributable to			
Owners of parent		(59,214)	(36,218)
Non-controlling Interests		-	-
		(59,214)	(36,218)
Basic earnings (loss) per share			
Basic earnings (loss) per share from continuing operations	15	(0.029)	(0.018)

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
 STATEMENTS OF CHANGES IN EQUITY
 FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

"UNAUDITED"
 "REVIEWED"

(Unit : Thousand Baht)

Note	Separate									
	Share capital issued and paid-up	Discount on share capital	Deficit			Other components of equity				Total
			Appropriated	Unappropriated	Total	Other comprehensive income			Total other components of equity	
						Capital surplus from land revaluation	Capital surplus from machinery revaluation	Total other comprehensive income		
Balance as at January 1, 2018	2,047,500	(88,750)	-	(1,753,268)	(1,753,268)	189,832	-	189,832	189,832	395,314
Total comprehensive income (expense) for the periods	-	-	-	(36,218)	(36,218)	-	-	-	-	(36,218)
Ending balance as at June 30, 2018	<u>2,047,500</u>	<u>(88,750)</u>	<u>-</u>	<u>(1,789,486)</u>	<u>(1,789,486)</u>	<u>189,832</u>	<u>-</u>	<u>189,832</u>	<u>189,832</u>	<u>359,096</u>
Balance as at January 1, 2019	2,047,500	(88,750)	-	(1,857,603)	(1,857,603)	189,832	-	189,832	189,832	290,979
Total comprehensive income (expense) for the periods	-	-	-	(59,214)	(59,214)	-	-	-	-	(59,214)
Ending balance as at June 30, 2019	<u>2,047,500</u>	<u>(88,750)</u>	<u>-</u>	<u>(1,916,817)</u>	<u>(1,916,817)</u>	<u>189,832</u>	<u>-</u>	<u>189,832</u>	<u>189,832</u>	<u>231,765</u>

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

"UNAUDITED"
"REVIEWED"

	(Unit : Thousand Baht)	
	Separate	
	2019	2018
Cash flows from operating activities		
Profit (loss) for the periods	(59,214)	(36,218)
Adjustments to reconcile profit (loss) for the periods to net cash		
Income tax expense (income)	(147)	149
(Increase) Decrease in Trade and other current receivables	39,893	(6,819)
(Increase) Decrease in Inventories	53,967	12,540
(Increase) Decrease in Spare parts and supplies	(1,967)	106
(Increase) Decrease in Other current assets	(6,599)	(7,424)
(Increase) Decrease in Non-current assets	(91)	5,869
Increase (Decrease) in Trade and other current payables	(85,916)	64,378
Increase (Decrease) in Provisions for employee benefits	-	(1,966)
Increase (Decrease) in Other current liabilities	119	1,255
(Reversal of) allowance for obsoleted stock	470	1,422
Depreciation	42,870	46,960
Amortization expenses	6,471	7,339
Provision for employee benefits	12,788	2,283
Unrealized (gain) loss on exchange rate	(6,190)	11,525
(Gain) loss on sale off assets	1,389	(4,453)
Loss on written off assets and supplies	8	21
(Reversal of) loss on impairment of assets	(47)	(332)
Interest expenses	22,598	8,890
Interest incomes	(2)	(13)
Total adjustments to reconcile profit (loss) for the periods	79,614	141,730
Net cash flows provided (used in) from operating activities	20,400	105,512

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

"UNAUDITED"
"REVIEWED"

	(Unit : Thousand Baht)	
	Separate	
	2019	2018
Cash flows from investing activities		
(Increase) Decrease in restricted bank deposits	-	(10)
Interest income received	2	22
Cash received from sales assets - net	2,578	8,379
Purchase of property, plant and equipment	(5,861)	(5,669)
Net cash flows provided (used in) from investing activities	(3,281)	2,722
Cash flows from financing activities		
Increase in bank overdrafts and short-term loans from financial Institutions	145,688	342,507
Increase (Decrease) current loans under debt restructuring agreements	(136,240)	(488,892)
Cash paid for short-term borrowings - related companies	(2,337)	-
Cash paid for interest expenses	(16,523)	(7,510)
Net cash flows provided (used in) from financing activities	(9,412)	(153,895)
CASH AND CASH EQUIVALENTS INCREASE (DECREASE) - NET	7,707	(45,661)
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF PERIOD	1,462	56,367
CASH AND CASH EQUIVALENTS AS AT THE END OF PERIOD	9,169	10,706
Cash and cash equivalents		
Consist of:		
Cash on hand	81	81
Cash at banks - current accounts	7,483	10,144
Cash at banks - savings accounts	1,594	481
Cash at banks - fixed deposit account	11	-
	9,169	10,706

