

KCE Electronics Public Company Limited and its subsidiaries
Notes to interim financial statements
For the three-month periods ended 31 March 2009 and 2008

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 had transformed to be a public 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.

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

KCE (Thailand) Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law. The registered address is 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. The registered address is 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.

1.2 Economic crisis

The financial crisis experienced by the United States over the past year has had far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has affected substantially business and financial plans of Thailand enterprises and asset value. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to its normalcy. These financial statements have been prepared on the bases of facts currently known to the Company, and on estimates and assumptions currently considered appropriate. However, they could be adversely affected by an array of future events.

From the said crisis, the Company and its subsidiaries have been affected from the reduction in purchase order from customers which caused K.C.E. International Co., Ltd., a subsidiary company, announced temporary cease of the production since December 2008 and the whole production will be moved to the Company and KCE Technology Co., Ltd., another subsidiary. However, the management of the Company and its subsidiaries have contacted various customers to increase the purchase order in the future and have a plan to renovate facilities of the subsidiary which has ceased the operation to support the production of more complicated products in the future. Therefore, the management of the Company and its subsidiaries believe that the Company and the subsidiaries' operations will return to normal in the future. The accompanying financial statements have therefore been prepared on a going concern basis, assuming that the Company and the subsidiaries are able to continue their operations and that the realisation of assets and settlement of liabilities and obligations will occur in the ordinary course of business of the Company and the subsidiaries, without any expectation of significant disruption to the ongoing activities.

1.3 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 (revised 2007) “Interim financial statements”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets and, the statements of income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

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

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

1.4 Basis of consolidation

These consolidated financial statements include the financial statements of KCE Electronics Public Company Limited (hereinafter called “the Company”) and its subsidiaries (hereinafter called “the subsidiaries”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2008, with the group structure as at 31 March 2009 and 31 December 2008 as detailed below.

Company's name	Percentage of shareholding		Subsidiary's assets as a percentage to the consolidated total assets as at		Subsidiary's revenues as a percentage to the consolidated total revenues for the three-month periods ended	
	31 March 2009	31 December 2008	31 March 2009	31 December 2008	31 March 2009	31 March 2008
	K.C.E. International Co., Ltd.	94.99	94.99	6	6	2
KCE Technology Co., Ltd.	100.00	100.00	56	56	51	49
Thai Laminate Manufacturer Co., Ltd. (Held by the Company 52.00% and K.C.E. International Co., Ltd. 19.20%)	70.24	70.24	9	9	13	3
KCE (Thailand) Co., Ltd.	60.00	60.00	1	1	3	2
Thai Business Solution Co., Ltd.	49.00	49.00	-	-	1	-

1.5 Accounting Standards which are effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the current period.

1.6 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2008.

2. Additional information of cash flows statements

Non-cash related transactions for investing activities for three-month periods ended 31 March 2009 and 2008 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Purchase of machinery and equipment	64,844	227,117	30,325	147,205
Sale of machinery and equipment	(3)	(290)	(30,237)	(407)
Add(less):				
Other payable from purchases of machinery and equipment	(23,718)	(40,906)	(2,177)	(3,716)
Amounts due to related parties for purchases of machinery and equipment	-	-	(22,263)	(2,098)
Amounts due to related parties for purchases of software	-	-	(5,885)	-
Trust receipts	(37,540)	(44,591)	-	-
Accounts payable under hire purchase agreements	(3,538)	(140,284)	-	(140,284)
Advances and deposit for purchases of machinery and equipment	-	(1,080)	-	(1,080)
Accrued interest capitalised as costs of machinery and equipment	(48)	(256)	-	(27)
Other receivable from sales of machinery and equipment	3	290	-	-
Amounts due from related parties for sales of machinery and equipment	-	-	30,237	407
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. Trade accounts receivable

The balance of trade accounts receivable as at 31 March 2009 and 31 December 2008, aged on the basis of due date, as follows:

