

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the years ended 31 December 2010 and 2009**

**1. General information**

**1.1 Corporate information of the Company and its subsidiaries**

KCE Electronics Public Company Limited (“the Company”) was incorporated as a limited company under Thai law and was transformed to be a public limited company under the Public Limited Companies Act on 21 December 1992. The Company operates in Thailand and its principal activity is the manufacture and distribution of printed circuit board products, with the registered address at No. 125-125/1, 1 Moo 4 Lat Krabang Industrial Estate, Kwang Lumplatew, Khet Lat Krabang, Bangkok.

KCE Technology Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law, with the registered address at No. 117 - 118 Moo 1, Hi-Tech Industrial Estate, Tambon Ban Lain, Amphur Bang Pa-In, Pranakornsriayuthaya Province. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of printed circuit board products.

K.C.E. International Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law, with the registered address at No. 677 Moo 4 Export Processing Zone, Bangpoo Industrial Estate, Sukhumvit Road, Tambon Phraksa, Amphur Muang, Samutprakarn Province. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of printed circuit board products.

Thai Laminate Manufacturer Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law, with the registered address at No. 115/2 Moo 4 Export Processing Zone, Lat Krabang Industrial Estate, Kwang Lumplatew, Khet Lat Krabang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of prepreg and laminate products to the Company and two subsidiary companies (K.C.E. International Co., Ltd. and KCE Technology Co., Ltd).

KCE (Thailand) Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law, with the registered address at No. 100/61, 21st floor, Vongvanich Building, Rama 9 Road, Tambon Huaykwang, Khet Huaykwang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is the domestic sale representative to the Company and its affiliates.

Thai Business Solution Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law, with the registered address at No. 100/61, 21st Floor, Vongvanich Building, Rama 9 Road, Tambon Huaykwang, Khet Huaykwang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is a service provider for computer system implementation and support.

## **2. Basis of preparation**

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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 KCE Electronics Public Company Limited (hereinafter called “the Company”) and the following subsidiaries (hereinafter called “the subsidiaries”).

Company's name	Percentage of shareholding		Subsidiary's assets as a percentage to the consolidated total assets as at 31 December		Subsidiary's revenues as a percentage to the consolidated total revenues for the years ended 31 December	
	2010	2009	2010	2009	2010	2009
	KCE Technology Co., Ltd.	100.00	100.00	53	57	47
K.C.E. International Co., Ltd.	99.99	94.99	8	5	9	-
Thai Laminate Manufacturer Co., Ltd. (Held by the Company 74.80% and by K.C.E. International Co., Ltd. 25.20%)	100.00	70.24	9	8	1	2
KCE (Thailand) Co., Ltd.	60.00	60.00	1	1	3	4
Thai Business Solution Co., Ltd.	49.00	49.00	-	-	-	-

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared for the same reporting period and using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiaries and investments in subsidiaries in the Company's accounts and subsidiaries' share capital have been eliminated from the consolidated financial statements.
- e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- 2.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

### 3. Adoption of new accounting standards

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

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

#### Framework for the Preparation and Presentation of Financial Statements (revised 2009)

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

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

The management of the Company has assessed the effect of these standards and believes that TAS 11 (revised 2009), TAS 29, TAS 31 (revised 2009), TAS 40 (revised 2009), TFRS 5 (revised 2009), TFRS 6 and TFRIC 15 are not relevant to the business of the Company, while Framework for the Preparation and Presentation of Financial Statements (revised 2009) and the remaining accounting standards described above will not have any significant impact on the financial statements for the year in which they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

#### **TAS 19 Employee Benefits**

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

Based on the management's assessment, the adoption of this TAS in 2011 will have an effect of decreasing retained earnings of the Company and its subsidiaries as at 31 December 2010 by approximately Baht 63.5 million (the Company only: Baht 36.7 million).

## **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

## **TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates**

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

At present, the management is still evaluating the impact on the financial statements in the year when this standard is adopted.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### **a) 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.

#### **b) Rendering of services**

Service revenue is recognised when services have been rendered taking into account the stage of completion.

#### **c) Interest income**

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

#### **d) Dividends**

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

#### **4.2 Cash and cash equivalents**

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

#### **4.3 Trade accounts receivable and allowance for doubtful accounts**

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 adequacy of the allowance is based on analysis of debt aging and current status of receivables outstanding at the balance sheet date including trend to collect from each debtor.

#### **4.4 Related party transactions**

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

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

#### **4.5 Inventories and allowance for diminution in value of inventories and inventory obsolescence**

Finished goods and work in process are valued at the lower of cost (weighted average method) and net realisable value. The cost includes cost of material, labour and production overheads.

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

The net realisable value of inventories is estimated from the estimated selling price in the ordinary course of business, less the estimated costs to complete the sale.

Allowance for diminution in value of inventories and inventory obsolescence are set up for obsolete, slow-moving and deteriorated inventories.

## 4.6 Investments

- a) Investments in the associates in the consolidated financial statements are stated under equity method.
- b) Investments in the subsidiaries and associates in the separate financial statements are stated under cost method.
- c) Investments in marketable securities held for trading are stated at fair value, which is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. Changes in the fair value of these securities are recorded as gain or loss on revaluation of investment in marketable securities in the income statements. The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in the income statement.

## 4.7 Property, plant and equipment and depreciation

Land is stated at cost. Plant 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:

Building and plant	-	20 - 25	years
Machinery and equipment	-	5 - 20	years
Plant and office improvement	-	5 - 20	years
Furniture, fixtures and office equipment	-	5 - 10	years
Vehicles	-	5	years

No depreciation is provided for land, construction in progress, and machinery and equipment in transit and under installation.

Depreciation is included in determining income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.



#### **4.8 Intangible assets**

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense is recognised in the income statement.

The intangible assets are computer software which have finite useful lives between 5 and 15 years.

#### **4.9 Impairment of assets**

At each reporting date, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

#### **4.10 Long-term leases**

##### **Finance leases**

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the asset.

##### **Operating leases**

Leases, which a significant portion of the risks and rewards of ownership are not transferred to the lessee, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### **4.11 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.12 Treasury shares**

Treasury shares are stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury shares are determined by reference to the carrying amount and are presented as premium on treasury shares. Losses on disposal of treasury shares are determined by reference to the carrying amount and are first deducted from premium on treasury shares, with any remaining loss being recorded against retained earnings.

#### **4.13 Employee benefits**

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

#### **4.14 Income tax**

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

#### **4.15 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

#### **4.16 Derivatives**

##### **Forward exchange contracts**

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet date. Gains and losses from the translation are included in the income statement. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

### **Currency swap agreements**

Currency swap agreements represent agreements between the Company and counterparties to exchange currencies at pre-determined rates of exchange and times stipulated in the agreements.

Amounts receivable or payable under currency swap agreements are translated at the rate of exchange ruling at the balance sheet date. Unrealised gains or losses arising from such translation are included in the income statement.

### **Currency option agreements**

Currency option agreements are contracts between two parties whereby the seller grants the buyer a future option to buy (call option) or to sell (put option) foreign currency at an exchange rate stipulated in the agreement. The Company and its subsidiaries enter into such agreements in order to manage foreign exchange risk.

The notional amounts of cross currency option agreements utilised by the Company and its subsidiaries to manage foreign exchange risk are not recognised as assets or liabilities upon inception of the agreement, but fees paid by the Company and its subsidiaries in respect of such agreements are amortised on a straight-line basis over the term of the agreements.

## **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment in estimating collection loss from each debtor based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Allowance for diminution in value of inventories and inventory obsolescence**

In determining an allowance for diminution in value of inventories and inventory obsolescence, the management needs to make judgment in estimating loss from obsolete deteriorated inventories including the effect from the reduction of net realisable value of inventories.

### **Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

### **Property, plant and equipment and depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Insurance claim**

Insurance claim from insurance company is estimated based on the damage assessment report of the surveyor which is authorised by the insurer.

## Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the balance sheet date.

## 6. Cash and cash equivalents

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash	225,862	230,000	50,000	50,000
Bank deposits	142,951,966	156,849,054	20,969,954	48,437,505
Total	<u>143,177,828</u>	<u>157,079,054</u>	<u>21,019,954</u>	<u>48,487,505</u>

As at 31 December 2010, bank deposits in saving accounts and fixed deposits carried interests between 0.05 and 0.75 percent per annum (2009: between 0.05 and 0.50 percent per annum).

