

KCE Electronics Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month and six-month periods ended 30 June 2008 and 2007

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 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.

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 2007 except the investment in Thai Business Solution Co., Ltd. during the period, with the group structure as at 30 June 2008 and 31 December 2007 as detailed below.

(Unaudited but reviewed)

	Percentage of shareholding		Subsidiary's assets as a percentage to the consolidated total		Subsidiary's revenues as a percentage to the consolidated total revenues for the three-month periods ended		Subsidiary's revenues as a percentage to the consolidated total revenues for the six-month periods ended	
	30	31	30	31	30	30	30	30
	June	December	June	December	June	June	June	June
	2008	2007	2008	2007	2008	2007	2008	2007
K.C.E. International Co., Ltd.	94.99	94.99	10	9	15	16	14	17
KCE Technology Co., Ltd.	100.00	100.00	52	54	47	48	48	50
Thai Laminate Manufacturer Co., Ltd. (Held by the Company 52.00% and K.C.E. International Co., Ltd. 19.20%)	70.24	70.24	10	9	2	1	2	1
KCE (Thailand) Co., Ltd.	60.00	60.00	1	1	3	1	2	-
Thai Business Solution Co., Ltd.	49.00	-	-	-	-	-	-	-

1.4 Accounting Standards which are effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that and TAS 49 is not relevant to the business of the Company, whereas TAS 25, TAS 29, TAS 31, TAS 33, TAS 35, TAS 39, TAS 41 and TAS 51 do not have any significant impact on the financial statements for the current period.

TAS 43 (revised 2007) Business Combinations has an impact to the financial statements for the current year for negative goodwill acquired in a business combination before 2008. The Company will reassess the assets and liabilities valuation of the investee company before recognising negative goodwill against retained earnings.

1.5 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 2007 except for the change in the accounting policy of negative goodwill which does not require the amortisation. The Company will reassess the valuation of the assets and liabilities of the investee company before recognizing the negative goodwill from business combination before 2008 against retained earnings. In addition, there are significant accounting policies that the Company and its subsidiaries adopted during the period as follow.

Rendering of services

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

Hire-purchase agreements

The Company and its subsidiaries record liabilities under hire purchase agreement at hire purchase payables less related interest. The liabilities are repayable according to the installment schedules in the hire-purchase agreements. Fixed assets acquired under hire purchase agreements are recorded at their cash price and are registered in the Company and its subsidiaries' name upon completion of repayment.

Financial instruments and commodities and currency option agreements

The Company and its subsidiaries enter into off-balance sheet derivatives for hedging commodities price risk. For the agreements which are effective as from 1 April 2008, the Company and its subsidiaries choose not to adopt accounting for hedge activities. The Company and its subsidiaries recognise unrealized gains or losses on the change of fair value of financial instruments in the income statements.

In addition, the Company and its subsidiaries enter into commodities and currency option agreements whereby the seller grants the buyer a future option to buy (call option) or to sell (put option) commodities or foreign currency at the price and at the exchange rate as stipulated in the agreement. The Company and its subsidiaries enter into such agreements in order to manage such risk. The Company and its subsidiaries recognise unrealised gains or losses on the change of fair value of such commodities and currency option agreements in the income statements.

2. Additional information of cash flows statements

Non-cash related transactions for investing activities for six-month periods ended 30 June 2008 and 2007 are as follows:

(Unit: Thousand Baht)

	Consolidated financial		Separate financial statements	
	statements			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Purchase of machinery and equipment	289,191	118,262	142,442	57,194
Sale of machinery and equipment	(315)	(20,112)	(7,080)	(217)
Purchase of computer software	2,365	-	4,915	-
Add(less):				
Other payable from purchases of machinery and equipment	(93,150)	(98,147)	(2,747)	(31,144)
Other payable from purchase of computer software	(2,365)	-	(2,365)	-
Amounts due to related parties for purchases of machinery and equipment	-	-	(5,639)	(26,050)
Amounts due to related parties for purchases of computer software	-	-	(2,550)	-
Trust receipts	(54,684)	(19,461)	-	-
Accounts payable under hire purchase agreements	(140,022)	(610)	(132,958)	-
Accrued interest capitalised as costs of machinery and equipment	(50)	(44)	-	-
Other accrued expense as costs of machinery and equipment	(187)	-	-	-
Advance payment and deposit of assets	(1,098)	-	(1,098)	-
Amounts due from related parties for sales of machinery and equipment	-	20,112	7,080	217
Other receivable from sale of machine and equipment	315	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. Trade accounts receivable

