

**KCE Electronics Public Company Limited and its subsidiaries**

**Notes to interim financial statements**

**For the three-month and six-month periods ended 30 June 2009 and 2008**

**1. General information**

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

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

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

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

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

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

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

## **1.2 Economic crisis**

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

From the said crisis, the Company and its subsidiaries have been affected from the reduction in purchase order from customers which caused K.C.E. International Co., Ltd., a subsidiary company, announced temporary cease of the production since December 2008 and the whole production will be moved to the Company and KCE Technology Co., Ltd., another subsidiary. However, the management of the Company and its subsidiaries have contacted various customers to increase the purchase order in the future and have renovated facilities of the subsidiary which has ceased the operation and expected to resume the production within the third quarter of 2009. Therefore, the management of the Company and its subsidiaries believe that the Company and the subsidiaries' operations will return to normal in the future. The accompanying financial statements have therefore been prepared on a going concern basis, assuming that the Company and the subsidiaries are able to continue their operations and that the realisation of assets and settlement of liabilities and obligations will occur in the ordinary course of business of the Company and the subsidiaries, without any expectation of significant disruption to the ongoing activities.

### 1.3 Basis for the preparation of interim financial statements

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

### 1.4 Basis of consolidation

These consolidated financial statements include the financial statements of KCE Electronics Public Company Limited (hereinafter called "the Company") and its subsidiaries (hereinafter called "the subsidiaries") and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2008, with the group structure as at 30 June 2009 and 31 December 2008 as detailed below.

Company's name	Percentage of shareholding		Subsidiary's assets as a percentage to the consolidated total assets as at		Subsidiary's revenues as a percentage to the consolidated total revenues for the three-month periods ended		Subsidiary's revenues as a percentage to the consolidated total revenues for the six-month periods ended	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
K.C.E. International Co., Ltd.	94.99	94.99	6	6	-	15	-	14
KCE Technology Co., Ltd.	100.00	100.00	56	56	53	47	55	48
Thai Laminate Manufacturer Co., Ltd. (Held by the Company 52.00% and K.C.E. International Co., Ltd. 19.20%)	70.24	70.24	9	9	2	2	2	2
KCE (Thailand) Co., Ltd.	60.00	60.00	1	1	4	3	4	2
Thai Business Solution Co., Ltd.	49.00	49.00	-	-	-	-	-	-

## 1.5. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, regarding the renumbering of Thai Accounting Standards to match the corresponding International Accounting Standards. Therefore the numbers of Thai Accounting Standards as used in these financial statements are corresponded to those per this notification.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

### a) Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale

and Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007), Accounting Treatment Guidance for Leasehold Right and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007) and TAS 36 (revised 2007) do not have any significant impact on the financial statements for the current period.

### b) Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allows early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believe that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which they are initially applied.

## 1.6 Significant accounting policies

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

## 2. Additional information of cash flows statements

Non-cash related transactions for investing activities for three-month periods ended 30 June 2009 and 2008 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Purchase of machinery and equipment	96,090	289,191	95,576	142,442
Purchase of computer software	3,325	2,365	6,775	4,915
Sale of machinery and equipment	(93)	(315)	(32,587)	(7,080)
Increase in investment in subsidiaries	-	-	150,000	-
Add(less):				
Other payable from purchases of machinery and equipment	(17,417)	(93,150)	(652)	(2,747)
Amounts due to related parties for purchases of machinery and equipment	-	-	(22,684)	(5,639)
Other payable from purchase of computer software	(3,325)	(2,365)	(3,325)	(2,365)
Amounts due to related parties for purchases of computer software	-	-	(3,450)	(2,550)
Trust receipts	-	(54,684)	-	-
Accounts payable under hire purchase agreements	(78,583)	(140,022)	(72,240)	(132,958)
Accrued interest capitalised as costs of machinery and equipment	-	(50)	-	-
Other accrued expense as costs of machinery and equipment	-	(187)	-	-
Advance payment and deposit of assets	-	(1,098)	-	(1,098)
Other receivable from sale of machine and equipment	3	315	-	-
Amounts due from related parties for sales of machinery and equipment	-	-	32,587	7,080
Share subscription payable to related party for increase in investment in subsidiaries	-	-	(150,000)	-
	-	-	-	-

### 3. Trade accounts receivable

The balance of trade accounts receivable as at 30 June 2009 and 31 December 2008, aged on the basis of due date, as follows:

(Unit: Thousand Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
<b><u>Trade accounts receivable - related parties</u></b>				
Not yet due	178,337	412,697	117,511	262,723
Past due				
Up to 3 months	79,917	58,781	128,129	148,638
3 - 6 months	18,862	2,752	31,576	485
Total trade accounts receivable				
- related parties	277,116	474,230	277,216	411,846
<b><u>Trade accounts receivable - unrelated parties</u></b>				
Not yet due	884,071	713,420	348,516	209,446
Past due				
Up to 3 months	81,417	156,030	44,921	55,359
3 - 6 months	1,199	12,488	512	6,689
6 - 12 months	2,043	322	1,165	322
Over 12 months	-	716	-	716
Total trade accounts receivable - unrelated parties	968,730	882,976	395,114	272,532
Total trade accounts receivable	1,245,846	1,357,206	672,330	684,378
Less: Allowance for doubtful accounts	(3,074)	(4,540)	(2,883)	(4,260)
Trade accounts receivable - net	1,242,772	1,352,666	669,447	680,118

(Unaudited but reviewed)

#### 4. Related party transactions

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the three-month periods ended 30 June		For the three-month periods ended 30 June		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<i><u>Transactions with subsidiaries</u></i> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	60.2	133.8	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	2.4	7.1	Net book value plus margin and prices agreed between the parties
Purchases of goods	-	-	186.0	290.7	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	3.9	8.3	Prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	176.2	363.5	76.5	135.4	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	25.9	55.5	9.5	17.6	Market prices at which similar quality products are purchased under same conditions
Commission expense	12.1	11.0	4.2	5.1	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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<i><u>Transactions with subsidiaries</u></i> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	134.6	245.1	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	32.6	7.5	Net book value plus margin and prices agreed between the parties
Purchases of goods	-	-	367.9	588.5	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	32.5	10.3	Prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	414.9	818.9	166.4	291.5	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	58.1	117.6	21.2	34.9	Market prices at which similar quality products are purchased under same conditions
Commission expense	24.9	22.9	10.6	11.5	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	14.9	14.9	14.9	14.9	Interest rate at 7.5 percent per annum



(Unaudited but reviewed)

As at 30 June 2009 and 31 December 2008, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
<b><u>Trade accounts receivable - related parties</u></b>				
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	166,239	233,963
KCE (Thailand) Co., Ltd.	-	-	2,995	5,176
Thai Laminate Manufacturer Co., Ltd.	-	-	743	5,611
K.C.E. International Co., Ltd.	-	-	392	215
Total trade accounts receivable - subsidiaries	-	-	170,369	244,965
<b>Associated companies</b>				
KCE America, Inc.	223,388	402,494	86,468	132,735
KCE Singapore Pte., Ltd.	53,728	71,736	20,379	34,146
Total trade accounts receivable - associated companies	277,116	474,230	106,847	166,881
<b>Total trade accounts receivable - related parties</b>	<b>277,116</b>	<b>474,230</b>	<b>277,216</b>	<b>411,846</b>
<b><u>Amounts due from and short-term loans to related parties</u></b>				
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	50,737	18,167
K.C.E. International Co., Ltd.	-	-	998	1,092
Thai Business Solution Co., Ltd.	-	-	73	-
Thai Laminate Manufactures Co., Ltd.	-	-	9	-
KCE (Thailand) Co., Ltd.	-	-	-	73
Total amounts due from and short-term loans to subsidiaries	-	-	51,817	19,332
<b>Associated company</b>				
KCE Singapore Pte., Ltd.	3	23	-	-
KCE America, Inc.	-	538	-	-
Total amounts due from and short-term loans to associated company	3	561	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
<b>Related company</b>				
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	316,018	301,170	316,018	301,170
	715,253	700,405	715,253	700,405
Less: Allowance for doubtful accounts	(715,253)	(700,405)	(715,253)	(700,405)
Total amounts due from and short-term loans				
to related company - net	-	-	-	-
<b>Total amounts due from and short-term</b>				
<b>loans to related parties - net</b>	<b>3</b>	<b>561</b>	<b>51,817</b>	<b>19,332</b>