## 7. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2010 and 2009, aged on the basis of due date, are as follows:

(Unit: Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b><u>Trade accounts receivable - related parties</u></b>				
Not yet due	268,446,449	380,814,204	158,143,529	240,555,507
Past due				
Up to 3 months	76,672,371	59,137,267	79,958,918	64,563,489
3 - 6 months	4,010	3,446,421	272,071	-
6 - 12 months	-	1,816,147	-	-
Total trade accounts receivable				
- related parties	<u>345,122,830</u>	<u>445,214,039</u>	<u>238,374,518</u>	<u>305,118,996</u>

(Unit: Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b><u>Trade accounts receivable - unrelated parties</u></b>				
Not yet due	1,031,235,647	1,034,632,567	421,016,944	360,052,643
Past due				
Up to 3 months	151,922,710	74,697,926	108,957,072	39,827,127
3 - 6 months	613,429	5,829,328	-	1,001,618
6 - 12 months	956,349	158,691	-	158,691
Over 12 months	1,285,233	591,981	-	-
Total trade accounts receivable	-	-	-	-
unrelated parties	1,186,013,368	1,115,910,493	529,974,016	401,040,079
Total trade accounts receivable	1,531,136,198	1,561,124,532	768,348,534	706,159,075
Less: Allowance for doubtful accounts	(165,430)	(732,030)	(136,013)	(470,716)
Trade accounts receivable - net	<u>1,530,970,768</u>	<u>1,560,392,502</u>	<u>768,212,521</u>	<u>705,688,359</u>

## 8. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	For the years ended		For the years ended		
	31 December		31 December		
	2010	2009	2010	2009	
<u>Transactions with subsidiaries</u>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	300.1	314.9	Market prices and prices per job order for each product which are agreed between the parties
Service income	-	-	20.8	10.5	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	0.8	33.0	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	187.3	66.5	As announced in the minute of shareholders' meeting
Other income	-	-	6.7	4.3	Prices agreed between the parties
Purchases of goods	-	-	918.5	724.6	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	49.2	39.5	Prices agreed between the parties
<u>Transactions with associated companies</u>					
Sales of goods	1,289.1	1,024.9	576.9	434.3	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	71.7	103.9	18.9	30.9	Market prices at which similar quality products are purchased under same conditions
Commission expense	64.4	56.0	28.2	28.3	At the rate agreed between the parties which is general rate for the same business
Purchases of fixed assets	0.3	-	0.3	-	Prices agreed between the parties
<u>Transactions with related company</u>					
Interest income	-	22.4	-	22.4	Interest rate at 7.50 percent per annum



As at 31 December 2010 and 2009, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b><u>Trade accounts receivable - related parties</u></b>				
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	67,915,280	98,770,466
K.C.E. International Co., Ltd.	-	-	5,603,461	7,577,450
KCE (Thailand) Co., Ltd.	-	-	4,175,528	3,427,337
Thai Laminate Manufacturer Co., Ltd.	-	-	916,700	1,462,602
Total trade accounts receivable - subsidiaries	-	-	78,610,969	111,237,855
<b>Associated companies</b>				
KCE America, Inc.	304,108,142	389,451,127	131,604,233	147,062,168
KCE Singapore Pte., Ltd.	41,014,688	55,762,912	28,159,316	46,818,973
Total trade accounts receivable - associated companies	345,122,830	445,214,039	159,763,549	193,881,141
<b>Total trade accounts receivable - related parties</b>	<b>345,122,830</b>	<b>445,214,039</b>	<b>238,374,518</b>	<b>305,118,996</b>
<b><u>Amounts due from and short-term loans to related parties</u></b>				
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	34,963	472,698
Thai Laminate Manufacture Co., Ltd.	-	-	7,500	85,517
Thai Business Solution Co., Ltd.	-	-	-	72,765
K.C.E. International Co., Ltd.	-	-	-	3,846
Total amounts due from and short-term loans to subsidiaries	-	-	42,463	634,826
<b>Associated company</b>				
KCE Singapore Pte., Ltd.	74,770	2,749	-	-
Total amounts due from and short-term loans to associated company	74,770	2,749	-	-

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Related company</b>				
Avatar Systems Corporation				
Loans	-	399,235,126	-	399,235,126
Accrued interest income	-	323,564,918	-	323,564,918
Total	-	722,800,044	-	722,800,044
Less: Allowance for doubtful accounts	-	(722,800,044)	-	(722,800,044)
Total amounts due from and short-term loans to related company	-	-	-	-
<b>Total amounts due from and short-term loans to related parties - net</b>	<b>74,770</b>	<b>2,749</b>	<b>42,463</b>	<b>634,826</b>
<b><u>Dividend receivable from a related party</u></b>				
<b>Subsidiary</b>				
K.C.E. International Co., Ltd.	-	-	66,495,800	66,495,800
<b>Total dividend receivable from a related party</b>	<b>-</b>	<b>-</b>	<b>66,495,800</b>	<b>66,495,800</b>

The Company had not received repayment from Avatar Systems Corporation, a subsidiary of an associated company, totaling approximately Baht 722.8 million. The Central Bankruptcy Court had ordered that company into final receivership and during the current year, the court declared that company as bankruptcy. As at the balance sheet date, the Company had written off the full amount of loans to and interest receivable from that company and the allowance for doubtful accounts.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b><u>Trade accounts payable - related parties</u></b>				
<b>Subsidiaries</b>				
Thai Laminate Manufacturer Co., Ltd.	-	-	242,865,806	213,596,327
KCE Technology Co., Ltd.	-	-	40,134,858	55,555,510
K.C.E. International Co., Ltd.	-	-	36,587,495	13,058,584
Total trade accounts payable - subsidiaries	-	-	319,588,159	282,210,421
<b>Associated company</b>				
KCE Singapore Pte., Ltd.	14,080,887	23,846,660	11,084,140	18,656,121
Total trade accounts payable - associated company	14,080,887	23,846,660	11,084,140	18,656,121
<b>Total trade accounts payable - related parties</b>	<b>14,080,887</b>	<b>23,846,660</b>	<b>330,672,299</b>	<b>300,866,542</b>

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b><u>Amounts due to and advances from related parties</u></b>				
<b>Subsidiaries</b>				
Thai Business Solution Co., Ltd.	-	-	3,875,474	4,305,733
KCE Technology Co., Ltd.	-	-	337	22,803,869
K.C.E. International Co., Ltd.	-	-	-	45,383,814
Total amounts due to and advances from subsidiaries	-	-	3,875,811	72,493,416
<b>Associated company</b>				
KCE Singapore Pte., Ltd.	12,139,735	8,685,612	1,523,566	806,094
Total amounts due to and advances from associated company	12,139,735	8,685,612	1,523,566	806,094
<b>Total amounts due to and advances from related parties</b>	<b>12,139,735</b>	<b>8,685,612</b>	<b>5,399,377</b>	<b>73,299,510</b>

**Directors and management's benefits**

In 2010, the Company and its subsidiaries had salaries, bonuses, meeting allowances and other remuneration of their directors and management recognised as expenses totaling Baht 61.3 million (the Company only: Baht 31.2 million) (2009: Baht 56.2 million, the Company only: Baht 29.4 million).

**Guarantee obligations with related parties**

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 26.4 to the financial statements.