(Unit: Thousand Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
<u>Trade accounts receivable - related parties</u>				
Not yet due	255,639	412,697	140,696	262,723
Past due				
Up to 3 months	93,289	58,781	170,555	148,638
3 - 6 months	2,678	2,752	28,258	485
Total trade accounts receivable				
- related parties	351,606	474,230	339,509	411,846
<u>Trade accounts receivable - unrelated parties</u>				
Not yet due	714,814	713,420	278,581	209,446
Past due				
Up to 3 months	75,771	156,030	22,535	55,359
3 - 6 months	8,205	12,488	1,335	6,689
6 - 12 months	3,325	322	2,449	322
Over 12 months	983	716	983	716
Total trade accounts receivable - unrelated parties	803,098	882,976	305,883	272,532
Total trade accounts receivable	1,154,704	1,357,206	645,392	684,378
Less: Allowance for doubtful accounts	(3,083)	(4,540)	(2,883)	(4,260)
Trade accounts receivable - net	1,151,621	1,352,666	642,509	680,118

4. Related party transactions

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the three-month periods ended 31 March		For the three-month Periods ended 31 March		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<i><u>Transactions with subsidiaries</u></i>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	74.4	111.3	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	30.2	-	Net book value plus margin and prices agreed between the parties
Purchases of goods	-	-	181.9	297.8	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	28.6	2.0	Prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	238.7	455.4	89.9	156.1	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	32.2	62.1	11.7	17.3	Market prices at which similar quality products are purchase under same conditions
Commission expense	12.8	11.8	6.4	6.4	At the agreed rates between the parties which is general rate for the same business
<i><u>Transactions with related company</u></i>					
Interest income	7.4	7.4	7.4	7.4	Interest rate at 7.5 percent per annum

(Unaudited but reviewed)

As at 31 March 2009 and 31 December 2008, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	208,872	233,963
KCE (Thailand) Co., Ltd.	-	-	3,611	5,176
Thai Laminate Manufacturer Co., Ltd.	-	-	1,940	5,611
K.C.E. International Co., Ltd.	-	-	161	215
Total trade accounts receivable - subsidiaries	-	-	214,584	244,965
Associated companies				
KCE America, Inc.	278,600	402,494	100,313	132,735
KCE Singapore Pte., Ltd.	73,006	71,736	24,612	34,146
Total trade accounts receivable - associated companies	351,606	474,230	124,925	166,881
Total trade accounts receivable - related parties	351,606	474,230	339,509	411,846
<u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	48,404	18,167
K.C.E. International Co., Ltd.	-	-	326	1,092
Thai Business Solution Co., Ltd.	-	-	75	-
KCE (Thailand) Co., Ltd.	-	-	-	73
Total amounts due from and short-term loans to subsidiaries	-	-	48,805	19,332
Associated company				
KCE America, Inc.	-	538	-	-
KCE Singapore Pte., Ltd.	-	23	-	-
Total amounts due from and short-term loans to associated company	-	561	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
Related company				
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	308,553	301,170	308,553	301,170
	707,788	700,405	707,788	700,405
Less: Allowance for doubtful accounts	(707,788)	(700,405)	(707,788)	(700,405)
Total amounts due from and short-term				
loans to related parties - net	-	561	48,805	19,332

The Company had not received repayment from Avatar Systems Corporation, a subsidiary of an associated company, totaling approximately Baht 707.8 million. Currently, the Company is in the process to sue this case under the court in Thailand. However, as at the balance sheet date, the Company has recorded the above transaction with that company as short-term loans to related parties and has set up a full allowance for such loans and other receivable from that company.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
Trade accounts payable - related parties				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	181,977	128,748
Thai Laminate Manufacturer Co., Ltd.	-	-	147,862	212,892
K.C.E. International Co., Ltd.	-	-	51,768	48,397
Total trade accounts payable - subsidiaries	-	-	381,607	390,037
Associated company				
KCE Singapore Pte., Ltd.	47,306	49,093	15,776	20,605
Total trade accounts payable - associated company	47,306	49,093	15,776	20,605
Total trade accounts payable - related parties	47,306	49,093	397,383	410,642

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
<u>Amounts due to and advances from related parties</u>				
<u>Subsidiaries</u>				
K.C.E. International Co., Ltd.	-	-	31,969	20,399
KCE Technology Co., Ltd.	-	-	22,253	191
Thai Business Solution Co., Ltd.	-	-	5,886	-
Total amounts due to and advances from subsidiaries	-	-	60,108	20,590
<u>Associated companies</u>				
KCE Singapore Pte., Ltd.	10,287	11,301	1,235	2,795
Total amounts due to and advances from associated companies	10,287	11,301	1,235	2,795
Total amounts due to and advances from related parties	10,287	11,301	61,343	23,385

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 15.3 to the financial statements.

