

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

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 (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 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 34 (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.

## **1.3 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 2009, with no changes in the composition of the group during the current period.

The group structure as at 31 March 2010 and 31 December 2009 was 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 2010              | 31 December 2009 | 31 March 2010  | 31 December 2009 | 31 March 2010  | 31 March 2009 |
|   | KCE Technology Co., Ltd.   | 100.00           | 100.00   | 55               | 57   | 53            |
| K.C.E. International Co., Ltd.  | 94.99                      | 94.99            | 7  | 5                | 8  | -             |
| Thai Laminate Manufacturer Co., Ltd.<br>(Held by the Company 52.00% and<br>K.C.E. International Co., Ltd. 19.20%) | 70.24                      | 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            | -  | -                | -  | -             |

#### 1.4 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 2009.

## 2. Trade accounts receivable

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

(Unit: Thousand Baht)

| Age of receivables  | Consolidated financial statements |             | Separate financial statements |             |
|---|-----------------------------------|-------------|-------------------------------|-------------|
|   | 31 March                          | 31 December | 31 March                      | 31 December |
|   | 2010                              | 2009        | 2010                          | 2009        |
| <b><u>Trade accounts receivable - related parties</u></b>   |                                   |             |                               |             |
| Not yet due   | 372,487                           | 380,814     | 205,530                       | 240,556     |
| Past due  |                                   |             |                               |             |
| Up to 3 months  | 77,621                            | 59,137      | 120,740                       | 64,563      |
| 3 - 6 months  | 145                               | 3,447       | 22                            | -           |
| 6 - 12 months   | 1,255                             | 1,816       | 7                             | -           |
| Over 12 months  | 47                                | -           | -                             | -           |
| Total trade accounts receivable                             |                                   |             |                               |             |
| - related parties   | 451,555                           | 445,214     | 326,299                       | 305,119     |
| <b><u>Trade accounts receivable - unrelated parties</u></b> |                                   |             |                               |             |
| Not yet due   | 1,215,664                         | 1,034,633   | 458,374                       | 360,053     |
| Past due  |                                   |             |                               |             |
| Up to 3 months  | 186,452                           | 74,698      | 66,411                        | 39,827      |
| 3 - 6 months  | 2,303                             | 5,829       | -                             | 1,001       |
| 6 - 12 months   | 521                               | 159         | 86                            | 159         |
| Over 12 months  | 211                               | 592         | -                             | -           |
| Total trade accounts receivable - unrelated parties         | 1,405,151                         | 1,115,911   | 524,871                       | 401,040     |
| Total trade accounts receivable                             | 1,856,706                         | 1,561,125   | 851,170                       | 706,159     |
| Less: Allowance for doubtful accounts                       | (425)                             | (732)       | (217)                         | (471)       |
| Trade accounts receivable - net                             | 1,856,281                         | 1,560,393   | 850,953                       | 705,688     |

### 3. 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 agreed 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 |       |  |
|  | 2010                                       | 2009  | 2010                                       | 2009  |  |
| <i>Transactions with subsidiaries</i>                          |  |       |  |       |  |
| <i>(eliminated from the consolidated financial statements)</i> |  |       |  |       |  |
| Sales of goods   | -  | -     | 115.2                                      | 72.3  | Market prices and prices per job order for each product which are agreed between the parties |
| Service income   | -  | -     | 6.7  | 2.1   | Market prices and prices per job order for each product which are agreed between the parties |
| Sales of fixed assets  | -  | -     | 0.2  | 30.2  | Net book value plus margin and prices agreed between the parties                             |
| Other income   | -  | -     | 1.4  | -     | Prices agreed between the parties  |
| Purchase of goods  | -  | -     | 199.1                                      | 181.9 | Market prices and prices per job order for each product which are agreed between the parties |
| Purchase of fixed assets                                       | -  | -     | 1.2  | 28.6  | Prices agreed between the parties  |
| <i>Transactions with associated companies</i>                  |  |       |  |       |  |
| Sales of goods   | 341.5                                      | 238.7 | 137.4                                      | 89.9  | Market prices at which similar quality products are sold under same sale conditions          |
| Purchases of raw materials                                     | 23.2                                       | 32.2  | 6.6  | 11.7  | Market prices at which similar quality products are sold under same purchase conditions      |
| Commission expense   | 13.3                                       | 12.8  | 5.6  | 6.4   | At the agreed rate between the parties which is general rate for the same business           |
| Purchase of fixed assets                                       | -  | -     | 0.3  | -     | Prices agreed between the parties  |
| <i>Transactions with related company</i>                       |  |       |  |       |  |
| Interest income  | -  | 7.4   | -  | 7.4   | Interest rate at 7.5 percent per annum   |