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

1. GENERAL

Thai Film Industries Public Company Limited was registered in Thailand on March 3, 1983 with the registration number 882/2526. It was later registered a conversion to a public company limited on February 1, 1994 with the registration number 0107537000386. The major shareholders are Mahagitsiri family. The Company is engaged in manufacturing of packaging film. Presently, the Company has offices located at the following addresses:

- a) Head Office and Factory : 73/3 Moo 4, Bangna- Trad Road KM.13, Bangchalong, Bangplee, Sumutprakarn.
- b) Factory : 327 Moo 8, Mabkha, Nihompattana District, Rayong.

2. BASIS FOR INTERIM FINANCIAL STATEMENT PREPARATION

2.1 Basis for interim financial statements preparation

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 34: “Interim financial reporting”, whereby the Company chooses to present condensed interim financial statements. However, additional line items are presented in the financial statements to bring them into the full format similar to the annual financial statements.

The interim financial statements are prepared to provide information in addition to those included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances to avoid repetition of information previously reported. These interim financial statements should, therefore, be read in conjunction with the financial statements for the year ended December 31, 2018.

The interim financial statements are officially prepared in Thai language. The translation of these statutory financial statements to other language must conform to the Thai financial report.

2.2 Functional and presentation currency

The interim financial statements are prepared and presented in Thai Baht, which is the Company’s functional currency. All financial information presented in Thai Baht has been rounded to the nearest thousand or million in the notes unless otherwise stated.

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

2.3 Significant accounting policies

These interim financial statements have been prepared by using the same accounting policies and methods of computation as were used in the preparation of the financial statements for the year ended December 31, 2018.

Revised accounting standards and financial reporting standards

2.3.1. Financial reporting standards that becomes effective for fiscal years beginning on or after January 1, 2019.

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations including new accounting treatment guidance, which are effective for fiscal years beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company believe that most of the revised financial reporting standards are not have any significant impact on the financial. However, the new standard involves changes to key principles, as summarized below.

TFRS 15	Revenue from Contracts with Customers
TFRS 15 supersedes the following accounting standards together with related Interpretations	
TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

2.4 Estimation

When preparing the interim financial statements, management undertake judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation were the same as those applied in the preparation of annual financial statements for the year ended December 31, 2018.

3. TRANSACTIONS WITH RELATED PARTIES

Related parties are those parties linked to the Group and the Company as shareholders or by common shareholders or directors. Significant related parties’ transactions can be summarized as follows:

Related Parties	Type of Relationship
Thai Film Bangladesh Co., Ltd.	Related company
PM Group Co., Ltd.	The same shareholders and directors

3.1 Inter-assets and liabilities

	(Unit : Thousand Baht)	
	Separate	
	June 30, 2019	December 31, 2018
Loan to related companies		
Thai Film Bangladesh Co., Ltd.	37,965	37,965
Less allowance for doubtful accounts	(37,965)	(37,965)
Total	-	-
Short-term borrowings - Related companies		
PM Group Co., Ltd.	77,663	80,000
Accrued interest expenses		
PM Group Co., Ltd.	13	13

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

	(Unit : Thousand Baht)	
	Separate	
	June 30, 2019	December 31, 2018
Movement of short-term loans		
Beginning balance	80,000	80,000
Increase during in the periods	-	-
Payment during in the periods	(2,337)	-
Ending balance	<u>77,663</u>	<u>80,000</u>

As at June 30, 2019 and December 31, 2018, the Company has short-term loan under promissory note amount of Baht 77.66 million and Baht 80 million, respectively. due at call without any collateral and interest rate at MOR-1% per annum.