The outstanding balance of trade accounts receivable as at 30 June 2008 and 31 December 2007 categorised by its aging is as follows:

(Unit: Thousand Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
<u>Trade accounts receivable – related parties</u>				
Not yet due	415,430	416,624	239,813	222,529
Overdue				
Less than 3 months	71,599	105,797	30,224	53,520
3 – 6 months	822	2,580	-	-
6 – 12 months	-	383	-	375
Over 12 months	-	1,288	-	37
Total trade accounts receivable – related parties	<u>487,851</u>	<u>526,672</u>	<u>270,037</u>	<u>276,461</u>
<u>Trade accounts receivable – others</u>				
Not yet due	1,420,569	1,355,433	480,398	393,501
Overdue				
Less than 3 months	139,382	94,344	45,920	35,871
3 – 6 months	5,972	10,363	185	2,443
6 – 12 months	2,930	11,782	152	2,813
Over 12 months	779	1,950	779	1,824
Total trade accounts receivable – others	<u>1,569,632</u>	<u>1,473,872</u>	<u>527,434</u>	<u>436,452</u>
Total trade accounts receivable	2,057,483	2,000,544	797,471	712,913
Less: Allowance for doubtful accounts	<u>(920)</u>	<u>(2,420)</u>	<u>(850)</u>	<u>(2,358)</u>
Trade accounts receivable – net	<u><u>2,056,563</u></u>	<u><u>1,998,124</u></u>	<u><u>796,621</u></u>	<u><u>710,555</u></u>

4. Related party transactions

During the periods, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the three-month periods ended 30 June		For the three-month periods ended 30 June		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
<i><u>Transactions with subsidiaries</u></i>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	133.8	52.3	Market prices and prices per job order for each product which are agreed between the parties
Purchase of goods	-	-	290.7	241.4	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	8.3	26.0	Prices agreed between the parties
Sales of fixed assets	-	-	7.1	-	Net book value plus margin and prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	363.5	491.1	135.4	151.7	Market prices at which similar quality products are sold under same conditions
Sales of fixed assets	-	20.4	-	-	Net book value plus margin and prices agreed between the parties
Purchases of raw materials	55.5	61.4	17.6	20.9	Market prices at which similar quality products are purchased under same conditions
Purchase of fixed assets	0.2	20.6	0.1	0.1	Prices agreed between the parties
Commission expense	11.0	13.2	5.1	9.2	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)

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the six-month periods ended 30 June		For the six-month periods ended 30 June		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
<u>Transactions with subsidiaries</u>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	245.1	99.4	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	7.5	-	Net book value plus margin and prices agreed between the parties
Purchase of goods	-	-	588.5	449.8	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	10.3	26.8	Prices agreed between the parties
<u>Transactions with associated companies</u>					
Sales of goods	818.9	929.0	291.5	284.1	Market prices at which similar quality products are sold under same conditions
Sales of fixed assets	-	20.4	-	-	Net book value plus margin and prices agreed between the parties
Purchases of raw materials	117.6	114.5	34.9	41.2	Market prices at which similar quality products are purchased under same conditions
Purchase of fixed assets	0.4	22.9	0.4	2.2	Prices agreed between the parties
Commission expense	22.9	26.9	11.5	14.6	At the agreed rates between the parties which is general rate for the same business
<u>Transactions with related company</u>					
Interest income	14.9	14.8	14.9	14.8	Interest rate at 7.5 percent per annum

(Unaudited but reviewed)