5. Allowance for diminution in value of inventories and inventory obsolescence

Movements in the allowance for diminution in value of inventories and inventory obsolescence account during the three-month period ended 31 March 2009 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2009	81,258	24,110
Add: Allowance (reversal) for diminution in value of inventories and inventory obsolescence made during the period	(18,975)	879
Balance as at 31 March 2009	62,283	24,989

6. Investments in subsidiaries

Investments in subsidiaries as shown in the separate financial statements are as follow:-

(Unit: Thousand Baht)

Company's name	Separate financial statements									
	Paid-up capital		Shareholding percentage		Cost		Provision for impairment of investments		Carrying amounts based on cost method-net	
	31 March 2009	31 December 2008	31 March 2009	31 December 2008	31 March 2009	31 December 2008	31 March 2009	31 December 2008	31 March 2009	31 December 2008
			(%)	(%)						
K.C.E. International Co., Ltd.	100,000	100,000	94.99	94.99	172,499	172,499	-	-	172,499	172,499
Thai Laminate Manufacturer Co., Ltd.	250,000	250,000	52.00	52.00	157,710	157,710	-	-	157,710	157,710
KCE Technology Co., Ltd.	1,150,000	1,150,000	100.00	100.00	1,150,000	1,150,000	(563,271)	(563,271)	586,729	586,729
KCE (Thailand) Co., Ltd.	3,600	3,600	60.00	60.00	2,160	2,160	-	-	2,160	2,160
Thai Business Solution Co., Ltd.	3,000	3,000	49.00	49.00	1,470	1,470	-	-	1,470	1,470
Total					1,483,839	1,483,839	(563,271)	(563,271)	920,568	920,568

7. Investments in associates

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			31 March 2009	31 December 2008	31 March 2009	31 December 2008	31 March 2009	31 December 2008
			(%)	(%)				
KCE America, Inc.	Foreign sale representative to the Company and its affiliates	United States of America	48.75	48.75	644	644	56,849	59,487
KCE Singapore Pte., Ltd.	Foreign sale representative to the Company and its affiliates	Singapore	47.77	47.77	4,201	4,201	29,157	27,606
Total					4,845	4,845	86,006	87,093

(Unit: Thousand Baht)

Company's name	Separate financial statements			
	Shareholding percentage		Cost	
	31 March 2009	31 December 2008	31 March 2009	31 December 2008
	(%)	(%)		
KCE America, Inc.	25.00	25.00	322	322
KCE Singapore Pte., Ltd.	24.50	24.50	2,101	2,101
Total			2,423	2,423

During the three-month periods ended 31 March 2009 and 2008 there is no dividend from the associated companies.

Share of income (loss) from investments for the three-month periods ended 31 March 2009 and 2008 in above two associated companies was calculated from interim financial statements which had not been reviewed by the auditors 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 review of their financial statements.

8. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2009 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2009	6,186,891	1,539,743
Acquisitions during period - at cost	22,612	25,371
Disposals during period - net book value at disposal date	(2,437)	(29,556)
Depreciation for the period	<u>(140,542)</u>	<u>(42,333)</u>
Net book value as at 31 March 2009	<u>6,066,524</u>	<u>1,493,225</u>

8.1 As at 31 March 2009, 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.

8.2 As at 31 March 2009, its subsidiaries have mortgaged and pledged the following property, plant and equipment:

8.2.1 Thai Laminate Manufacturer Co., Ltd., a subsidiary, has mortgaged construction and pledged its machinery with a total net book value as at 31 March 2009 of Baht 243.5 million as collateral for loans from banks, as described in Note 11 to the financial statements.

(Unaudited but reviewed)

8.2.2 KCE Technology Co., Ltd., a subsidiary, has mortgaged most of land and construction thereon and pledged most of its machinery as collateral for bank overdrafts and loans from banks, as described in Notes 10 and 11 to the financial statements.

8.3 The Company and its subsidiaries have capitalised interest expenses as part of costs of machinery and equipment under installation as follows.