3.2 Inter- revenue and expense

For the three-month period ended June 30, 2019 and 2018 as follow:

	(Unit : Thousand Baht)	
	Separate	
	2019	2018
Interest expense		
PM Group Co., Ltd.	<u>1,209</u>	<u>1,221</u>
Key management personnel compensation		
Short-term employee benefits	10,518	10,578
Long-term employee benefits	4,834	453
Total	<u>15,352</u>	<u>11,031</u>

For the six-month period ended June 30, 2019 and 2018 as follow:

	(Unit : Thousand Baht)	
	Separate	
	2019	2018
Interest expense		
PM Group Co., Ltd.	<u>2,416</u>	<u>2,428</u>
Key management personnel compensation		
Short-term employee benefits	20,993	21,151
Long-term employee benefits	5,140	932
Total	<u>26,133</u>	<u>22,083</u>

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

4. TRADE AND OTHER CURRENT RECEIVABLES - Net

Consist of :-

	(Unit : Thousand Baht)	
	Separate	
	June 30, 2019	December 31, 2018
Trade and other current receivables		
- Trade accounts receivable	124,965	160,569
- Other current receivable	5,625	10,484
Total trade and other current receivables	130,590	171,053

The Company has trade accounts receivable were classified by aging as follows:

	(Unit : Thousand Baht)	
	Separate	
	June 30, 2019	December 31, 2018
<u>Domestic trade accounts receivable</u>		
Trade accounts receivable within credit term	66,697	78,004
Aging of trade accounts receivable :-		
Less than 3 Months	21,665	37,266
Over 3 months to 6 months	-	-
Over 6 months to 9 months	-	-
Over 9 months	-	-
Total	88,362	115,270
<u>Foreign trade accounts receivable</u>		
Trade accounts receivable within credit term	21,645	20,123
Aging of trade accounts receivable :-		
Less than 3 months	5,613	6,492
Over 3 months to 6 months	-	-
Over 6 months to 9 months	-	-
Over 9 months	-	-
Total	27,258	26,615
Notes receivable	9,345	18,684
<u>Less allowance for doubtful accounts</u>	-	-
Net	124,965	160,569

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

5. INVENTORIES - Net

Allowance for obsolete/damage inventories is changed during the periods as follows: -

	(Unit : Thousand Baht)	
	Separate	
	June 30, 2019	December 31, 2018
Beginning balance	3,790	4,800
Increase	470	-
Decrease	-	(1,010)
Ending balance	<u>4,260</u>	<u>3,790</u>

6. ADVANCE FOR INVESTMENT – Net

Consist of :-

	(Unit : Thousand Baht)	
	Separate	
	June 30, 2019	December 31, 2019
Advance for investment	45,594	45,594
<u>Less</u> Allowance for doubtful accounts	<u>(45,594)</u>	<u>(45,594)</u>
Net	<u>-</u>	<u>-</u>

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

7. INVESTMENTS IN ASSOCIATED COMPANIES UNDER ABSOLUTE ORDER CONTROL OF PROPERTY – NET

Investments in associated companies in the separate financial statements as at June 30, 2019 and December 31, 2018, consist of:

Company name	Country of business	Type of business	(Million Baht)		(Percent)		(Million Baht)		
			Paid up Capital		Percentage of holding		Cost Method		
			June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	
Thai Copper Industries Pcl.	Thailand	Pure Copper	8,010	8,010	18.96	18.96	1,518.98	1,518.98	
<u>Less</u> Allowance for impairment of investment								<u>(1,518.98)</u>	<u>(1,518.98)</u>
Net								<u>-</u>	<u>-</u>

Thai Copper Industries Pcl.-TCI

The Company has ceased to calculate the equity loss in Thai Copper Industries Pcl. because such associated company has lack in working capital and TCI stopped its operation and lay-off its employees. The Company's equity recognized equally to their investment (zero). In the cost method, the Company set up an allowance for impairment of the investment in full (Baht 1,519 million).

submitted to Ministry of Commerce are as follows:-

	(Unit : Million Baht)
	As at December 31, 2007
	“Audited”
Total Assets*	23,937
Total liabilities	20,684
Total equity*	3,253

*If TCI had recorded revaluation of assets based on the appraisal report of independent appraiser dated September 28, 2007, total assets and total equity would be decreased by approximately Baht 12,530 million.