The outstanding balances of the above transactions as at 30 June 2008 and 31 December 2007 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	73,595	73,789
K.C.E. International Co., Ltd.	-	-	28,948	21,831
KCE (Thailand) Co., Ltd.	-	-	3,702	5,093
Thai Laminate Manufacturer Co., Ltd.	-	-	465	1,516
Total trade accounts receivable - subsidiaries	-	-	106,710	102,229
Associated companies				
KCE America, Inc.	411,956	474,563	135,161	146,831
KCE Singapore Pte., Ltd.	75,895	52,109	28,166	27,401
Total trade accounts receivable - associated companies	487,851	526,672	163,327	174,232
Total trade accounts receivable - related parties	487,851	526,672	270,037	276,461
 <u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	7,098	9
KCE (Thailand) Co., Ltd.	-	-	8	8
Total amounts due from and short-term loans to subsidiaries	-	-	7,106	17
Associated company				
KCE Singapore Pte., Ltd.	100	-	-	-
Total amount due from and short-term loan to associates	100	-	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2008	2007	2008	2007
Related company				
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	286,116	271,227	286,116	271,227
	685,351	670,462	685,351	670,462
Less: Allowance for doubtful accounts	(685,351)	(670,462)	(685,351)	(670,462)
Total amounts due from and short-term loans to related company - net	-	-	-	-
Total amounts due from and short-term loans to related parties - net	100	-	7,106	17
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	335,106	251,856
KCE Technology Co., Ltd.	-	-	103,750	82,969
K.C.E. International Co., Ltd.	-	-	5,822	3,507
Total trade accounts payable - subsidiaries	-	-	444,678	338,332
Associated company				
KCE Singapore Pte., Ltd.	76,799	51,264	29,687	14,480
Total trade accounts payable - associated company	76,799	51,264	29,687	14,480
Total trade accounts payable - related parties	76,799	51,264	474,365	352,812
<u>Amounts due to and advances from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	5,640	4,911
KCE International Co., Ltd.	-	-	3,028	779
Thai Business Solution co., Ltd.	-	-	2,550	-
Total amounts due to and advances from subsidiaries	-	-	11,218	5,690
Associated company				
KCE Singapore Pte., Ltd.	8,583	9,155	1,677	2,171
Total amounts due to and advances from associate company	8,583	9,155	1,677	2,171
Total amounts due to and advances from related parties	8,583	9,155	12,895	7,861

Directors and management's remuneration

The Company and its subsidiaries paid salaries, bonuses, provident fund and meeting allowances to their directors and management during the three-month and six-month periods ended 30 June 2008 totaling Baht 19.8 million and Baht 34.0 million, respectively (The Company only: Baht 10.6 million and Baht 17.1 million, respectively) and during the three-month and six-month periods ended 30 June 2007 totaling Baht 17.2 million and Baht 29.3 million, respectively (The Company only: Baht 10.9 million and Baht 17.6 million, respectively).

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 six-month period ended 30 June 2008 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2008	28,673	15,695
Add: Allowance for diminution in value of inventories and inventory obsolescence made during the period	13,288	1,914
Balance as at 30 June 2008	<u>41,961</u>	<u>17,609</u>

6. Investments in subsidiaries

Company's name	(Unit: Thousand Baht)									
	Separate financial statements									
	Paid-up capital		Shareholding percentage		Cost		Provision for impairment of investments		Carrying amounts based on cost method-net	
30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007	
			(%)	(%)						
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	-	49.00	-	1,470	-	-	-	1,470	-
Total					<u>1,483,839</u>	<u>1,482,369</u>	<u>(563,271)</u>	<u>(563,271)</u>	<u>920,568</u>	<u>919,098</u>

(Unaudited but reviewed)

On 29 April 2008, the Company purchased 147,000 shares of Thai Business Solution Co., Ltd. at Baht 10 per share, or a total sum of Baht 1.47 million, which represents 49 percent of registered share capital of that company. The Company regards such company as a subsidiary company because the Company has the control over the policies and the management of this company.

7. Investments in associated

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007
			(%)	(%)				
KCE America, Inc.	Foreign sale representative to the Company and its affiliates	United States of America	48.75	48.75	644	644	56,629	56,462
KCE Singapore Pte., Ltd.	Foreign sale representative to the Company and its affiliates	Singapore	47.77	47.77	4,201	4,201	27,522	25,711
Total					4,845	4,845	84,151	82,173

(Unit: Thousand Baht)

Company's name	Separate financial statements			
	Shareholding percentage		Cost	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
	(%)	(%)		
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 six-month periods ended 30 June 2008 and 2007 there is no dividend from the associated companies.

Share of income (loss) from investments for the three-month and six-month periods ended 30 June 2008 and 2007 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.

In 1998, the Company made repayment of liabilities from guarantees of loans of Avatar Systems Corporation, a subsidiary of an associated company, totaling approximately Baht 399 million in the consolidated financial statements and in the Company's financial statements. This company had been liquidated under Chapter 7 of the U.S. Federal Bankruptcy Code. The Company had not received repayment from that company. However, the Company is in the process to sue this case under the court in Thailand. As at 30 June 2008 and 31 December 2007, 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, as detailed in Note 4 to the financial statements.

8. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 30 June 2008 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2008	5,764,395	1,379,025
Acquisitions during period - at cost	485,530	155,850
Disposals during period - net book value at disposal date	(2,627)	(8,262)
Depreciation for the period	(271,236)	(75,668)
Net book value as at 30 June 2008	<u>5,976,062</u>	<u>1,450,945</u>

8.1 As at 30 June 2008, 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 30 June 2008, 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 30 June 2008 of Baht 118.7 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		For the six-month periods	
	ended 30 June		ended 30 June	
	2008	2007	2008	2007
Consolidated financial statements	785	1,979	1,331	6,381
Separate financial statements	177	1,841	503	3,498

The assets capitalisation rates for the three-month and six-month period ended 30 June 2008 are at the rates between 2.6 to 6.6 percent per annum and 2.6 to 7.3 percent per annum, respectively (2007: at the rates between 2.1 to 6.9 percent per annum and 2.1 to 6.9 percent per annum, respectively) in the consolidated financial statements and the separate financial statements.

9. Computer software

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2008	10,203	1,449
Acquisitions during period - at cost	14,032	7,580
Amortisation for the period	(2,611)	(656)
Net book value as at 30 June 2008	<u>21,624</u>	<u>8,373</u>

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2008	2007	2008	2007
Bank overdrafts	54,440	38,101	10,674	-
Short-term loans	1,106,782	1,003,000	257,781	215,000
Packing credits	2,228,000	2,147,000	655,000	612,000
Trust receipts	676,052	535,986	40,648	42,104
Total	<u>4,065,274</u>	<u>3,724,087</u>	<u>964,103</u>	<u>869,104</u>

- 10.1 As at 30 June 2008 and 31 December 2007, 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 30 June 2008 and 31 December 2007, bank overdrafts and most of loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.
- 10.3 As at 30 June 2008 and 31 December 2007, 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	
	30 June	31 December	30 June	31 December
	2008	2007	2008	2007
EURO portion	151,094	201,331	77,649	107,177
Baht portion	939,035	1,176,165	-	-
	1,090,129	1,377,496	77,649	107,177
Less: Current portion of long-term loans	(474,391)	(573,383)	(62,162)	(63,797)
Long-term loans, net of current portion	<u>615,738</u>	<u>804,113</u>	<u>15,487</u>	<u>43,380</u>

Movements in the long-term loans account during the six-month period ended 30 June 2008 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial	Separate financial
	statements	statements
Balance as at 1 January 2008	1,377,496	107,177
Add (less): Repayment during period	(298,130)	(34,843)
Unrealised loss on exchange	10,763	5,315
Balance as at 30 June 2008	<u>1,090,129</u>	<u>77,649</u>

As at 30 June 2008, the Company and its two subsidiaries, K.C.E. International Co., Ltd. and KCE Technology Co., Ltd. had long-term loans from banks in EURO currency of EURO 2.8 million in consolidated financial statements and EURO 1.5 million in the separate financial statements (31 December 2007: EURO 4.1 million in consolidated financial statements and EURO 2.2 million in the separate financial statements).

- 11.1 As at 30 June 2008 and 31 December 2007, long-term loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.
- 11.2 As at 30 June 2008 and 31 December 2007, a long-term loan from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, is guaranteed by the Company and is secured by the mortgage of the subsidiary's plant, building and the 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 As at 30 June 2008 and 31 December 2007, long-term loans from banks of KCE Technology Co., Ltd., a subsidiary company, 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

On 9 August 2007 and 10 October 2007, the Company issued and allotted 365,000 and 2,005,000 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.

There is no warrant issued for the six-month period ended 30 June 2008.

As at 30 June 2008, 2,370,000 units of issued warrant remained. No warrants were exercised because the exercise date started from 15 to 18 September 2008.

12.2 Company's shares held by its subsidiaries

The Company's ordinary shares held by its subsidiaries represent the Company's ordinary shares which are held by its subsidiary, K.C.E. International Co., Ltd..