## 9. Inventories

(Unit: Baht)

Consolidated financial statements								
Allowance for diminution in value of inventories								
	Cost		Reduce cost to				Inventories - net	
	2010	2009	net realisable value		Deteriorated inventories		2010	2009
Finished goods	256,381,961	174,044,234	(14,838,190)	(9,104,234)	(13,809,093)	(11,852,662)	227,734,678	153,087,338
Work in process	319,430,861	312,668,513	-	-	-	(51,517)	319,430,861	312,616,996
Raw materials	318,185,454	227,542,515	(92,723)	(252,220)	(2,929,051)	(4,334,311)	315,163,680	222,955,984
Supplies	270,574,309	251,805,167	-	-	(12,192,895)	(12,850,529)	258,381,414	238,954,638
Spare parts	141,182,897	155,515,519	-	-	(343,299)	-	140,839,598	155,515,519
Goods in transit	70,612,559	77,132,821	-	-	-	-	70,612,559	77,132,821
<b>Total</b>	<b>1,376,368,041</b>	<b>1,198,708,769</b>	<b>(14,930,913)</b>	<b>(9,356,454)</b>	<b>(29,274,338)</b>	<b>(29,089,019)</b>	<b>1,332,162,790</b>	<b>1,160,263,296</b>

(Unit: Baht)

Separate financial statements								
Allowance for diminution in value of inventories								
	Cost		Reduce cost to				Inventories - net	
	2010	2009	net realisable value		Deteriorated inventories		2010	2009
Finished goods	71,242,029	40,143,687	(3,244,513)	(2,212,624)	(1,567,038)	-	66,430,478	37,931,063
Work in process	90,457,441	109,682,839	-	-	-	-	90,457,441	109,682,839
Raw materials	76,105,883	71,214,646	-	-	(1,179,411)	(918,271)	74,926,472	70,296,375
Supplies	111,930,414	104,787,385	-	-	(11,615,947)	(11,425,851)	100,314,467	93,361,534
Spare parts	49,289,643	47,959,863	-	-	-	-	49,289,643	47,959,863
Goods in transit	4,825,190	12,443,438	-	-	-	-	4,825,190	12,443,438
<b>Total</b>	<b>403,850,600</b>	<b>386,231,858</b>	<b>(3,244,513)</b>	<b>(2,212,624)</b>	<b>(14,362,396)</b>	<b>(12,344,122)</b>	<b>386,243,691</b>	<b>371,675,112</b>

## 10. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Baht)

Company's name	Separate financial statements											
	Paid-up capital		Shareholding percentage		Cost		Allowance for impairment of investments		Carrying amounts based on cost method - net		Dividend income	
	2010	2009	2010 (%)	2009 (%)	2010	2009	2010	2009	2010	2009	2010	2009
KCE Technology Co., Ltd.	1,400,000,000	1,400,000,000	100.00	100.00	1,400,000,000	1,400,000,000	-	(541,771,135)	1,400,000,000	858,228,865	-	-
K.C.E. International Co., Ltd.	100,000,000	100,000,000	99.99	94.99	185,395,270	172,499,000	-	-	185,395,270	172,499,000	-	66,495,800
Thai Laminate Manufacturer Co., Ltd.	250,000,000	250,000,000	74.80	52.00	368,460,310	157,710,310	-	-	368,460,310	157,710,310	187,319,898	-
KCE (Thailand) Co., Ltd.	3,600,000	3,600,000	60.00	60.00	2,160,000	2,160,000	-	-	2,160,000	2,160,000	-	-
Thai Business Solution Co., Ltd.	3,000,000	3,000,000	49.00	49.00	1,470,000	1,470,000	-	-	1,470,000	1,470,000	-	-
<b>Total</b>					<b>1,957,485,580</b>	<b>1,733,839,310</b>	<b>-</b>	<b>(541,771,135)</b>	<b>1,957,485,580</b>	<b>1,192,068,175</b>	<b>187,319,898</b>	<b>66,495,800</b>

On 1 June 2010, the Company entered into an agreement to purchase 500,000 ordinary shares of K.C.E. International Company Limited with an existing shareholder at Baht 25 per share, or a total of Baht 12.5 million and obtain the right to receive unpaid interim dividend of Baht 3.5 million. As a result, the percentage of shareholding of the Company in that subsidiary increased from 94.99 percent to 99.99 percent.

On 25 June 2010, the Company and K.C.E. International Company Limited entered into the agreements to purchase 6 million ordinary shares of Thai Laminate Manufacturer Company Limited with an existing shareholder of the subsidiary, representing 24 percent of the registered and paid-up share capital of the subsidiary, at total amount of Baht 243.4 million.

In addition, in September 2010, the Company purchased 1.2 million ordinary shares of Thai Laminate Manufacturer Company Limited from the existing shareholders at Baht 23.5 per share, or a total of Baht 28.2 million, representing 5 percent of the registered and paid-up share capital

of the subsidiary. As a result, the percentage of direct shareholding of the Company and its subsidiary in that company increased to 74.8 percent and 25.2 percent, respectively, or increased to 100 percent for both direct and indirect shareholding of the Company.

The excess of the acquisition price over the attributable net book value of the subsidiaries at acquisition date, amounting to approximately Baht 38.6 million, was recorded under the caption of “Excess of investments arising from additional purchases of investments in subsidiaries at a price higher than the net book value of the subsidiaries at the acquisition date” in the shareholders’ equity.

During 2010, the Company had reversed an allowance for impairment of investment in KCE Technology Co., Ltd. by Baht 541.8 million taking into account the recoverable amount of the subsidiary as at 31 December 2010. Since the operating results of the subsidiary had been improved, the Company’s management believes that the operations of the subsidiary will be consistently profitable in the future.

On 23 April 2009, the Board of Directors Meeting No. 2/2552 of KCE Technology Company Limited, a subsidiary, passed a resolution to call for additional share capital of Baht 2 each from the shareholders for the increased shares of 50 million shares. The Company, as a shareholder, had made the additional payment on 15 May 2009 and 18 May 2009, totaling Baht 99,999,986.

On 17 June 2009, the Board of Directors Meeting No. 3/2552 of KCE Technology Company Limited, a subsidiary, passed a resolution to call for additional share capital of Baht 3 each from the shareholders for the increased shares of 50 million shares. The Company, as a shareholder, had made the additional payment on 10 July 2009, totaling Baht 149,999,979.

## 11. Investments in associates

### 11.1 Details of associates

(Unit: Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2010 (%)	2009 (%)	2010	2009	2010	2009
KCE America, Inc.	Foreign sale representative of the Company and its affiliates	United States of America	50.00	48.75	643,633	643,633	50,660,337	53,712,395
KCE Singapore Pte., Ltd.	Foreign sale representative of the Company and its affiliates	Singapore	49.00	47.77	4,201,138	4,201,138	26,155,369	28,064,743
Total					<u>4,844,771</u>	<u>4,844,771</u>	<u>76,815,706</u>	<u>81,777,138</u>

(Unit: Baht)

Company's name	Separate financial statements			
	Shareholding percentage		Cost	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	(%)	(%)		
KCE America, Inc.	25.00	25.00	321,816	321,816
KCE Singapore Pte., Ltd.	24.50	24.50	2,100,569	2,100,569
Total			2,422,385	2,422,385

(Unit: Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of income (loss) from investments in associates during the year		Dividend received during the year	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
KCE America, Inc.	2,218,418	(3,384,220)	-	-
KCE Singapore Pte., Ltd.	539,443	1,547,275	-	-
Total	2,757,861	(1,836,945)	-	-

Share of income from investments for 2010 and 2009 in the above two associated companies was calculated from the unaudited financial statements of those associated companies because they are located overseas and the Company has no power to direct the financial and operating policies of those companies, including the audit of their financial statements.