On March 22, 2016, the Central Bankruptcy Court issued absolute receivership order and later on January 18, 2017, the Central Bankruptcy Court sentenced the associate company to bankruptcy.

THAI FILM INDUSTRIES PUBLIC COMPANY LIMITED
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

8. OTHER LONG-TERM INVESTMENTS-RELATED COMPANIES– Net

Consist of :-

Company	Country of business	Type of business	Paid-up capital	Separate			
				Percentage of investments		Value of investment (Unit: Thousand Baht)	
				June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Thai Film Bangladesh Co., Ltd. (Bangladesh Taka currency)	Bangladesh	Packaging Film	Taka 112 million	53.57	53.57	37,487	37,487
<u>Less</u> Allowance for impairment of investment						<u>(37,487)</u>	<u>(37,487)</u>
Net						<u>-</u>	<u>-</u>

9. LAND USED IN OPERATION – AT APPRAISED VALUE

As at June 30, 2019 and December 31, 2018, land used in operation was re-appraised according to the report of independent appraiser (K.K. Valuation Co., Ltd.) at market approach value date January 6 and 11, 2016 which appraisal date was December 28 - 29, 2015.

10. PLANT AND EQUIPMENT USED IN OPERATION – Net

Consist of :-

	(Unit : Thousand Baht)
	Separate
Cost:-	
Net book value as at January 1, 2019	610,914
Purchase	5,861
Written off	(8)
Depreciation for the period	<u>(29,220)</u>
Net book value as at June 30, 2019	<u><u>587,547</u></u>

Depreciation for six-month periods ended June 30, 2019 and 2018, amounted to Baht 11.60 million and Baht 16.30 million, respectively, are included in cost of sales, and Baht 17.62 million and Baht 16.73 million, respectively, are included in selling and administrative expenses.

As at June 30, 2019 and December 31, 2018, the Company has building, machineries and equipment at book value that fully depreciated but still in use at Baht 110.79 million and Baht 110.71 million, respectively.

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11. PROPERTY, PLANT AND EQUIPMENT NOT USED IN OPERATION –Net

Consist of :-

	(Unit : Thousand Baht)
	Separate
Cost :-	
Net book value as at January 1, 2019	270,519
Sale	(3,969)
Impairment reversal	47
Depreciation for the period	(13,650)
Net book value as at June 30, 2019	252,947

As at June 30, 2019, lands and machineries not used in operation, which cost of Baht 74 million and Baht 871.21 million, respectively, were re-appraised according to reports of independent appraiser (K.K. Valuation Co., Ltd. and UK Valuations and Agency Co., Ltd., respectively) date January 6, 2016 (for land) and date December 30, 2015 (for machineries) which appraisal date was December 28, 2015 (for land) and December 29, 2015 (for machineries). That using market value method and net replacement cost method, respectively. And allowance for impairment of such lands and machineries were amount of Baht 35.05 million and Baht 37.51 million, respectively.

12. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at June 30, 2019 and December 31, 2018, the Company has bank overdrafts, packing credits, liabilities under trust receipts, promissory notes, letters of credit and letters of guarantee which were credit facilities received from local banks as follows :-

(Unit : Million)				
		Bank charge and Interest rate Per annum		Bank charge and Interest rate Per annum
Currency	June 30, 2019	annum	December 31, 2018	annum
Baht	885	2 - MOR+1.5	885	2 - MOR+1.5

As at June 30, 2019, short-term loans from financial institutions amounting to Baht 128.86 million, due for repayment during the period, which the Company requested to adjust the conditions for payment of debt on May 2019. and then on July 11, 2019, commercial banks has approved the waiver of payment for the loan which is due for repayment of 84 months with interest rate of MLR per year since July 2019 to June 2026 and reduced the credit limit to Baht 585 million.