This shareholding is presented as a deduction item in the shareholders' equity in order to present the net Company's shareholders' equity in the consolidated financial statements. The details as at 30 June 2008 and 31 December 2007 are as follows:

(Unaudited but reviewed)

	30 June 2008	31 December 2007
Number of shares held by its subsidiaries (shares)	<u>3,271,850</u>	<u>4,571,850</u>
Cost of shares (Thousand Baht)	9,276	12,963
Share discount (Thousand Baht)	<u>728</u>	<u>1,847</u>
Shares held by its subsidiaries (Thousand Baht)	<u>10,004</u>	<u>14,810</u>

12.3 Weighted average number of ordinary shares

As at 30 June 2008 and 2007, 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 30 June		For the six-month periods ended 30 June	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Balance brought forward	462,497,269	314,930,000	462,497,269	314,930,000
Add: Shares issued during the period	-	14,594,565	-	7,337,599
Less: The Company's shares held by subsidiaries	<u>(3,271,850)</u>	<u>(6,748,300)</u>	<u>(3,271,850)</u>	<u>(6,748,300)</u>
Weighted average number of ordinary shares	459,225,419	322,776,265	459,225,419	315,519,299
Add: Potential ordinary share - share warrant (2008: 2,370,000 shares, 2007: none)	-	-	-	-
Diluted weighted average number of ordinary shares	<u>459,225,419</u>	<u>322,776,265</u>	<u>459,225,419</u>	<u>315,519,299</u>

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the period ended 30 June 2008, 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 30 June		For the six-month periods ended 30 June	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Balance brought forward	462,497,269	314,930,000	462,497,269	314,930,000
Add : Shares issued during the period	-	14,594,565	-	7,337,599
Weighted average number of ordinary shares	<u>462,497,269</u>	<u>329,524,565</u>	<u>462,497,269</u>	<u>322,267,599</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 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 30 June 2008, 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:

<u>Currency</u>	(Unit: Thousand)	
	<u>Consolidated financial statements</u>	<u>Separate financial statements</u>
Baht	48,910	21,177
US dollar	217	8

15.2 As at 30 June 2008, the Company and its subsidiaries had commitment for purchase of machine amounting to approximately USD 3.7 million, EURO 0.9 million and YEN 173.2 million or totally equivalent to Baht 227.1 million (the Company only: USD 2.4 million and EURO 0.3 million or totally equivalent to Baht 97.3 million).

(Unaudited but reviewed)

15.3 As at 30 June 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.	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
K.C.E. International Co., Ltd.				
- Baht	154	212	-	-
- USD	4	5	-	-
KCE Technology Co., Ltd.				
- Baht	3,765	3,846	-	-
- EURO	1	2	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	147	170	-	-
KCE Electronics Plc.				
- Baht	-	-	264	258

15.4 As at 30 June 2008, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 61.8 million (the Company only: Baht 27.2 million) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electric payment.

15.5 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, the associated company has commitment to pay the rental fee in the future of approximately USD 1.9 million or equivalent to approximately Baht 63.2 million.

15.6 As at 30 June 2008, the Company and its subsidiaries have commitment in respect of installment and implementation of computer software amounting to Baht 101.0 million (the Company only: Baht 30.4 million).

16. 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 30 April 2007, the Annual General Meeting of the Company's shareholders passed a resolution approving the omission of the annual dividend payment for the year 2006 to the Company's shareholders.

17. 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 30 June																
	Printed Circuit Board Business										Service business		Eliminate entries		Total	
	Prepreg and Laminate business		America		Europe		Asia		Total		2008	2007	2008	2007	2008	2007
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007						
Revenue from external customers	38,377	36,442	331,444	379,540	1,249,604	921,530	402,245	684,846	1,983,293	1,985,916	-	-	-	-	2,021,670	2,022,358
Inter-segment revenues	380,114	397,508	-	-	-	-	335,407	149,960	335,407	149,960	350	-	(715,871)	(547,468)	-	-
Total revenues	<u>418,491</u>	<u>433,950</u>	<u>331,444</u>	<u>379,540</u>	<u>1,249,604</u>	<u>921,530</u>	<u>737,652</u>	<u>834,806</u>	<u>2,318,700</u>	<u>2,135,876</u>	<u>350</u>	<u>-</u>	<u>(715,871)</u>	<u>(547,468)</u>	<u>2,021,670</u>	<u>2,022,358</u>
Segment operating income	<u>48,476</u>	<u>42,107</u>							<u>270,657</u>	<u>340,121</u>	<u>99</u>	<u>-</u>	<u>1,112</u>	<u>230</u>	<u>320,344</u>	<u>382,458</u>
Unallocated income															58,256	46,209
Interest income															7,753	8,018
Unallocated expenses															(418,071)	(294,377)
Interest expenses															(66,966)	(72,384)
Corporate income tax															694	(2,938)
Minority interest in income of subsidiaries															(3,316)	(6,078)
Net income (loss)															<u>(101,306)</u>	<u>60,908</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