(Unit: Thousand Baht)

For the three-month periods
31 March

	2009	2008
Consolidated financial statements	1,102	546
Separate financial statements	562	325

The assets capitalisation rates for the three-month periods ended 31 March 2009 and 2008 are as follows:

(Unit: Percent)

For the three-month periods
31 March

	2009	2008
Consolidated financial statements	2.50 - 6.69	2.59 - 7.25
Separate financial statements	3.08 - 5.25	3.50 - 7.25

9. Intangible assets

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2009	31 December 2008	31 March 2009	31 December 2008
Net book value as at 1 January 2009	83,301	64,426	35,520	26,064
Acquisitions during period - at cost	(38,446)	(38,027)	(14,891)	(14,737)
Net book value as at 31 March 2009	44,855	26,399	20,629	11,327
Amortisation for the period	1,177	4,828	154	1,149

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
Bank overdrafts	78,887	79,468	24,409	34,894
Short-term loans	1,405,000	1,199,500	340,000	301,500
Packing credits	2,510,000	2,465,600	699,000	735,500
Trust receipts	399,111	716,166	86,989	99,458
Total	4,392,998	4,460,734	1,150,398	1,171,352

10.1 As at 31 March 2009 and 31 December 2008, bank overdrafts and partial loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.

10.2 As at 31 March 2009 and 31 December 2008, bank overdrafts of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.

10.3 As at 31 March 2009 and 31 December 2008, 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 most of land, construction thereon and the pledge of most of machineries of such subsidiary company.

11. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
EURO portion	61,289	87,498	27,579	43,408
Baht portion	929,026	866,812	160,834	58,000
	990,315	954,310	188,413	101,408
Less: Current portion of long-term loans	(384,058)	(395,131)	(67,887)	(65,539)
Long-term loans, net of current portion	606,257	559,179	120,526	35,869

Movements in the long-term loans account during the three-month period ended 31 March 2009 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<u> </u>	<u> </u>
Balance as at 1 January 2009	954,310	101,408
Add (less): Additional withdrawal of loan during period	151,284	102,834
Repayment during period	(112,294)	(14,486)
Unrealised gain on exchange	<u>(2,985)</u>	<u>(1,343)</u>
Balance as at 31 March 2009	<u>990,315</u>	<u>188,413</u>

As at 31 March 2009, the Company and a subsidiary company, KCE Technology Co., Ltd., had long-term loans from banks in EURO currency of EURO 1.3 million in consolidated financial statements and EURO 0.6 million in the separate financial statements (31 December 2008: EURO 1.8 million in consolidated financial statements and EURO 0.9 million in the separate financial statements).

- 11.1 Long-term loans from banks of the Company are Baht and EURO loan which carry interest at the rate of MLR (Minimum Loan Rate) less 2.0 percent per annum and LIBOR plus 1.5 percent per annum, respectively. Part of that loan are the transfer of short-term loans due in the current period to long-term loans of the same bank amounting to Baht 102.8 million.
- 11.2 A long-term loan from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, carries interest at the rates of MLR (Minimum Loan Rate) less 1.0 to 1.25 percent per annum. The loan is guaranteed by the Company and secured by mortgage of the subsidiary company's plant, building and pledge of part of its machinery. In addition, there are certain significant conditions that the subsidiary has to comply with, such as maintaining a ratio of total debt to equity not exceeding 3:1. Moreover, the Company and its subsidiaries must maintain the shareholding structure, whether by direct or indirect holding at not less than 51 percent of the registered and paid-up capital of the subsidiary.
- 11.3 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 1.25 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.

12. Share capital

12.1 Share warrant

The Company issued and allotted 3,000,000 registered and untransferable (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.

As at 31 March 2009, 3,000,000 units of issued warrant remained. During the period, no warrants were exercised because the exercise price as at stipulated exercise date, exceeds the fair value of ordinary share.

12.2 Treasury shares

As at 31 March 2009, details of treasury shares are as follows:

	Consolidated and separate <u>financial statements</u>
Cost of treasury shares (Thousand Baht)	6,374.6
Number of treasury shares (Thousand shares)	5,999.9
Average price per share (Baht)	1.06
Percentage of treasury shares to the Company's shares in issue	1.29

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 take into account the prevailing market price at the time of sale.

12.3 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.

12.4 Weighted average number of ordinary shares

As at 31 March 2009 and 2008, the weighted average number of ordinary shares in the consolidated and separate financial statements are calculated as follows:

	(Unit: Share)	
	Consolidated financial statements	
	For the three-month periods ended 31 March	
	<u>2009</u>	<u>2008</u>
Balance brought forward	462,218,585	462,497,269
Less: Treasury shares	(5,721,216)	-
Shares of the Company held by subsidiaries	-	(4,571,850)
Weighted average number of ordinary shares	<u>456,497,369</u>	<u>457,925,419</u>

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the period ended 31 March 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.