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

|  | Consolidated financial statements |                     | Separate financial statements |                     |
|--|-----------------------------------|---------------------|-------------------------------|---------------------|
|  | 31 March<br>2010                  | 31 December<br>2009 | 31 March<br>2010              | 31 December<br>2009 |
| <b><u>Trade accounts receivable - related parties</u></b>              |                                   |                     |                               |                     |
| <b>Subsidiaries</b>  |                                   |                     |                               |                     |
| KCE Technology Co., Ltd.   | -                                 | -                   | 130,962                       | 98,771              |
| K.C.E. International Co., Ltd.   | -                                 | -                   | 15,716                        | 7,577               |
| Thai Laminate Manufacturer Co., Ltd.                                   | -                                 | -                   | 2,507                         | 1,463               |
| KCE (Thailand) Co., Ltd.   | -                                 | -                   | 2,186                         | 3,427               |
| Total trade accounts receivable - subsidiaries                         | -                                 | -                   | 151,371                       | 111,238             |
| <b>Associated companies</b>  |                                   |                     |                               |                     |
| KCE America, Inc.  | 380,351                           | 389,451             | 125,405                       | 147,062             |
| KCE Singapore Pte., Ltd.   | 71,204                            | 55,763              | 49,523                        | 46,819              |
| Total trade accounts receivable - associated companies                 | 451,555                           | 445,214             | 174,928                       | 193,881             |
| <b>Total trade accounts receivable - related parties</b>               | <b>451,555</b>                    | <b>445,214</b>      | <b>326,299</b>                | <b>305,119</b>      |
| <b><u>Amounts due from and short-term loans to related parties</u></b> |                                   |                     |                               |                     |
| <b>Subsidiaries</b>  |                                   |                     |                               |                     |
| Thai Business Solution Co., Ltd.                                       | -                                 | -                   | 1,149                         | 73                  |
| KCE Technology Co., Ltd.   | -                                 | -                   | 430                           | 473                 |
| K.C.E. International Co., Ltd.   | -                                 | -                   | 121                           | 4                   |
| Thai Laminate Manufactures Co., Ltd.                                   | -                                 | -                   | 107                           | 85                  |
| Total amounts due from and short-term loans to subsidiaries            | -                                 | -                   | 1,807                         | 635                 |
| <b>Associated company</b>  |                                   |                     |                               |                     |
| KCE Singapore Pte., Ltd.   | 38                                | 3                   | -                             | -                   |
| Total amounts due from and short-term loans to associated company      | 38                                | 3                   | -                             | -                   |

(Unaudited but reviewed)

(Unit: Thousand Baht)

|   | Consolidated financial statements |             | Separate financial statements |             |
|---|-----------------------------------|-------------|-------------------------------|-------------|
|   | 31 March                          | 31 December | 31 March                      | 31 December |
|   | 2010                              | 2009        | 2010                          | 2009        |
| <b>Related company</b>  |                                   |             |                               |             |
| Avatar Systems Corporation  |                                   |             |                               |             |
| Loans   | 399,235                           | 399,235     | 399,235                       | 399,235     |
| Accrued interest income   | 323,565                           | 323,565     | 323,565                       | 323,565     |
| Total   | 722,800                           | 722,800     | 722,800                       | 722,800     |
| Less: Allowance for doubtful accounts                                       | (722,800)                         | (722,800)   | (722,800)                     | (722,800)   |
| Total amounts due from and short-term loans to related company - net        | -                                 | -           | -                             | -           |
| <b>Total amounts due from and short-term loans to related parties - net</b> | <b>38</b>                         | <b>3</b>    | <b>1,807</b>                  | <b>635</b>  |
| <b><u>Dividend receivable from a related party</u></b>                      |                                   |             |                               |             |
| <b>Subsidiary</b>   |                                   |             |                               |             |
| K.C.E. International Co., Ltd.  | -                                 | -           | 66,496                        | 66,496      |