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13. LOANS UNDER DEBT RESTRUTURING AGREEMENT

Loans under debt restructuring agreements as at June 30, 2019, consisted of :

	(Unit : Thousand Baht)	
	Separate	
	June 30, 2019	December 31, 2018
Loans under debt restructuring agreements	384,288	520,528
<u>Less: Current-portion due within one year</u>	(384,288)	(369,697)
	-	150,831

As at December 28, 2018, the Company signed a debt restructuring agreement with a commercial bank covering long-term loan and short-term loan. Later, on May 2019, the Company requested to adjust the repayment conditions of the short-term loan under the payment terms that were due during the period, and then on July 11, 2019, the commercial bank considered and approved the change for debt restructuring of short-term loans as following:

Long-term loan

1. Reduction of interest rate from 18% to MLR.
2. The Company agree to settle remaining debts and accrued interest totaling Baht 110.72 million within 18 months in 6 installments for principal and 18 installments for interest, starting from December 2017 to May 2019.
3. The Bank will waive accrued interest amounting to Baht 22.77 million when the Company completely settle debts under the agreement.

Short-term loan

1. Reduction of interest rate from 18% to normal rate under contract.
2. The Company agree to settle remaining debts and accrued interest totaling Baht 948.69 million as follows:
 - 2.1 Repayment of principal within 42 months (original 24 months) starting from December 2017 to June 2021
 - 2.2 Repayment of interest within 54 months (original 36 months) (12 months free of charge), starting from January 2019 to June 2022
3. The Bank will waive accrued interest amounting to Baht 116.57 million when the Company completely settle debts under the agreement. In case that the Company can comply with all conditions of loans, the Company has estimated amounts to be paid in future lower than amounts recorded of Baht 78.76 million as at the date of debt restructuring. However, the Company have not yet realized such profit from debt restructuring until all conditions are completely fulfilled.

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As at June 30, 2019 and December 31, 2018, The aforesaid loans including credit facilities from the banks as mentioned in Note 12 and 13 are pledged by: -

- a) The Company’s land and machinery as at June 30, 2019 and December 31, 2018 totaling Baht 902.92 million and Baht 938.32 million, respectively.
- b) New equipment or supplies for machineries acquired to replace the mortgaged assets shall be determined as related mortgaged assets.

14. OTHER INCOME

For the three-month periods ended June 30, 2019 and 2018 are as follows:

	(Unit : Thousand Baht)	
	Separate	
	2019	2018
Gain on exchange rate	6,873	-
Interest income	2	3
Gain from disposal of assets	-	3,196
Revenue from raw material sales	1,453	3,780
Other income	3,980	4,860
Total	12,308	11,839

For the six-month periods ended June 30, 2019 and 2018 are as follows:

	(Unit : Thousand Baht)	
	Separate	
	2019	2018
Gain on exchange rate	12,168	-
Interest income	2	13
Gain from disposal of assets	-	4,453
Revenue from raw material sales	2,783	8,659
Other income	6,465	8,468
Total	21,418	21,593

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15. BASIC EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share for the three-month and six-month periods ended June 30, 2019 and 2018 were calculated by dividing net profit (loss) for the periods by weighted average number of ordinary shares issued during for the three-month and six-month periods ended June 30, 2019 and 2018.

Net Profit (loss) for the periods

	(Unit : Million Baht)	
	Separate	
	2019	2018
For the three-month periods ended June 30,	(33)	(24)
For the six-month periods ended June 30,	(59)	(36)

Weighted average number of ordinary shares (Basic)

	(Unit : Million shares)	
	Separate	
	2019	2018
Weighted average number of ordinary shares outstanding during the periods (Basic)	2,048	2,048

Basic earnings (loss) per share from continuing operations (Baht)

For the three-month periods ended June 30,	(0.016)	(0.012)
For the six-month periods ended June 30,	(0.029)	(0.018)

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16. DISCLOSURE OF SEGMENT BUSINESS OPERATION

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The one main reportable operating segment of the Company is engaged in mainly in manufacturing of packaging film and the several geographical regions area of their operations is Thailand, Asia, Europe, America and others. Details of financial information shown separately by geographical are as follows: -