	(Unit: Share)	
	Separate financial statements	
	For the three-month periods ended 31 March	
	<u>2009</u>	<u>2008</u>
Balance brought forward	462,218,585	462,497,269
Less: Treasury shares	(5,721,216)	-
Weighted average number of ordinary shares	<u>456,497,369</u>	<u>462,497,269</u>

13. Gain on exchange rate

Gain (loss) from foreign exchange rate includes gain (loss) from the translation of receivable and payable under forward exchange contracts which mature during the period or are outstanding at the balance sheet date.

According to the currency risk policy regarding sales denominated in foreign currency, the Company and its subsidiaries had entered into forward exchange contracts, mainly in US dollar, since the dates the orders confirmation from customers are received to stabilize margin level of the Company and its subsidiaries despite the subsequent fluctuation in exchange rate. The related exchange gain (loss) from forward exchange contract is therefore treated by the Company and its subsidiaries as adjustment to sales and included in determining their operating results.

14. Corporate income tax

Interim corporate income tax has been calculated on net income (loss) before income tax of non-BOI promoted income (if any), after adding back non-tax deductible expenses and deducting loss from the write-off of debts according to the Central Bankruptcy Court's order and tax loss carried forward from prior years, using the estimated effective tax rate for the year.

15. Commitments and contingent liabilities

15.1 As at 31 March 2009, the Company and its subsidiaries have rental and service contract commitments with a period of 1-3 years and the future minimum charge according to the agreements until the end of the agreement are as follows:

Currency	(Unit: Thousand)	
	Consolidated financial statements	Separate financial statements
Baht	50,338	21,039
US dollar	25	12

15.2 As at 31 March 2009, the Company and its subsidiaries had commitment for purchase of machine amounting to approximately USD 0.9 million, EURO 0.2 million and YEN 114.7 million or totally equivalent to Baht 86.5 million (the Company only: USD 0.7 million or totally equivalent to Baht 23.9 million).

(Unaudited but reviewed)

15.3 As at 31 March 2009 and 31 December 2008, the Company and its subsidiaries have contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

(Unit: Million)

Guarantee company	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	31 March 2009	31 December 2008	31 March 2009	31 December 2008
K.C.E. International Co., Ltd.				
- Baht	102	73	-	-
- USD	-	1	-	-
KCE Technology Co., Ltd.				
- Baht	3,585	3,572	-	-
- EURO	1	1	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	135	135	-	-
KCE Electronics Plc.				
- Baht	-	-	280	219

15.4 As at 31 March 2009, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 57.7 million (the Company only: Baht 28.3 million) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electric payment.

15.5 As at 31 March 2009, the Company has contingent liabilities in respect of specifies business tax assessment from Revenue Department's officer of Baht 4.2 million because the Company guaranteed to a related party without fee. However, the Company appealed such assessment to the Central Tax Court, which the case is under consideration at the present. The Company's management believe that there is no tax to be paid from such assessment. Therefore, the Company did not record any contingent liabilities in the accounts.

15.6 On 26 October 2005, KCE America Inc., an associated company, had entered into operating lease agreement for its office premises with a subsidiary of an associated company for a period of 15 years. Under this agreement, as at 31 March 2009, the associated company has commitment to pay the rental fee in the future of approximately USD 1.8 million or equivalent to approximately Baht 64.0 million.

15.7 As at 31 March 2009, the Company and its two subsidiaries have commitment in respect of installment and implementation of computer software with a subsidiary company amounting to Baht 73.0 million (the Company only: Baht 21.9 million).

16. 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 is as follows:

(Unit: Thousand Baht)