The Company had not received repayment from Avatar Systems Corporation, a subsidiary of an associated company, totaling approximately Baht 722.8 million. Currently, the Central Bankruptcy Court has ordered that company into final receivership. However, as at the balance sheet date, the Company has recorded the above transaction with that company as short-term loans to related party 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    |
|  | 2010                              | 2009          | 2010                          | 2009           |
| <b><u>Trade accounts payable - related parties</u></b> |                                   |               |                               |                |
| <b>Subsidiaries</b>                                    |                                   |               |                               |                |
| Thai Laminate Manufacturer Co., Ltd.                   | -                                 | -             | 204,726                       | 213,596        |
| K.C.E. International Co., Ltd.                         | -                                 | -             | 38,353                        | 13,059         |
| KCE Technology Co., Ltd.                               | -                                 | -             | 33,664                        | 55,555         |
| Total trade accounts payable - subsidiaries            | -                                 | -             | 276,743                       | 282,210        |
| <b>Associated company</b>                              |                                   |               |                               |                |
| KCE Singapore Pte., Ltd.                               | 30,493                            | 23,847        | 16,171                        | 18,656         |
| Total trade accounts payable - associated company      | 30,493                            | 23,847        | 16,171                        | 18,656         |
| <b>Total trade accounts payable - related parties</b>  | <b>30,493</b>                     | <b>23,847</b> | <b>292,914</b>                | <b>300,866</b> |

(Unaudited but reviewed)

(Unit: Thousand Baht)

|  | Consolidated financial statements |              | Separate financial statements |               |
|--|-----------------------------------|--------------|-------------------------------|---------------|
|  | 31 March                          | 31 December  | 31 March                      | 31 December   |
|  | 2010                              | 2009         | 2010                          | 2009          |
| <b><u>Amounts due to and advances from related parties</u></b> |                                   |              |                               |               |
| <b>Subsidiaries</b>  |                                   |              |                               |               |
| K.C.E. International Co., Ltd.                                 | -                                 | -            | 11,611                        | 45,384        |
| KCE Technology Co., Ltd.                                       | -                                 | -            | 2,459                         | 22,804        |
| Thai Business Solution Co., Ltd.                               | -                                 | -            | -                             | 4,306         |
| Total amounts due to and advances from subsidiaries            | -                                 | -            | 14,070                        | 72,494        |
| <b>Associated company</b>                                      |                                   |              |                               |               |
| KCE Singapore Pte., Ltd.                                       | 16,460                            | 8,686        | 2,085                         | 806           |
| Total amounts due to and advances from associated company      | 16,460                            | 8,686        | 2,085                         | 806           |
| <b>Total amounts due to and advances from related parties</b>  | <b>16,460</b>                     | <b>8,686</b> | <b>16,155</b>                 | <b>73,300</b> |

#### Directors' and management's remuneration

During the three-month period ended 31 March 2010, the Company and its subsidiaries paid salaries, bonus, meeting allowances and other remuneration to their directors and management totaling Baht 14.8 million (the Company only: Baht 7.1 million) (2009: Baht 11.2 million, the Company only: Baht 5.2 million).

#### Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 13.4 to the financial statements.