## 11.2 Summarised financial information of associates

(Unit: Thousand Baht)

Company's name	Paid-up capital as at 31 December		Total assets as at 31 December		Total liabilities as at 31 December		Total revenues for the years ended 31 December		Net income (loss) for the years ended 31 December	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	KCE America, Inc.	USD 50,000	USD 50,000	435,378	508,683	324,462	390,389	1,107,307	876,077	2,507
KCE Singapore Pte., Ltd.	SGD 500,000	SGD 500,000	109,094	139,246	61,792	87,947	204,310	401,848	951	1,301



## 12. Property, plant and equipment

(Unit: Baht)

	Consolidated financial statements										
	Land	Building and plant	Machinery and equipment	Plant improvement	Furniture, fixtures and office equipment	Office improvement	Vehicles	Plant and plant improvement under construction	Machinery and equipment under installation	Machinery and equipment in transit	Total
<b>Cost:</b>											
31 December 2009	337,186,827	682,674,425	7,933,801,058	233,674,061	649,196,492	19,421,495	47,424,665	3,957,448	79,722,508	-	9,987,058,979
Purchases	-	142,000	34,125,323	13,610,435	6,179,379	1,045,035	33,604,020	336,255	182,526,897	20,657,765	292,227,109
Transfer in (out)	-	240,001,297	117,638,134	8,226,076	(240,125,795)	-	212,061	(4,293,703)	(102,607,149)	(19,050,921)	-
Disposals	-	-	(85,353,127)	(2,060,064)	(7,915,804)	-	(6,453,279)	-	(1,653,634)	-	(103,435,908)
31 December 2010	<u>337,186,827</u>	<u>922,817,722</u>	<u>8,000,211,388</u>	<u>253,450,508</u>	<u>407,334,272</u>	<u>20,466,530</u>	<u>74,787,467</u>	<u>-</u>	<u>157,988,622</u>	<u>1,606,844</u>	<u>10,175,850,180</u>
<b>Accumulated depreciation:</b>											
31 December 2009	-	271,328,364	3,550,174,948	104,381,742	400,746,248	10,716,319	30,826,113	-	-	-	4,368,173,734
Depreciation for the year	-	98,030,858	444,633,260	26,106,220	9,713,359	1,303,530	9,735,269	-	-	-	589,522,496
Accumulated depreciation of disposed assets	-	-	(83,330,602)	(1,770,093)	(7,821,731)	-	(5,221,446)	-	-	-	(98,143,872)
31 December 2010	<u>-</u>	<u>369,359,222</u>	<u>3,911,477,606</u>	<u>128,717,869</u>	<u>402,637,876</u>	<u>12,019,849</u>	<u>35,339,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,859,552,358</u>
<b>Allowance for impairment loss:</b>											
31 December 2009	-	-	-	-	-	-	-	-	-	-	-
Increase during the year	-	-	8,127,906	-	-	-	-	-	-	-	8,127,906
31 December 2010	<u>-</u>	<u>-</u>	<u>8,127,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,127,906</u>
<b>Net book value:</b>											
31 December 2009	<u>337,186,827</u>	<u>411,346,061</u>	<u>4,383,626,110</u>	<u>129,292,319</u>	<u>248,450,244</u>	<u>8,705,176</u>	<u>16,598,552</u>	<u>3,957,448</u>	<u>79,722,508</u>	<u>-</u>	<u>5,618,885,245</u>
31 December 2010	<u>337,186,827</u>	<u>553,458,500</u>	<u>4,080,605,876</u>	<u>124,732,639</u>	<u>4,696,396</u>	<u>8,446,681</u>	<u>39,447,531</u>	<u>-</u>	<u>157,988,622</u>	<u>1,606,844</u>	<u>5,308,169,916</u>
<b>Depreciation for the year:</b>											
2009 (Baht 504.3 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)											<u>583,315,536</u>
2010 (Baht 568.8 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)											<u>589,522,496</u>

(Unit: Baht)

## Separate financial statements

	Land	Building and plant	Machinery and equipment	Plant improvement	Furniture, fixtures and office equipment	Office improvement	Vehicles	Machinery and equipment under installation	Machinery and equipment in transit	Total
<b>Cost:</b>										
31 December 2009	163,999,736	132,229,075	2,068,505,559	155,703,404	39,506,155	16,966,003	14,370,673	34,110,344	-	2,625,390,949
Purchases	-	-	27,625,944	12,492,772	2,714,094	1,045,035	10,603,684	60,568,867	-	115,050,396
Transfer in (out)	-	-	64,898,382	800,094	(5,156,719)	-	-	(60,541,757)	-	-
Disposals	-	-	(52,671,379)	(2,060,064)	(4,799,143)	-	-	-	-	(59,530,586)
31 December 2010	163,999,736	132,229,075	2,108,358,506	166,936,206	32,264,387	18,011,038	24,974,357	34,137,454	-	2,680,910,759
<b>Accumulated depreciation:</b>										
31 December 2009	-	65,603,762	1,108,444,950	85,979,977	26,827,586	7,845,995	10,644,536	-	-	1,305,346,806
Depreciation for the year	-	5,971,697	135,108,579	22,594,825	3,044,809	907,360	3,149,996	-	-	170,777,266
Accumulated depreciation of disposed assets	-	-	(50,551,015)	(1,770,093)	(4,777,840)	-	-	-	-	(57,098,948)
31 December 2010	-	71,575,459	1,193,002,514	106,804,709	25,094,555	8,753,355	13,794,532	-	-	1,419,025,124
<b>Net book value:</b>										
31 December 2009	163,999,736	66,625,313	960,060,609	69,723,427	12,678,569	9,120,008	3,726,137	34,110,344	-	1,320,044,143
31 December 2010	163,999,736	60,653,616	915,355,992	60,131,497	7,169,832	9,257,683	11,179,825	34,137,454	-	1,261,885,635
<b>Depreciation for the year:</b>										
2009 (Baht 159.8 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)										167,721,103
2010 (Baht 163.7 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)										170,777,266

As at 31 December 2010 and 2009, certain machinery and equipment of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 1,374.9 million and Baht 1,111.6 million, respectively (the Company only: Baht 616.3 million and Baht 524.9 million, respectively).

12.1 The Company and its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into negative pledge memorandums which are part of bank overdrafts and loans agreements. Under these memorandums, the Company and its subsidiaries are not allowed to dispose of, transfer, mortgage or provide any lien on their assets, as stipulated in such memorandums.

12.2 The subsidiaries of the Company have mortgaged and pledged the following property, plant and equipment.

12.2.1 Thai Laminate Manufacturer Co., Ltd. has mortgaged its construction and pledged its machinery with a total net book value as at 31 December 2010 of Baht 279.06 million as collateral for loans from banks, as described in Note 16.

12.2.2 KCE Technology Co., Ltd. has mortgaged its land and construction thereon and pledged its machinery with a total net book value as at 31 December 2010 of Baht 1,840.42 million as collateral for bank overdrafts and loans from banks, as described in Note 14 and 16.

12.3 The Company and its subsidiaries have capitalised interest expenses as part of costs of machinery and equipment under installation for the years ended 31 December 2010 and 2009 as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Interest expenses as capitalised as cost of machinery and equipment (Thousand Baht)	80	1,299	-	594
Capitalisation rate (Percent)	1.96 - 2.16	1.98 - 6.69	-	1.98 - 5.25

### 13. Intangible assets

Details of intangible assets which are computer software are as follows:

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
<b>Cost:</b>		
1 January 2009	64,425,785	26,063,648
Purchases	35,869,638	27,120,652
Disposals/write-off	(550,000)	-
Transfer out	(226,257)	(239,380)
31 December 2009	99,519,166	52,944,920
Purchases	27,482,489	20,161,509
Disposals/write-off	(668,000)	(668,000)
31 December 2010	126,333,655	72,438,429
<b>Accumulated amortisation:</b>		
1 January 2009	38,026,657	14,736,955
Amortisation for the year 2009	5,684,408	1,513,296
Accumulated amortisation of disposed/written-off assets	(404,741)	-
31 December 2009	43,306,324	16,250,251
Amortisation for the year 2010	8,336,547	3,200,236
Accumulated amortisation of disposed/written-off assets	(667,999)	(667,999)
31 December 2010	50,974,872	18,782,488
<b>Net book value:</b>		
31 December 2009	56,212,842	36,694,669
31 December 2010	75,358,783	53,655,941
<b>Amortisation for the year:</b>		
2009	5,684,408	1,513,296
2010	8,336,547	3,200,236

#### 14. Bank overdrafts and short-term loans from financial institutions

Bank overdrafts and short-term loans from financial institutions as at 31 December 2010 and 2009 consisted of:

(Unit: Baht)

	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		Bank overdrafts	6.00 - 6.88	6,544,863	29,455,804
Short-term loans	2.99 - 6.38	212,875,000	383,000,000	100,625,000	145,000,000
Packing credits	1.65 - 2.75	2,584,912,712	2,443,023,520	886,912,712	806,023,520
Trust receipts	1.08 - 2.48	364,708,951	409,329,492	66,758,541	102,345,138
Total		<u>3,169,041,526</u>	<u>3,264,808,816</u>	<u>1,060,841,116</u>	<u>1,065,703,615</u>

14.1 Bank overdrafts and partial loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.

14.2 Bank overdrafts and loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.

14.3 Bank overdrafts and loans from banks of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of land and construction thereon and the pledge of most of machinery of such subsidiary company.