Consolidated financial statements																	
For the three-month periods ended 31 March 2009 and 2008																	
	Printed Circuit Board business										Service provider		Eliminating entries		Total		
	Prepreg and Laminate business		America		Europe		Asia		Total		business						
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	
Revenue from external customers	19,277	58,239	185,870	390,030	653,548	1,303,962	243,890	421,512	1,083,308	2,115,504	260	-	-	-	1,102,845	2,173,743	
Inter-segment revenues	189,703	396,543	-	-	-	-	289,242	325,486	289,242	325,486	12,744	-	(491,689)	(722,029)	-	-	
Total revenues	208,980	454,782	185,870	390,030	653,548	1,303,962	533,132	746,998	1,372,550	2,440,990	13,004	-	(491,689)	(722,029)	1,102,845	2,173,743	
Segment operating income	(790)	44,105							108,273	285,030			(4,246)	(263)	107,979	328,872	
Unallocated income															28,541	169,937	
Interest income															7,466	7,529	
Unallocated expenses															(194,932)	(314,550)	
Finance cost															(68,811)	(71,080)	
Corporate income tax															(145)	(4,094)	
Minority interest in income of subsidiaries																527	(6,009)
Net income (loss)															(119,375)	110,605	

17. Dividend payment

On 29 April 2008, the Annual General Meeting of the Company's shareholders approved the payment of dividend in respect of previous year's net income at Baht 0.08 per share to the ordinary shareholders, totaling of Baht 37 million. The Company paid the dividend on 28 May 2008.

On 29 April 2009, the Annual General Meeting of the Company's shareholders passed a resolution approving the omission of the annual dividend payment for the year 2008 to the Company's shareholders.

18. Forward exchange contracts and commodity swap agreements

As at 31 March 2009, the Company and its subsidiaries had outstanding forward exchange contracts, of which details are presented below.

Currency	Amount	Maturity date	Contract exchange rate	Exchange rate as at 31 March 2009
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	11,810	7 April 2009 - 30 September 2009	33.3200 - 36.0900	35.6629
Sell				
US dollar	824	13 May 2009 - 30 September 2009	35.0980 - 35.5000	35.2965
Euro	600	13 July 2009	47.2843 - 48.3583	46.5758

As at 31 March 2009, the Company and its subsidiaries had outstanding commodity swap agreement, of which details are presented below :

Type of goods	Quantity	Maturity date	Contract price	Commodity's market price as at 31 March 2009
	(Ton)		(US dollar per unit)	(US dollar per unit)
Copper	1,065	30 June 2009 - 31 August 2009	3,180 - 7,200	4,035

During the period, the counterparty bank has exercised the option agreements to sell 600 tons (the Company only: 240 tons) of copper to the Company and its subsidiary at the contract price of USD 6,700 per ton. However the Company, its subsidiary and the counterparty bank entered into new agreements signed to replace the raw material price hedging contracts. The Company and its subsidiary will pay the bank an amount equal to the difference between the contract price (USD 6,700 and USD 7,200 per ton) and the average market price in the month of settlement, but shall not be below USD 4,350 per ton. The Company and its subsidiary entered into a new agreement whereby the bank granted additional credit facilities to pay the price difference to bank in the month of settlement. As at 31 March 2009, the Company and its subsidiary have already recorded their obligations in respect of the difference between the contract price and determined market price in full.

In addition, the Company and its subsidiary have to pay fees for credit facilities from the bank and the new hedging agreements, amounting to Baht 14 million, and this will be amortised over the settlement period of the agreements.

19. Subsequent event review

On 16 April 2009, the meeting of the Board of Directors of KCE Technology Co., Ltd., a subsidiary company, passed a resolution to change the terms of the agreement in relation to repayment of principal and interest whereby the payment of principal in accordance with the loan agreement from May 2009 will be ceased for one year and the repayment period is extended for one year for all loan agreements with Bangkok Bank Public Company Limited amounting to Baht 510 million and the promissory note amounting to Baht 500 million is converted into long-term loan. The bank has approved in writing for the cessation of repayment of loan principal and the repayment period extension and approved the conversion of promissory note to long-term loan amounting to Baht 500 million for which the bank is in the process of preparing loan agreement and related documents.

20. Reclassification

Certain amounts in the financial statements for the three-month period ended 31 March 2008 have 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: Thousand Baht)

	For the three-month period ended 31 March 2008			
	Consolidated financial statements		Separate financial statements	
	As previously		As previously	
	As reclassified	reported	As reclassified	reported
Other income - others	29,426	29,645	11,108	11,240
Selling and administrative expenses	-	316,310	-	109,909
Selling expenses	205,049	-	74,607	-
Administrative expenses	95,349	-	28,458	-
Management's remuneration	14,152	-	6,479	-
Interest expense	-	69,539	-	13,579
Finance cost	71,080	-	13,812	-

21. Approval of interim financial statements

These interim financial statements were authorised for issue by the authorised directors of the Company on 12 May 2009.