#### **4. 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 2010 are summarised below.

|   | (Unit: Thousand Baht)             |                               |
|---|-----------------------------------|-------------------------------|
|   | Consolidated financial statements | Separate financial statements |
| Balance as at 1 January 2010  | 38,445                            | 14,557                        |
| Add: Allowance for diminution in value of inventories and inventory obsolescence made during the period | 451                               | 279                           |
| Balance as at 31 March 2010   | <u>38,896</u>                     | <u>14,836</u>                 |



## 5. Investments in subsidiaries

Investments in subsidiaries as shown in the separate financial statements are as follows:

(Unit: Thousand 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 |                  |
|                                      | 31 March 2010                 | 31 December 2009 | 31 March 2010           | 31 December 2009 | 31 March 2010    | 31 December 2009 | 31 March 2010                           | 31 December 2009 | 31 March 2010                               | 31 December 2009 |
|                                      |                               |                  | (%)                     | (%)              |                  |                  |   |                  |   |                  |
| KCE Technology Co., Ltd.             | 1,400,000                     | 1,400,000        | 100.00                  | 100.00           | 1,400,000        | 1,400,000        | (541,771)                               | (541,771)        | 858,229                                     | 858,229          |
| 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 (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            |
| <b>Total</b>                         |                               |                  |                         |                  | <b>1,733,839</b> | <b>1,733,839</b> | <b>(541,771)</b>                        | <b>(541,771)</b> | <b>1,192,068</b>                            | <b>1,192,068</b> |

## 6. 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 2010                     | 31 December 2009 | 31 March 2010 | 31 December 2009 | 31 March 2010                           | 31 December 2009 |
|                          |   |                          | (%)                               | (%)              |               |                  |   |                  |
| KCE America, Inc.        | Foreign sale representative of the Company and its affiliates | United States of America | 48.75                             | 48.75            | 644           | 644              | 53,538                                  | 53,712           |
| KCE Singapore Pte., Ltd. | Foreign sale representative of the Company and its affiliates | Singapore                | 47.77                             | 47.77            | 4,201         | 4,201            | 27,803                                  | 28,065           |
| <b>Total</b>             |   |                          |                                   |                  | <b>4,845</b>  | <b>4,845</b>     | <b>81,341</b>                           | <b>81,777</b>    |

(Unit: Thousand Baht)

| Company's name           | Separate financial statements |                  |               |                  |
|--------------------------|-------------------------------|------------------|---------------|------------------|
|                          | Shareholding percentage       |                  | Cost          |                  |
|                          | 31 March 2010                 | 31 December 2009 | 31 March 2010 | 31 December 2009 |
|                          | (%)                           | (%)              |               |                  |
| KCE America, Inc.        | 25.00                         | 25.00            | 322           | 322              |
| KCE Singapore Pte., Ltd. | 24.50                         | 24.50            | 2,100         | 2,100            |
| <b>Total</b>             |                               |                  | <b>2,422</b>  | <b>2,422</b>     |

During the three-month periods ended 31 March 2010 and 2009 there is no dividend from the associated companies.

For the three-month periods ended 31 March 2010 and 2009, share of income (loss) from investments 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.

## 7. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2010 are summarised below.

|   | (Unit: Thousand Baht)       |                             |
|---|-----------------------------|-----------------------------|
|   | Consolidated                | Separate                    |
|   | <u>financial statements</u> | <u>financial statements</u> |
| Net book value as at 1 January 2010   | 5,618,885                   | 1,320,044                   |
| Acquisitions during period - at cost  | 63,379                      | 23,739                      |
| Disposals/write-off during period - net book value at disposal/write-off date | (1,989)                     | (393)                       |
| Depreciation for the period   | <u>(146,572)</u>            | <u>(42,171)</u>             |
| Net book value as at 31 March 2010  | <u><u>5,533,703</u></u>     | <u><u>1,301,219</u></u>     |

7.1 The Company and its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into the 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.

7.2 The subsidiaries have mortgaged and pledged the following property, plant and equipment:

7.2.1 Thai Laminate Manufacturer Co., Ltd. has mortgaged its construction and pledged its machinery with a total net book value as at 31 March 2010 of Baht 345.7 million as collateral for loans from banks, as described in Note 10.

(Unaudited but reviewed)

7.2.2 KCE Technology Co., Ltd. has mortgaged its land and construction thereon and pledged its machinery with a total net book value as at 31 March 2010 of Baht 2,199.6 million as collateral for bank overdrafts and loans from banks, as described in Note 9 and 10.