#### 15. Liabilities under hire-purchase and finance lease agreements

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Liabilities under hire-purchase and finance lease agreements	270,457,762	363,815,507	249,944,563	352,638,861
Less: Deferred interest expenses	<u>(9,287,933)</u>	<u>(20,102,272)</u>	<u>(7,820,406)</u>	<u>(19,295,855)</u>
Total	261,169,829	343,713,235	242,124,157	333,343,006
Less: Portion due within one year	<u>(105,857,565)</u>	<u>(100,619,917)</u>	<u>(96,199,410)</u>	<u>(95,951,170)</u>
Liabilities under hire-purchase and finance lease agreements - net of current portion	<u>155,312,264</u>	<u>243,093,318</u>	<u>145,924,747</u>	<u>237,391,836</u>

The Company and its subsidiaries entered into a number of hire-purchase and finance lease agreements with leasing companies for rental of machinery and equipment for use in their operations, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally 4 years. At the end of each agreement, the Company and its subsidiaries have an option to purchase such machinery and equipment at terms and prices which are specified in the lease agreements.

As at 31 December 2010, future minimum lease payments required under hire-purchase and finance lease agreements were as follows:

(Unit: Million Baht)

	Consolidated financial statements		
	Less than 1		
	year	1-5 years	Total
Future minimum lease payments	112.66	157.80	270.46
Deferred interest expenses	(6.80)	(2.49)	(9.29)
Present value of future minimum lease payments	<u>105.86</u>	<u>155.31</u>	<u>261.17</u>

(Unit: Million Baht)

	Separate financial statements		
	Less than 1		
	year	1-5 years	Total
Future minimum lease payments	102.16	147.78	249.94
Deferred interest expenses	(5.96)	(1.86)	(7.82)
Present value of future minimum lease payments	<u>96.20</u>	<u>145.92</u>	<u>242.12</u>

## 16. Long-term loans

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Euro portion (Consolidated: 2010: Euro 0.18 million, 2009: Euro 0.54 million)	7,405,338	25,796,823	-	-
Baht portion	1,479,889,683	1,542,775,683	133,493,683	162,733,683
Total	1,487,295,021	1,568,572,506	133,493,683	162,733,683
Less: Current portion	(397,407,338)	(354,785,197)	(47,230,000)	(50,090,000)
Long-term loans - net of current portion	<u>1,089,887,683</u>	<u>1,213,787,309</u>	<u>86,263,683</u>	<u>112,643,683</u>

Details of long-term loans from banks as at 31 December 2010 are as follows:

No.	Contract date	Credit facility	Outstanding long-term loan amount			Significant terms and conditions of loan agreements			
			Current portion	Non-current portion	Total	Loan period	Interest rate	Principal repayment	Interest repayment
			(Baht)	(Baht)	(Baht)	(Percent per annum)			
<b><u>The Company only</u></b>									
1.	2 April 2008	Baht 250,000,000	34,750,000	41,483,683	76,233,683	3 years 10 months	MLR - 1.50 to 2.00	1 month	1 month
2.	21 July 2008	Baht 63,500,000	12,480,000	44,780,000	57,260,000	6 years 9 months	MLR - 1.50 to 2.00	1 month	1 month
Total loans of the Company			<u>47,230,000</u>	<u>86,263,683</u>	<u>133,493,683</u>				
<b><u>Subsidiaries</u></b>									
<u>Thai Laminate Manufacturer Co., Ltd.</u>									
1.	6 August 2010	Baht 159,000,000	12,500,000	117,500,000	130,000,000	4 years	Fix 3 months + 1.65	3 months	1 month
2.	6 August 2010	Baht 240,000,000	18,500,000	221,500,000	240,000,000	4 years	Fix 3 months + 1.65	3 months	1 month
			<u>31,000,000</u>	<u>339,000,000</u>	<u>370,000,000</u>				

No.	Contract date	Credit facility	Outstanding long-term loan amount			Significant terms and conditions of loan agreements			
			Current portion	Non-current portion	Total	Loan period	Interest rate (Percent per annum)	Principal repayment	Interest repayment
<u>KCE Technology Co., Ltd.</u>			(Baht)	(Baht)	(Baht)				
1.	1 December 2003	Euro 3,000,000	7,405,338	-	7,405,338	6 years	LIBOR + 2.00	3 months	3 months
2.	9 August 2004	Baht 445,500,000	78,700,000	-	78,700,000	6 years	MLR - 1.00 to 2.00	3 months	1 month
3.	27 October 2004	Baht 124,500,000	29,600,000	-	29,600,000	6 years		3 months	1 month
4.	28 February 2005	Baht 180,000,000	42,400,000	10,400,000	52,800,000	6 years		3 months	1 month
5.	31 October 2005	Baht 200,000,000	47,200,000	46,600,000	93,800,000	6 years		3 months	1 month
6.	8 August 2007	Baht 70,000,000	16,472,000	41,174,000	57,646,000	6 years		3 months	1 month
7.	23 July 2008	Baht 201,350,000	47,400,000	153,950,000	201,350,000	6 years		3 months	1 month
8.	19 May 2009	Baht 500,000,000	50,000,000	412,500,000	462,500,000	5 years	3 months	1 month	
			<u>319,177,338</u>	<u>664,624,000</u>	<u>983,801,338</u>				
Total loans of subsidiaries			<u>350,177,338</u>	<u>1,003,624,000</u>	<u>1,353,801,338</u>				
Total loans of the Company and subsidiaries			<u>397,407,338</u>	<u>1,089,887,683</u>	<u>1,487,295,021</u>				



16.1 During the current year, the Company entered into an amendment to the loan agreement dated 21 July 2008, whereby the bank approved a rescheduling of loan repayment period from 31 March 2015 to 20 July 2015 and reduced the credit facilities from Baht 150 million to Baht 63.5 million. The payment of principal is to be made in 61 monthly installments, with the first installment to be made on 20 July 2010. The stipulated principal payment per installment is Baht 1.04 million for the first sixty installments, and the remaining balance for the final installment.

16.2 During the current year, KCE Technology Co., Ltd., a subsidiary company, entered into an amendment to the loan agreement dated 23 July 2008, whereby the subsidiary reduced the credit facilities from Baht 370 million to Baht 201.35 million.

16.3 During the current year, Thai Laminate Manufacturer Co., Ltd., a subsidiary company, entered into two loan agreements as follows:

16.3.1 A loan agreement of Baht 159 million shall be repaid within 48 months from the drawdown date. The payment of principal is to be made in quarterly installments of Baht 12.5 million each, with the first installment to be made in October 2011. Interest is to be paid monthly at a rate of THBFIX deposit for 3 months plus 1.65 percent per annum. During the year, the subsidiary company had drawn down Baht 130 million from this agreement and the draw down period was ended during the year.

16.3.2 A loan agreement of Baht 240 million shall be repaid within 48 months from the drawdown date. The payment of principal is to be made in quarterly installments of Baht 18.5 million each, with the first installment to be made in November 2011. Interest is to be paid monthly at a rate of THBFIX deposit for 3 months plus 1.65 percent per annum. On 7 October 2010, the subsidiary company had drawn down Baht 240 million from this agreement.

These loans are secured by mortgage and negative pledge of the subsidiary's machinery.

16.4 Long-term loans from banks of KCE Technology Co., Ltd., a subsidiary company, are Baht and Euro loans which carry interest at the rates of MLR (Minimum Loan Rate) less 1.0 to 2.0 percent and LIBOR plus 2.0 percent per annum, respectively. These loans are guaranteed by the Company and are secured by the mortgage of the subsidiary's land and construction thereon and the pledge of most of the subsidiary's machinery.

As at 31 December 2010, the outstanding balance of this long-term loan is Euro 0.18 million in the consolidated financial statements (2009: Euro 0.54 million in the consolidated financial statements).

## **17. Share capital**

### **17.1 Share warrants**

The Company issued and allotted 3,000,000 registered and nontransferable (except for transferring as stipulated in the prospectus) warrants free of charge to the employees of the Company and/or its subsidiaries. These warrants are exercisable at a price of Baht 3.93 per share at a ratio of 1 warrant to 1 new ordinary share, every quarter from 15 to 18 of March, June, September and December, for a period of 5 years from the issue date, starting from 15 to 18 September 2008 and with a final exercise date of 18 June 2012. The aforesaid exercise price and/or exercise ratio may be adjusted if certain events stipulated in the prospectus occur.