Consolidated financial statements																
For the six-month periods ended 30 June																
Printed Circuit Board Business																
Prepreg and Laminate	business		America		Europe		Asia		Total		Service business		Eliminate entries		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	96,616	58,698	721,474	773,941	2,553,566	1,985,003	823,757	1,287,298	4,098,797	4,046,242	-	-	-	-	4,195,413	4,104,940
Inter-segment revenues	776,657	761,199	-	-	-	-	660,893	301,512	660,893	301,512	350	-	(1,437,900)	(1,062,711)	-	-
Total revenues	<u>873,273</u>	<u>819,897</u>	<u>721,474</u>	<u>773,941</u>	<u>2,553,566</u>	<u>1,985,003</u>	<u>1,484,650</u>	<u>1,588,810</u>	<u>4,759,690</u>	<u>4,347,754</u>	<u>350</u>	<u>-</u>	<u>(1,437,900)</u>	<u>(1,062,711)</u>	<u>4,195,413</u>	<u>4,104,940</u>
Segment operating income	<u>92,581</u>	<u>73,820</u>							<u>555,687</u>	<u>684,986</u>	<u>99</u>	<u>-</u>	<u>849</u>	<u>5,964</u>	<u>649,216</u>	<u>764,770</u>
Unallocated income															118,076	64,102
Interest income															15,282	15,828
Unallocated expenses															(624,044)	(563,681)
Interest expenses															(136,505)	(146,906)
Corporate income tax															(3,400)	(8,638)
Minority interest in income of subsidiaries															(9,326)	(10,484)
Net income															<u>9,299</u>	<u>114,991</u>

Transfer prices between business segments are as set out in Note 4 to the financial statements.

18. Forward exchange contracts and commodity swap agreements

As at 30 June 2008, 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 30 June 2008
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	35,915	22 July 2008 - 5 January 2009	31.4564 - 33.7675	33.6588
Sell				
US dollar	73,390	2 July 2008 - 5 January 2009	31.1200 - 33.7867	33.3085
Euro	9,948	3 July 2008 - 2 January 2009	47.9700 - 52.5606	52.4825

As at 30 June 2008, 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 30 June 2008
			(US dollar per unit)	(US dollar per unit)
Copper	750 ton	July – December 2008	7,200 - 8,000	8,776
Gold	250 Oz.	July 2008	880	933

As at 30 June 2008, the Company and its subsidiaries had outstanding put option agreements with an overseas bank in respect of future sale of copper of 1,050 ton (the Company only: 263 ton). The bank has to exercise the option within 31 December 2008 for sale of copper to the Company and its subsidiary, which has maturity date between January 2009 and June 2009. If the contract price, which is USD 7,200 per ton, is greater than average market price in the month of settlement, the Company and its subsidiaries will pay the bank an amount equal to the difference multiplied by notional quantity per settlement period.

As at 30 June 2008, the Company and its subsidiaries had outstanding put option agreements with a domestic bank in respect of future sale of foreign currency amounting to USD 10 million (the Company only: USD 8 million), which has maturity date on 5 January 2009. The exchange rate under the contract is Baht 33.40 and 33.45 per USD. If the exchange rate as at the maturity date is less than the contract rate, the Company and its subsidiary will buy foreign currency from bank at the rate of Baht 33.40 and Baht 33.45 per USD.

19. Reclassification

Certain amounts in the consolidated financial statements for the three-month and six-month periods ended 30 June 2007 have been reclassified to conform to the current period's classifications, with no effect on previously reported net income.

20. Subsequent events

On 9 July 2008, there was an electrical short circuit at KCE Technology Co., Ltd., a subsidiary company, causing the damage to main distribution box and part of equipment including work in process. Insurance company is in process of assessment of the damage. However, the subsidiary expects that the damage amount is claimable from the insurance company. Thus, the management of subsidiary has not provided for any reserve for damage from such incident.

21. Approval of interim financial statements

These interim financial statements were authorised for issue by the authorised directors of the Company on 13 August 2008.