For the three-month periods ended June 30, 2019 and 2018

	(Unit : Million Baht)	
	Separate	
	2019	2018
Revenue from sales - Domestic	197	311
Revenue from sales - Foreign		
Asia	57	51
Europe	6	9
American	3	4
Others	44	39
Total revenue from sales	307	414

For the six-month periods ended June 30, 2019 and 2018

	(Unit : Million Baht)	
	Separate	
	2019	2018
Revenue from sales - Domestic	424	618
Revenue from sales - Foreign		
Asia	111	110
Europe	19	20
American	4	12
Others	83	75
Total revenue from sales	641	835

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17. COMMITMENTS AND CONTINGENT LIABILITIES

As at June 30, 2019, in addition to the liabilities reflected in the statements of financial position, Thai Film Industries Public Company Limited still have commitments and contingent liabilities as follows: -

17.1 Had outstanding bank guarantees issued on behalf of the Company and for which it is contingently liabilities to the Customs Department, Provincial Electricity Authority, Metropolitan Electricity Authority and Tobacco Authority of Thailand amounting to approximately Baht 5.09 million.

17.2 Had unused letters of credit, liabilities under trust receipts and promissory notes in amount of approximately Baht 75.14 million.

17.3 The Company has export guaranteed entered into with a commercial bank to guarantee against the risk in receiving the payment of exporting goods for leave from the purchaser or the purchaser's bank overseas. The Company holds the right to the export guaranteed at Baht 16.35 million.

17.4 (1) On May 8, 2008 the Company was sued by a bank as the third defendant in the Civil Court under the contract pledging the shares of an associated company as collateral. On November 29, 2016, the court dismissed the Company. On January 26, 2017, the plaintiff has filed an appeal and on March 24, 2017, the Company has filed an appeal. The court has orders to accept and appeals and objections to suspension of enforcement with bank. The Court of appeal will appoint the date for judgment on November 21, 2017. The Court of Appeal ruled that the agreement has not been suspended and the Company is only liable for the pledge shares, but not more than Baht 600 million. On August 1, 2019, the Supreme Court ruled that the liability of the third defendant must not more than Baht 600 million plus interest at the rate of 7.5% per annum of the such principal from October 31, 2007 until the pledge is forced to complete. In addition to the such judgment, let to comply with the judgment of the Court of Appeal.

(2) On September 30, 2009, the Company was sued by the same bank as the third defendant under contractual pledge the same issue with the lawsuit case (1) in the Central Intellectual Property and International Trade Court. On June 22, 2017, the Central Intellectual Property and International Trade Court sentenced the Company jointly to repay Baht 902.3 million with interest at the rate of 7.5% per annum of the principal of Baht 600 million since the date of sue up to the date of completed payment. On September 20, 2017, the Company filed an appeal with the Court and the Court of appeal had scheduled to the date for judgment on September 5, 2018. The Court of Appeal identified “the Central Intellectual Property and International Trade Court did not identify the third defendant to be liable more than the pledge”. The Court of Appeal ruled same as the case by the Court of First Instance and the plaintiff and the Company did not file a lawsuit against the Supreme Court. Therefore, the case was ended.

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In the case above, the Company is a defendant under the share pledge agreement of Baht 600 million. The Company’s lawyer has opinion that the Supreme Court ruled the third defendant must be liable under the pledge agreement to the plaintiff in the amount specified in the contract plus interest at the rate of 7.5% per annum, and does not be too liable more than the pledge. This means that if the plaintiff to enforce the case, he can enforce pledge under the pledge and can not force any other property of the Company. The pledged shares currently have no value, thus there is no impact on the Company's reimbursement.

18. FINANCIAL INSTRUMENTS

Policy to manage financial risk

The Company possesses risk regarding to the change of market interest rate and in currency exchange rate and from nonperformance of contractual obligations by counter parties. The Company will consider using derivative instruments, as and when it considers appropriating to manager such risks. However, the Company does not hold any policy to hold or issue any financial instruments for speculation or for trading.