Subsequently on 29 April 2010, the Annual General Meeting of the Company's shareholders passed a resolution approving the issuance and offering 10,000,000 registered and nontransferable (except for transferring as stipulated in the prospectus for ESOP-W3) warrants free of charge to the directors and employees of the Company and/or its subsidiaries, and allocation of shares to reserve for the exercise of the warrants. These warrants are exercisable at a price of Baht 6.86 per share at a ratio of 1 warrant to 1 new ordinary share, every quarter from 15 to 18 of March, June, September and December, for a period of 3 years from the issue date, starting from 15 to 18 June 2010 and with a final exercise date of 18 June 2013.

Movements of share warrants during the year are summarised below.

	Number of units (units)	
	2010	2009
Warrants issued at beginning of the year	2,435,500	3,000,000
Add: Warrants issued during the year	10,000,000	-
Less: Exercised during the year	(8,005,500)	(564,500)
Warrants issued at end of the year	4,430,000	2,435,500

## 17.2 Treasury shares

As at 31 December 2010 and 2009, details of treasury shares are as follows:

	Consolidated and separate financial statements	
	31 December 2010	31 December 2009
Cost of treasury shares (Thousand Baht)	39,836.69	7,508.22
Number of treasury shares (Thousand shares)	4,149.80	6,779.70
Average price per share (Baht)	9.60	1.10
Percentage of treasury shares to the Company's shares in issue	0.88	1.46

On 20 July 2010, the meeting of the Board of Directors of the Company No. 7/2553 passed the resolutions approving the Company's share repurchase program for financial management, with value not exceeding Baht 90 million, and not exceeding the Company's retained earnings. The number of shares repurchased will be 10 million shares at the par value of Baht 1 each, or equal to 2.14 percent of the total paid-up share capital. The repurchase period will be from 9 August 2010 to 8 February 2011.

Any shares bought back are to be resold on the Stock Exchange of Thailand during the period from 8 December 2009 to 7 June 2012. Resale of shares, cancellations of the repurchased shares and reductions of share capital are to conform with the 2001 Ministerial Regulations on the principles and procedures for the repurchase and resale of shares. The determination of the resale price will be taken into account the prevailing market price at the time of sale.

During 2010, the Company disposed treasury shares, of which details are presented below.

- a) During the first quarter of 2010, the Company disposed 0.95 million treasury shares with cost of Baht 1.1 million at total price of Baht 5.6 million. The resale price took into account the prevailing market price at the time of sale. The Company recorded the excess of the resale price over the carrying amount of treasury shares of Baht 4.5 million as “Share premium” in the shareholders’ equity.
- b) During the second quarter of 2010, the Company disposed 5.83 million treasury shares with cost of Baht 6.4 million at total price of Baht 42.6 million. The resale price took into account the prevailing market price at the time of sale. The Company recorded the excess of the resale price over the carrying amount of treasury shares of Baht 36.2 million as “Share premium” in the shareholders’ equity.

### 17.3 Reserve for treasury shares

Under the notification of the Office of the Securities and Exchange Commission No. Gor Lor Tor. Chor Sor. (Wor) 2/2548 and the notification of the Federation of Accounting Professions No. Sor. Sor Wor Bor Chor. 016/2548, public companies have to set aside retained earnings in an amount equal to the amount paid for treasury shares until they either dispose of such shares or reduce paid-up capital to cancel any remaining shares, as the case may be.

### 17.4 Weighted average number of ordinary shares

The weighted average number of ordinary shares used in calculating earnings per share for the years ended 31 December 2010 and 2009 is calculated as follows:

	(Unit: Shares)	
	Consolidated financial statements	
	2010	2009
Balance brought forward (net of treasury shares)	455,717,569	462,218,585
Less: Treasury shares repurchased during the year	(1,484,971)	(6,169,868)
Add: Weighted average number of ordinary shares issued during the year	4,339,716	-
Treasury shares sold during the year	5,081,478	-
Weighted average number of ordinary shares	463,653,792	456,048,717
Add: Potential ordinary shares - share warrants (2010: 4,430,000 shares, 2009: 2,435,500 shares)	899,862	-
Diluted weighted average number of ordinary shares	<u>464,553,654</u>	<u>456,048,717</u>

	(Unit: Shares)	
	Separate financial statements	
	2010	2009
Balance brought forward (net of treasury shares)	455,717,569	462,218,585
Less: Treasury shares repurchased during the year	(1,484,971)	(6,169,868)
Add: Weighted average number of ordinary shares issued during the year	4,339,716	-
Treasury shares sold during the year	5,081,478	-
Weighted average number of ordinary shares	463,653,792	456,048,717
Add: Potential ordinary shares - share warrants (2010: 4,430,000 shares, 2009: 2,435,500 shares)	899,862	-
Diluted weighted average number of ordinary shares	<u>464,553,654</u>	<u>456,048,717</u>

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the year ended 31 December 2009, the Company expected no exercise of the warrant and excluded the warrants for the calculation of potential diluted ordinary shares for diluted earnings per share calculation for the year ended 31 December 2009.

In December 2009, the Company received advance share subscription of Baht 3.93 per share for 564,500 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 2,218,485. The Company registered the resulting increase of Baht 564,500 in its capital with the Ministry of Commerce on 1 February 2010.

In March 2010, the Company received advance share subscription of Baht 3.93 per share for 1,482,500 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 5,826,225. The Company registered the resulting increase of Baht 1,482,500 in its capital with the Ministry of Commerce on 8 April 2010.

In June 2010, the Company received advance share subscription of Baht 6.86 per share for 2,615,000 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 17,938,900. The Company registered the resulting increase of Baht 2,615,000 in its capital with the Ministry of Commerce on 1 July 2010.

In September 2010, the Company received advance share subscription of Baht 3.93 per share for 480,000 additional ordinary shares and Baht 6.86 per share for 3,428,000 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 25,402,480. The Company registered the resulting increase of Baht 3,908,000 in its capital with the Ministry of Commerce on 29 September 2010.

## 18. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net income 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.

## 19. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Raw materials and consumables used	3,289,266,901	2,040,274,851	1,788,226,667	1,356,780,711
Decrease (increase) in inventories of				
finished goods and work in process	(89,100,075)	152,814,992	(11,872,944)	53,171,185
Salary, wages and other employee benefits	1,185,590,815	931,900,392	432,884,481	419,990,732
Depreciation	589,522,496	583,315,536	170,777,266	167,721,103
Utility expenses	488,826,973	400,861,298	142,818,863	128,915,967
Freight charge	197,231,158	170,237,039	114,611,832	84,520,501
Repair and maintenance expenses	225,661,990	192,464,688	64,897,261	53,845,606
Commission expenses	180,173,797	154,765,644	52,889,359	48,947,934

## 20. Corporate income tax

The Company is not liable to corporate income tax for the years 2010 and 2009 since the Company has tax loss from the write-off of debts according to the Central Bankruptcy Court's order in 2010 and has tax loss brought forward from prior years exceeding its income for the year.

Corporate income tax for the years 2010 and 2009 of three subsidiary companies, K.C.E. International Co., Ltd., Thai Laminate Manufacturer Co., Ltd. and KCE Technology Co., Ltd., have been calculated from the non-BOI promoted income (if any), after adding back non-tax deductible expenses and tax loss brought forward from prior years.