7.3 The Company and its subsidiaries had capitalised interest expenses as part of costs of machinery and equipment under installation with the capitalisation rate as follows:

|                                       | Consolidated                               |             | Separate                                   |             |
|---------------------------------------|--|-------------|--|-------------|
|                                       | financial statements                       |             | financial statements                       |             |
|                                       | For the three-month periods ended 31 March |             | For the three-month periods ended 31 March |             |
|                                       | 2010                                       | 2009        | 2010                                       | 2009        |
| Interest expenses capitalised as cost |  |             |  |             |
| (Thousand Baht)                       | -  | 1,102       | -  | 562         |
| Capitalisation rate (percent)         | -  | 2.50 - 6.69 | -  | 3.08 - 5.25 |

## 8. Intangible assets

Movements of intangible assets, which are computer software, during the three-month period ended 31 March 2010 are summarised below.

(Unit: Thousand Baht)

|                                      | Consolidated         |  | Separate             |  |
|--------------------------------------|----------------------|--|----------------------|--|
|                                      | financial statements |  | financial statements |  |
| Net book value as at 1 January 2010  | 56,213               |  | 36,695               |  |
| Acquisitions during period - at cost | 3,417                |  | 1,271                |  |
| Amortisation for the period          | (1,900)              |  | (696)                |  |
| Net book value as at 31 March 2010   | <u>57,730</u>        |  | <u>37,270</u>        |  |

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

(Unit: Thousand Baht)

|                  | Consolidated         |                  | Separate             |                  |
|------------------|----------------------|------------------|----------------------|------------------|
|                  | financial statements |                  | financial statements |                  |
|                  | 31 March 2010        | 31 December 2009 | 31 March 2010        | 31 December 2009 |
| Bank overdrafts  | 80,262               | 29,456           | 43,654               | 12,335           |
| Short-term loans | 265,000              | 383,000          | 125,000              | 145,000          |
| Packing credits  | 2,536,486            | 2,443,024        | 911,494              | 806,024          |
| Trust receipts   | 314,134              | 409,329          | 110,094              | 102,345          |
| Total            | <u>3,195,882</u>     | <u>3,264,809</u> | <u>1,190,242</u>     | <u>1,065,704</u> |

(Unaudited but reviewed)

- 9.1 Bank overdrafts and partial loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.
- 9.2 Bank overdrafts and loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.
- 9.3 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 most of land, construction thereon and the pledge of most of machineries of such subsidiary company.

## 10. Long-term loans

(Unit: Thousand Baht)

|  | Consolidated         |                  | Separate             |                |
|--|----------------------|------------------|----------------------|----------------|
|  | financial statements |                  | financial statements |                |
|  | 31 March             | 31 December      | 31 March             | 31 December    |
|  | 2010                 | 2009             | 2010                 | 2009           |
| Euro portion                             | 23,446               | 25,797           | -                    | -              |
| Baht portion                             | 1,501,825            | 1,542,775        | 155,533              | 162,733        |
| Total                                    | 1,525,271            | 1,568,572        | 155,533              | 162,733        |
| Less: Current portion                    | (440,727)            | (354,785)        | (35,160)             | (50,090)       |
| Long-term loans - net of current portion | <u>1,084,544</u>     | <u>1,213,787</u> | <u>120,373</u>       | <u>112,643</u> |

Movements in the long-term loan account during the three-month period ended 31 March 2010 are summarised below.

(Unit: Thousand Baht)

|                               | Consolidated         | Separate             |
|-------------------------------|----------------------|----------------------|
|                               | financial statements | financial statements |
| Balance as at 1 January 2010  | 1,568,572            | 162,733              |
| Less: Repayment during period | (40,950)             | (7,200)              |
| Unrealised gain on exchange   | <u>(2,351)</u>       | <u>-</u>             |
| Balance as at 31 March 2010   | <u>1,525,271</u>     | <u>155,533</u>       |

As at 31 March 2010, KCE Technology Co., Ltd., a subsidiary company, had a long-term loan from bank in Euro currency of Euro 0.5 million included in the consolidated financial statements (31 December 2009: Euro 0.5 million).