Risk on Interest Rate

Interest rate risk arises from the fluctuation of market interest rates, which may have an impact to current and future operations of the Thai Film Industries Public Company Limited. Thai Film Industries Public Company Limited exposure to interest rate risk relates primarily to their cash and cash equivalents, bank overdrafts and short-term loans from financial institutions, short-term borrowings-Related companies, and long - term liabilities under debt restructuring agreements, which bear interest. However, since financial assets and liabilities bear floating interest rates which are close to the market rates. The management considers that the interest rate risk is minimal, hence, the Thai Film Industries Public Company Limited has no hedging agreement to protect against such risk.

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Risk on Exchange Rate

Risks on exchange rates mainly involve with sales of goods and imports of raw material because of business transaction are foreign currencies. As at June 30, 2019 and December 31, 2018, the Company possessed material assets and liabilities in foreign currencies as follows :-

		(Unit : Thousand)	
	Currency	June 30, 2019	December 31, 2018
Assets	US Dollar	801	700
	EURO	30	46
	GBP	16	15
Liabilities	US Dollar	6,656	10,701
	EURO	4	6
	YEN	14	14

As at June 30, 2019, there was forward contracts sold amount of USD 1.19 million.

Credit Risk

The Company has risk on credit regarding to trade accounts receivable which the counter party unaffordable or unwillingly follow the agreements. However, the Company pursues conservative lending policy and the numbers of debtors are several, the Company does not anticipate any material damage from debt collections.

Fair Value

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. Fair values have been determined for measurement and/or disclosure purposes based on the following methods (when applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability).

The fair value of cash and cash equivalents, trade and other accounts receivable, other current assets, bank overdrafts, short-term borrowings, trade and other accounts payable and other current liabilities is taken to approximate the carrying value.

The fair value of investments in equity securities - available-for-sales, are determined by reference to their quoted bid prices at the reporting date.

The fair value of long-term borrowings is taken to approximate the carrying value because most of these financial instruments bear interest at market rates.

Fair values and the carrying values of financial assets and liabilities other than the aforementioned were as follows:

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	(Unit : Million Baht)	
	Separate	
	June 30, 2019	December 31, 2018
Financial assets measured at fair value		
Land used in operations (level 2)	475	475

19. CAPITAL MANAGEMENT

The primary objectives of the Company’s and its subsidiaries’ capital management are to maintain their abilities to continue as a going concern and to maintain an appropriate capital structure.

As at June 30, 2019 and December 31, 2018, debt to equity ratio in the separate financial statements are 5.97:1.00 and 4.99:1.00, respectively.

20. GOING CONCERN

The Company has consecutive losses in the second quarter of 2019, the statement of comprehensive income for the three-month period showed a loss of Baht 32.80 million and for the six-month period amounting to Baht 59.21 million. Statement of financial base as of June 30, 2019 showing accumulated losses of Baht 1,916.82 million. In addition, according to the minutes of the Board of Directors Meeting No. 3/2019 on July 25, 2019, approved a temporary halt to its production on September 2019 onwards and reduce number of employees by lay off approximately 30% of the total number of employees and severance pay under Thai Labor law (Note 21.1). However, the Company has inform on uncertainly halt its production due to customers has necessary to order film products for keeping in store for inventory, in which The company is on process of adjust business plan

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21. SUBSEQUENT

21.1 According to the minutes of the Board of Directors Meeting No. 3/2019 on July 25, 2019, approved a temporary halt to its production on September 2019 onwards and reduce number of employees by lay off approximately 30% of the total number of employees and severance pay under Thai Labor law.

21.2 On July 27, 2019, the Company has sued by a creditor to the Central Bankruptcy Court and the creditor claimed that the Company has defaulted on payment of debts in the amount to Baht 83.91 million, which the Company has not been in insolvent debt status because, as of June 30, 2019, the Company still has total assets amounting to Baht 1,615.57 million, more than total liabilities amount to Baht 231.77 million and the Company is considering appointing a lawyer to solve the case further.

22. APPROVAL OF FINANCIAL STATEMENTS

Board of directors of Thai Film Industries Public Company Limited has approved these interim financial statements on August 14, 2019.