## 21. Promotional privileges

The Company and its subsidiaries have been granted promotional privileges under the Investment Promotion Act B.E. 2520 by the Board of Investment under certain significant conditions. Significant privileges of the Company and its subsidiaries are as follows:

Details	KCE Electronics Public Company Limited			K.C.E. International Co., Ltd.	Thai Laminate Manufacturer Co., Ltd.					KCE Technology Co., Ltd.		
	1292/2539	1062/2541	1065/2543		1278(2)/2548	1099/2544	1249(1)/2545	1664(2)/2547	1176(2)/2550	1160(2)/2551	1378/2543	1598(2)/2547
1. Certificate No.												
2. Promotional privileges for	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Prepreg	Manufacturing of Laminate	Manufacturing of Prepreg	Manufacturing of Propreg and Laminate	Manufacturing of Propreg and Laminate	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	
3. The significant privileges are												
3.1 Exemption from corporate income tax on net income from promoted operations and exemption from income tax on dividends paid from the income of the operations throughout the period in which the corporate income tax is exempted.	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	5 years	5 years	7 years (Expired)	7 years	
3.2 Allowance for 5% of the increment in export income over the preceding year for ten years, providing that the export income of that particular year should not be lower than the average export income over the three preceding years except for the first two years.	Granted (Expired)	Granted (Expired)	Granted	Not granted	Granted (Expired)	Not granted	Not granted	Not granted	Not granted	Granted	Not granted	
3.3 Exemption from import duty on machinery as approved by the board	Granted	Granted	Granted	Granted	Granted (Expired)	Granted (Expired)	Granted (Expired)	Granted	Granted	Granted	Granted	
3.4 Exemption from import duty on raw materials and essential supplies used in export production for a period of one year from the first import date.	Granted (Expired)	Granted (Expired)	Not granted	Not granted	Not granted	Not granted	Not granted	Not granted	Not granted	Granted (Expired)	Granted (Expired)	
4. Date of first earning operating income	6 January 1996	8 August 1998	4 June 2000	1 September 2006	3 November 2000	1 September 2003	7 July 2004	2 May 2007	22 December 2009	25 June 2001	1 November 2004	

All sales and services of the Company for the years 2010 and 2009 are derived from non-promoted operations which could be separated between export and domestic sales and services as follows:

	(Unit: Baht)	
	2010	2009
Sales and services		
Export sales	3,089,831,781	2,386,321,040
Domestic sales and services	83,789,170	82,363,188
Total sales and services	<u>3,173,620,951</u>	<u>2,468,684,228</u>

## 22. Earnings per share

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

Diluted earnings per share is calculated by dividing net income for the year by the total sum of the weighted average number of ordinary shares held by outsiders and in issue during the year and the weighted average number of ordinary shares to be issued for conversion of all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

## 23. Financial information by segment

The Company and its subsidiaries' operations mainly involve business segments in printed circuit board, prepreg and laminate products with production facilities in Thailand and operates in both local and overseas markets. Financial information of the Company and its subsidiaries by business for the years ended as at 31 December 2010 and 2009 is as follows:



(Unit: Thousand Baht)

Consolidated financial statements																
For the years ended 31 December 2010 and 2009																
Printed Circuit Board business																
	Prepreg and Laminate business		America		Europe		Asia		Total		Service provider business		Eliminating entries		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenues from external customers	99,541	101,809	1,252,506	875,598	4,213,481	3,444,687	1,670,894	1,328,449	7,136,881	5,648,734	8,752	1,900	-	-	7,245,174	5,752,443
Inter-segment revenues	1,301,469	949,516	-	-	-	-	1,172,756	996,566	1,172,756	996,566	60,723	54,058	(2,534,948)	(2,000,140)	-	-
Total revenues	1,401,010	1,051,325	1,252,506	875,598	4,213,481	3,444,687	2,843,650	2,325,015	8,309,637	6,645,300	69,475	55,958	(2,534,948)	(2,000,140)	7,245,174	5,752,443
Segment operating income	100,398	100,576							1,317,747	1,000,141	39,056	24,474	(26,924)	(45,999)	1,430,277	1,079,192
Unallocated income and expenses:																
Income from scrap sales															136,265	27,902
Gain on sale of land															-	41,296
Gain on exchange rate															33,081	53,381
Interest income from related parties															-	22,395
Gain from hedging activities															14,911	1,724
Compensation from insurance claim															49,149	-
Other income															27,316	39,664
Selling expenses															(500,158)	(406,784)
Administrative expenses															(387,683)	(351,422)
Management benefit expenses															(61,341)	(56,178)
Finance cost															(199,529)	(271,427)
Share of income (loss) from investments in associates															2,758	(1,837)
Corporate income tax															(1,609)	(3,685)
Minority interest in income of subsidiaries															(8,822)	(2,668)
Net income															534,615	171,553

Financial information by business segment for the consolidated balance sheets as at 31 December 2010 and 2009 are as follows:

(Unit: Thousand Baht)

	Prepreg and Laminate		Printed Circuit Board business		Service provider business		Total	
	business							
	2010	2009	2010	2009	2010	2009	2010	2009
Property, plant and equipment	466,408	536,637	4,839,931	5,079,811	1,831	2,437	5,308,170	5,618,885
Other assets	799,719	782,999	2,601,759	2,385,612	43,264	20,277	3,444,742	3,188,888
Total assets	1,266,127	1,319,636	7,441,690	7,465,423	45,095	22,714	8,752,912	8,807,773

Transfer prices between business segments are as set out in Note 8 to the financial statements.

## 24. Provident fund

The Company and its subsidiaries, and their employees have jointly established a provident fund as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company or the subsidiary companies contribute to the fund monthly at the rates of 4 - 8 percent of their basic salary. The fund, which is managed by National Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2010, the Company and its subsidiaries contributed Baht 18.1 million as recorded as expenses in the consolidated financial statement (2009: Baht 18.3 million) and Baht 6.9 million in the separate financial statement (2009: Baht 6.9 million) to the fund.

## 25. Dividend paid

During the year 2010 and 2009, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total dividends	(Unit: Baht) Dividend per share
<b><u>The Company</u></b>			
<u>For the year 2010</u>			
Dividends on 2009 income	Annual General Meeting of the shareholders on 29 April 2010	68,557,975	0.15
Interim dividend in respect of the income for the period from 1 January 2010 to 30 June 2010	Board of Directors' Meeting on 17 August 2010	69,726,505	0.15
Total for the year 2010		<u>138,284,480</u>	<u>0.30</u>
<b><u>Subsidiary companies</u></b>			
<b>Thai Laminate Manufacturer Co., Ltd.</b>			
<u>For the year 2010</u>			
Dividends on 2007 income	Annual General Meeting of the shareholders on 23 April 2010	15,000,000	0.60
Dividends on the unappropriated retained earnings	Board of Directors' Meeting on 29 September 2010	240,000,000	9.60
Total for the year 2010		<u>255,000,000</u>	<u>10.20</u>
<b>K.C.E. International Co., Ltd.</b>			
<u>For the year 2009</u>			
Dividends on the unappropriated retained earnings	Board of Directors' Meeting on 16 December 2009	70,000,000	7.00
Total for the year 2009		<u>70,000,000</u>	<u>7.00</u>

## 26. Commitments and contingent liabilities

### 26.1 Capital commitments

As at 31 December 2010, the Company and its subsidiaries had capital commitments related to purchases of machinery amounting to approximately Baht 9.11 million, USD 0.04 million, EUR 0.14 million and Swiss Francs 0.01 million or equivalent to a total of approximately Baht 16.06 million (the Company only: Baht 8.50 million, USD 0.01 million and EUR 0.14 million or equivalent to a total of approximately Baht 14.39 million).

### 26.2 Operating lease commitments

26.2.1 The Company and its subsidiaries have entered into several lease agreements in respect of the lease of motor vehicles and equipment. The terms of the agreements are generally between 1 and 4 years. Operating lease agreements are non-cancelable.

As at 31 December 2010, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Payable within:		
Less than 1 year	105.9	96.2
2 to 4 years	155.3	145.9

26.2.2 On 26 October 2005, KCE America Inc., an associated company, had entered into an operating lease agreement for its office premises with a subsidiary of an associated company for a period of 15 years. As at 31 December 2010, the associated company had a commitment to pay the rental fee in the future under this agreement of approximately USD 1.6 million or equivalent to approximately Baht 48.7 million.

## 26.3 Long-term service commitments

26.3.1 The Company and its subsidiaries had commitments under service contracts, the terms of which are between 1 and 3 years. As at 31 December 2010, the future minimum charges until the end of these agreements are as follows:

	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
Payable within:		
Less than 1 year	32.3	17.7
2 to 3 years	2.7	1.9

26.3.2 As at 31 December 2010, the Company and its two subsidiaries had commitments in respect of installment and implementation of computer software with a subsidiary company amounting to Baht 36.1 million (the Company only: Baht 7.7 million).