- 10.1 During the current period, the Company entered into an amendment to the loan agreement dated 21 July 2008, whereby the bank approved a rescheduling of loan 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 is to be paid 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.
- 10.2 During the current period, 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.
- 10.3 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.
- 10.4 A long-term Baht loan from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, carries interest at the rate 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 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. Share capital**

### **11.1 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.

(Unaudited but reviewed)

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 untransferable (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.

Movements of share warrant during the three-month periods ended 31 March 2010 and 2009 are summarised below.

|   | Number of units (unit)            |           |
|---|-----------------------------------|-----------|
|   | For the three-month periods ended |           |
|   | 31 March                          |           |
|   | 2010                              | 2009      |
| Warrants issued as at beginning of the period | 2,435,500                         | 3,000,000 |
| Less: Exercised during the period             | (1,482,500)                       | -         |
| Warrants issued as at end of the period       | 953,000                           | 3,000,000 |

## 11.2 Treasury shares

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

|   | Consolidated and<br>separate financial statements |             |
|---|---|-------------|
|   | 31 March  | 31 December |
|   | 2010  | 2009        |
| Cost of treasury shares (Thousand Baht)                           | 6,456.10  | 7,508.22    |
| Number of treasury shares (Thousand shares)                       | 5,829.70  | 6,779.70    |
| Average price per share (Baht)                                    | 1.11  | 1.10        |
| Percentage of treasury shares to the Company's shares<br>in issue | 1.26  | 1.46        |

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.

**11.3 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.

**11.4 Weighted average number of ordinary shares**

As at 31 March 2010 and 2009, the weighted average number of ordinary shares in the consolidated and separate financial statements are calculated as follows:

|   | (Unit: Shares)                                |                    |
|---|---|--------------------|
|   | Consolidated<br>financial statements          |                    |
|   | For the three-month<br>periods ended 31 March |                    |
|   | 2010  | 2009               |
| Balance brought forward (net of treasury shares)  | 455,717,569                                   | 456,497,369        |
| Add: Weighted average number of ordinary shares<br>in issue during the period                     | 844,528                                       | -                  |
| Treasury shares sold during the period  | 188,333                                       | -                  |
| Weighted average number of ordinary share   | 456,750,430                                   | 456,497,369        |
| Add: Potential ordinary shares - share warrants<br>(2010: 953,000 shares, 2009: 3,000,000 shares) | 620,870                                       | -                  |
| Diluted weighted average number of ordinary shares  | <u>457,371,300</u>                            | <u>456,497,369</u> |

  

|   | (Unit: Shares)                                |                    |
|---|---|--------------------|
|   | Separate<br>financial statements              |                    |
|   | For the three-month<br>periods ended 31 March |                    |
|   | 2010  | 2009               |
| Balance brought forward (net of treasury shares)  | 455,717,569                                   | 456,497,369        |
| Add: Weighted average number of ordinary shares<br>in issue during the period                     | 844,528                                       | -                  |
| Treasury shares sold during the period  | 188,333                                       | -                  |
| Weighted average number of ordinary shares  | 456,750,430                                   | 456,497,369        |
| Add: Potential ordinary shares - share warrants<br>(2010: 953,000 shares, 2009: 3,000,000 shares) | 620,870                                       | -                  |
| Diluted weighted average number of ordinary shares  | <u>457,371,300</u>                            | <u>456,497,369</u> |

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.

## 12. Corporate income tax

Interim corporate income tax has been calculated on net income (loss) of the non-BOI promoted operations (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.

## 13. Commitments and contingent liabilities

### 13.1 Capital commitments

As at 31 March 2010, the Company and its subsidiaries had capital commitments related to purchases of machinery amounting to approximately Baht 11.8 million and USD 0.5 million or equivalent to a total of approximately Baht 27.9 million.

### 13.2 Operating lease commitments

13.2.1 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 March 2010, future minimum lease payments required under these non-cancellable operating lease contracts were as follows:

|                  | (Unit: Thousand Baht)                |                                  |
|------------------|--------------------------------------|----------------------------------|
|                  | Consolidated<br>financial statements | Separate<br>financial statements |
| Payable within:  |                                      |                                  |
| Less than 1 year | 105,497                              | 98,890                           |
| 1 to 4 years     | 224,253                              | 215,962                          |



13.2.2 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. As at 31 March 2010, the associated company has a commitment to pay the rental fee in the future under this agreement of approximately USD 1.7 million or equivalent to approximately Baht 54.9 million.