## 26.4 Guarantees

26.4.1 As at 31 December 2010 and 2009, the Company and its subsidiaries had contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

Guarantee company	(Unit: Million)			
	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	2010	2009	2010	2009
KCE Electronics Plc.				
- Baht	-	-	141	151
K.C.E. International Co., Ltd.				
- Baht	123	2	-	-
KCE Technology Co., Ltd.				
- Baht	3,104	3,440	-	-
- Euro	-	1	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	-	101	-	-

26.4.2 As at 31 December 2010, the Company and its subsidiaries had contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 68.7 million (the Company only: Baht 28.5 million) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electric payment.

## **26.5 Litigation**

As at 31 December 2010, the Company had contingent liabilities in respect of specifies business tax assessment from the Revenue Department's officer of Baht 4.2 million because the Company provided guarantee to a related party without fee. On 9 July 2009, the Central Tax Court announced a judgment which was in favour of the Company and overran the assessment of officer and the Tax Appeal Board's judgment from the Revenue Department. Later on 7 September 2009, the Revenue Department lodged an appeal against the Central Tax Court's judgment and the Central Tax Court had issued a court receipt for such appeal. At present, the lawsuit is being considered by the Supreme Court. The Company's management believes that the Company will eventually win the case and has therefore not set aside any contingent liabilities in the accounts.

## **27. Insurance claim**

During the second quarter of the current year, the electrical distribution control room of KCE Technology Co., Ltd., a subsidiary, was fired. The loss from the fire incident is covered by the subsidiary's insurance, which covers all risks and business interruption. As at 31 December 2010, the subsidiary estimated and recognised insurance claim receivable from property damage and business interruption of Baht 94.7 million based on the memorandum received from the insurance broker and recognised the net compensation from insurance claim of Baht 49.1 million as revenue in the income statement for the year. However, the actual amount recoverable is dependent upon the actual damage and the terms and conditions of policies. The subsidiary is now in the process of claiming compensation from the insurers.

## **28. Financial instruments**

### **28.1 Financial risk management**

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "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. In addition, the Company and its subsidiaries have off-balance sheets derivatives for hedging the risk from foreign currency risk. The financial risks associated with these financial instruments and derivatives 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. 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 they have a large customer base that has good payment abilities. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheet.

#### ***Interest rate risk***

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks and financial institutions, bank overdrafts, and loans from banks. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2010 classified by type of interest rates are summarised in the table below.

	Consolidated financial statements			Interest rate (% p.a.)
	Floating interest rate	Non-interest bearing	Total	
	(Million Baht)			
<u>Financial assets</u>				
Cash and cash equivalents	143	-	143	0.05 - 0.75
Short-term investments in trading securities	-	2	2	-
Trade accounts receivable	-	1,531	1,531	-
Investments in associates accounted for under equity method	-	77	77	-
	<u>143</u>	<u>1,610</u>	<u>1,753</u>	
<u>Financial liabilities</u>				
Bank overdrafts	7	-	7	6.00 - 6.88
Short-term loans from financial institutions	3,162	-	3,162	1.08 - 6.38
Trade accounts payable	-	895	895	-
Amounts due to and advances from related parties	-	12	12	-
Other accounts payable from purchases of equipment	-	71	71	-
Liabilities under hire-purchase and finance lease agreements	261	-	261	1.88 - 7.92
Long-term loans	1,487	-	1,487	2.77 - 5.13
	<u>4,917</u>	<u>978</u>	<u>5,895</u>	



	Separate financial statements			Interest rate (% p.a.)
	Floating interest rate	Non-interest bearing	Total	
	(Million Baht)			
<u>Financial assets</u>				
Cash and cash equivalents	21	-	21	0.05 - 0.50
Short-term investments in trading securities	-	2	2	-
Trade accounts receivable	-	768	768	-
Investments in subsidiaries and associates accounted for under cost method	-	1,960	1,960	-
	<u>21</u>	<u>2,730</u>	<u>2,751</u>	
<u>Financial liabilities</u>				
Bank overdrafts	7	-	7	6.00
Short-term loans from financial institutions	1,054	-	1,054	1.08 - 5.00
Trade accounts payable	-	585	585	-
Amounts due to and advances from related parties	-	5	5	-
Other accounts payable from purchases of equipment	-	16	16	-
Liabilities under hire-purchase and finance lease agreements	242	-	242	4.28 - 7.79
Long-term loans	133	-	133	4.25 - 4.50
	<u>1,436</u>	<u>606</u>	<u>2,042</u>	

### ***Foreign currency risk***

The Company and its subsidiaries' exposure to foreign currency risk relates primarily to their sales of goods, purchases of materials and loans, which are denominated in foreign currencies. The Company and its subsidiaries have policies to manage their assets and liabilities denominated in foreign currencies through balancing the proportions and conditions of those assets and liabilities (Natural Hedging), with emphasis on having cash inflows and cash outflows occur concurrently. In addition, the policy has also been focused on hedging on transaction risk in accordance with varying situations and forecasts of the foreign exchange rates. As a result, the Company and its subsidiaries have entered into a number of forward exchange

contracts with banks that have maturities of less than one year in order to hedge their foreign currency risk.

As at 31 December 2010, the Company and its subsidiaries had balances of financial assets and liabilities denominated in foreign currencies as follows:

Currency	Consolidated financial statements		Separate financial statements		Exchange rate as at	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	31 December 2010	
	(Thousand Unit)	(Thousand Unit)	(Thousand Unit)	(Thousand Unit)	Buying rate	Selling rate
					(Baht per unit of foreign currency)	
US dollar	37,923	37,591	13,223	17,606	29.9082	30.2963
Euro	9,163	676	7,559	301	39.5010	40.2464
Pound sterling	110	-	14	-	46.2956	47.1522
Japanese yen	-	32,290	-	30,418	0.3657	0.3742
Swiss francs	-	974	-	-	31.5886	32.2627

As at 31 December 2010, the Company and its subsidiaries had outstanding forward exchange contracts, cross currency swap agreements and currency option agreements, of which details are presented below.

#### a) Forward exchange contracts

Currency	Amount (Thousand)	Maturity date	Contract	Exchange rate as at
			exchange rate (Baht per unit of foreign currency)	31 December 2010 (Baht per unit of foreign currency)
Buy				
US dollar	2,561	22 February 2011 - 6 May 2011	29.9050 - 31.5151	30.2963
Yen	2,201	31 May 2011	0.3617	0.3742
Sell				
US dollar	12,172	21 February 2011 - 24 June 2011	29.6850 - 31.6050	29.9082
Euro	2,202	15 March 2011 - 12 April 2011	41.4900 - 41.7700	39.5010

#### b) Cross currency swap agreements

	Notional amount	Contract exchange rate
US dollar and Euro	5,411,000 : 4,000,000	1.3120 - 1.3945

### c) Currency option agreements

	Currency	Sold amount (Thousand)	Strike rate (Baht per unit of foreign currency)	Delivery date
Put option	US dollar	16,000	30.00	10 January 2011 - 8 April 2011

When exchange rate on delivery date is lower than strike rate, the Company will sell US dollar at strike rate.

As at 31 December 2010, fair value of currency option agreements was Baht 1.08 million.

### 28.2 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.

### 29. Capital management

The primary objective of the Group's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the balance sheet as at 31 December 2010, the Group's debt-to-equity ratio was 2.31:1 (2009: 2.55:1) and the Company's was 0.82:1 (2009: 1.42:1).

### 30. Reclassification

Certain amounts in the income statement for the year ended 31 December 2009 has been reclassified to conform to the current period's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

(Unit: Baht)

Income statements for the year ended 31 December 2009  
(Only reclassification items)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Sales and service income	-	5,752,442,936	-	2,468,684,228
Revenues from sales	5,750,543,336	-	2,458,233,925	-
Service income	1,899,600	-	10,450,303	-
Income from scrap sales	27,902,178	-	11,498,100	-
Interest income	-	22,680,282	-	22,411,283
Interest income from related parties	22,395,450	-	22,395,450	-
Other income - others	39,664,112	67,281,458	31,446,942	42,929,209

### 31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2011.