### 13.3 Long-term service commitments

13.3.1 As at 31 March 2010, the Company and its subsidiaries have service contract commitments with a period of 1 to 3 years and the future minimum charge according to the agreements until the end of the agreement are as follows:

| Currency  | (Unit: Thousand)                     |                                  |
|-----------|--------------------------------------|----------------------------------|
|           | Consolidated<br>financial statements | Separate<br>financial statements |
| Baht      | 33,850                               | 17,043                           |
| US dollar | 80                                   | 26                               |

13.3.2 As at 31 March 2010, the Company and its two subsidiaries have commitments in respect of installment and implementation of computer software with a subsidiary company amounting to Baht 60.8 million (the Company only: Baht 18.5 million).

### 13.4 Guarantees

13.4.1 As at 31 March 2010 and 31 December 2009, the Company and its subsidiaries have 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. |                     |
|   | 31 March<br>2010     | 31 December<br>2009 | 31 March<br>2010               | 31 December<br>2009 |
| KCE Electronics Plc.                    |                      |                     |                                |                     |
| - Baht                                  | -                    | -                   | 162                            | 151                 |
| K.C.E. International Co., Ltd.          |                      |                     |                                |                     |
| - Baht                                  | 54                   | 2                   | -                              | -                   |
| KCE Technology Co., Ltd.                |                      |                     |                                |                     |
| - Baht                                  | 3,310                | 3,440               | -                              | -                   |
| - Euro                                  | 1                    | 1                   | -                              | -                   |
| Thai Laminate Manufacturer<br>Co., Ltd. |                      |                     |                                |                     |
| - Baht                                  | 68                   | 101                 | -                              | -                   |

13.4.2 As at 31 March 2010, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 67.4 million (the Company only: Baht 28.5 million) in respect of certain performance bonds as required in the normal course of businesses, mainly for guarantee of electric payment.

### **13.5 Litigation**

As at 31 March 2010, the Company had contingent liabilities in respect of specific business tax assessment from the Revenue Department's officer of Baht 4.2 million because the Company guaranteed to a related party without fee. On 9 July 2009, the Central Tax Court announced a judgement which was in favour of the Company and overran the assessment of the officer and the Tax Appeal Board's judgement from the Revenue Department. Later on 7 September 2009, the Revenue Department lodged an appeal against the Central Tax Court's judgement 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.

#### 14. 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 2010 and 2009 |                               |         |                                |         |           |         |         |         |           |           |                           |        |                     |           |           |           |
|  | Prepreg and Laminate business |         | Printed Circuit Board business |         |           |         |         |         |           |           | Service provider business |        | Eliminating entries |           | Total     |           |
|  | 2010                          | 2009    | America                        |         | Europe    |         | Asia    |         | Total     |           | 2010                      | 2009   | 2010                | 2009      | 2010      | 2009      |
| Revenue from external customers                          | 23,658                        | 19,277  | 329,418                        | 185,870 | 1,040,927 | 653,548 | 463,657 | 243,890 | 1,834,002 | 1,083,308 | 364                       | 260    | -                   | -         | 1,858,024 | 1,102,845 |
| Inter-segment revenues                                   | 307,115                       | 189,703 | -                              | -       | -         | -       | 355,979 | 289,242 | 355,979   | 289,242   | 15,860                    | 12,744 | (678,954)           | (491,689) | -         | -         |
| Total revenues   | 330,773                       | 208,980 | 329,418                        | 185,870 | 1,040,927 | 653,548 | 819,636 | 533,132 | 2,189,981 | 1,372,550 | 16,224                    | 13,004 | (678,954)           | (491,689) | 1,858,024 | 1,102,845 |
| Segment operating income                                 | 40,461                        | (709)   |                                |         |           |         |         |         | 411,644   | 108,273   | 7,068                     | 4,661  | (5,725)             | (4,246)   | 453,448   | 107,979   |
| Unallocated income                                       |                               |         |                                |         |           |         |         |         |           |           |                           |        |                     |           | 39,595    | 28,541    |
| Interest income  |                               |         |                                |         |           |         |         |         |           |           |                           |        |                     |           | 25        | 7,466     |
| Unallocated expenses                                     |                               |         |                                |         |           |         |         |         |           |           |                           |        |                     |           | (252,515) | (194,932) |
| Finance cost   |                               |         |                                |         |           |         |         |         |           |           |                           |        |                     |           | (56,104)  | (68,811)  |
| Corporate income tax                                     |                               |         |                                |         |           |         |         |         |           |           |                           |        |                     |           | (791)     | (145)     |
| Minority interest of the subsidiaries                    |                               |         |                                |         |           |         |         |         |           |           |                           |        |                     |           | (2,677)   | 527       |
| Net income   |                               |         |                                |         |           |         |         |         |           |           |                           |        |                     |           | 180,981   | (119,375) |

The Company and its subsidiaries have transfer pricing policy as described in Note 3 to the financial statements.

## 15. Foreign currency risk

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

### 15.1 Forward exchange contracts

| Currency  | Amount     | Maturity date                    | Contract exchange rate              | Exchange rate as at 31 March 2010   |
|-----------|------------|----------------------------------|-------------------------------------|-------------------------------------|
|           | (Thousand) |                                  | (Baht per unit of foreign currency) | (Baht per unit of foreign currency) |
| Buy       |            |                                  |                                     |                                     |
| US dollar | 8,272      | 1 April 2010 - 23 September 2010 | 32.3650 - 34.0000                   | 32.5268                             |
| Yen       | 4,082      | 30 April 2010                    | 0.3666                              | 0.3506                              |
| Sell      |            |                                  |                                     |                                     |
| US dollar | 4,091      | 25 June 2010                     | 33.4500                             | 32.1216                             |
| Euro      | 822        | 27 April 2010 - 31 May 2010      | 49.1484 - 50.1900                   | 42.9572                             |

### 15.2 Currency option agreements

|            | Currency  | Sold amount | Strike rate                         | Delivery date                 |
|------------|-----------|-------------|-------------------------------------|-------------------------------|
|            |           | (Thousand)  | (Baht per unit of foreign currency) |                               |
| Put option | US dollar | 10,000      | 32.5000                             | 25 June 2010 -<br>2 July 2010 |

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

As at 31 March 2010, fair value of currency option agreements is Baht 1.5 million.

### 15.3 Commodity hedge agreements

As at 31 March 2010, the Company and its subsidiaries had outstanding copper call option agreements, of which details are presented below.

| Type of goods | Quantity | Maturity date | Contract price      | Commodity's<br>market price as at<br>31 March 2010 |
|---------------|----------|---------------|---------------------|--|
|               | (Ton)    |               | (US dollar per ton) | (US dollar per ton)                                |
| Copper        | 100      | 30 April 2010 | 6,360               | 7,830  |

### 16. Subsequent event

#### The Company

On 29 April 2010, the Annual General Meeting of the Company's shareholders approved the payment of dividend in respect of the 2009 net income at Baht 0.15 per share to the ordinary shareholders, totaling approximately Baht 69 million. The Company will pay the dividend on 27 May 2010 and will record this transaction in the second quarter of the current year.

On 29 April 2010, the Board of Director's meeting No. 4/2553 of the Company approved the purchase of ordinary shares of Thai Laminate Manufacturer Co., Ltd, a subsidiary, from another subsidiary and a shareholder in order to manage the subsidiary more efficiently. After finalising the purchase of ordinary shares, the Company will directly hold 95 percent of the registered share capital of Thai Laminate Manufacturer Co., Ltd.

#### Subsidiary

On 23 April 2010, the Annual General Meeting of the shareholders of Thai Laminate Manufacturer Company Limited approved the payment of dividend in respect of the 2007 net income at Baht 0.6 per share to the ordinary shareholders, totaling Baht 15 million. The subsidiary will pay the dividend on 21 May 2010 and will record this transaction in the second quarter of the current year.

### 17. Approval of interim financial statements

These interim financial statements were authorised for issue by the authorised directors of the Company on 11 May 2010.