The Company had not received repayment from Avatar Systems Corporation, a subsidiary of an associated company, totaling approximately Baht 715.3 million. Currently, the Company is in the process to sue this case under the court in Thailand. However, as at the balance sheet date, the Company has recorded the above transaction with that company as short-term loans to related parties and has set up a full allowance for such loans and other receivable from that company.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
<b><u>Trade accounts payable - related parties</u></b>				
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	284,393	128,748
Thai Laminate Manufacturer Co., Ltd.	-	-	82,771	212,892
K.C.E. International Co., Ltd.	-	-	44,235	48,397
Total trade accounts payable - subsidiaries	-	-	411,399	390,037
<b>Associated company</b>				
KCE Singapore Pte., Ltd.	26,889	49,093	15,755	20,605
Total trade accounts payable - associated				
company	26,889	49,093	15,755	20,605
<b>Total trade accounts payable - related parties</b>	<b>26,889</b>	<b>49,093</b>	<b>427,154</b>	<b>410,642</b>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
<b><u>Share subscription payable</u></b>				
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	150,000	-
<b>Total share subscription payable</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>-</b>
<b><u>Amounts due to and advances from related parties</u></b>				
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	23,496	191
K.C.E. International Co., Ltd.	-	-	34,203	20,399
Thai Laminate Manufacturer Co., Ltd.	-	-	19,903	-
Thai Business Solution Co., Ltd.	-	-	3,691	-
Total amounts due to and advances from subsidiaries	-	-	81,293	20,590
<b>Associated companies</b>				
KCE Singapore Pte., Ltd.	12,665	11,301	2,434	2,795
Total amounts due to and advances from associated companies	12,665	11,301	2,434	2,795
<b>Total amounts due to and advances from related parties</b>	<b>12,665</b>	<b>11,301</b>	<b>83,727</b>	<b>23,385</b>

**Guarantee obligations with related parties**

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 14.3 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 2009 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2009	81,258	24,110
Less: Reversal for diminution in value of inventories and inventory obsolescence made during the period	(21,249)	(4,330)
Balance as at 30 June 2009	<u>60,009</u>	<u>19,780</u>

## 6. 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		Provision for impairment of investments		Carrying amounts based on cost method-net	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
			(%)	(%)						
K.C.E. International Co., Ltd.	100,000	100,000	94.99	94.99	172,499	172,499	-	-	172,499	172,499
Thai Laminate Manufacturer Co., Ltd.	250,000	250,000	52.00	52.00	157,710	157,710	-	-	157,710	157,710
KCE Technology Co., Ltd.	1,400,000	1,150,000	100.00	100.00	1,400,000	1,150,000	(563,271)	(563,271)	836,729	586,729
KCE (Thailand) Co., Ltd.	3,600	3,600	60.00	60.00	2,160	2,160	-	-	2,160	2,160
Thai Business Solution Co., Ltd.	3,000	3,000	49.00	49.00	1,470	1,470	-	-	1,470	1,470
<b>Total</b>					<b>1,733,839</b>	<b>1,483,839</b>	<b>(563,271)</b>	<b>(563,271)</b>	<b>1,170,568</b>	<b>920,568</b>

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

On 17 June 2009, the Board of Directors Meeting no. 3/2552 of KCE Technology Company Limited, a subsidiary, passed a resolution to call for additional share capital of Baht 3 each from the shareholders of share increase of 50 million shares. The Company, as a shareholder, had made the additional payment on 10 July 2009, totaling Baht 149,999,979. This transaction was recorded as share subscription payable in the balance sheets as at 30 June 2009.

## 7. Investments in associates

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
			(%)	(%)				
KCE America, Inc.	Foreign sale representative to the Company and its affiliates	United States of America	48.75	48.75	644	644	52,753	59,487
KCE Singapore Pte., Ltd.	Foreign sale representative to the Company and its affiliates	Singapore	47.77	47.77	4,201	4,201	28,100	27,606
<b>Total</b>					<b>4,845</b>	<b>4,845</b>	<b>80,853</b>	<b>87,093</b>

(Unaudited but reviewed)

(Unit: Thousand Baht)

Company's name	Separate financial statements			
	Shareholding percentage		Cost	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
	(%)	(%)		
KCE America, Inc.	25.00	25.00	322	322
KCE Singapore Pte., Ltd.	24.50	24.50	2,101	2,101
Total			2,423	2,423

During the six-month periods ended 30 June 2009 and 2008 there is no dividend from the associated companies.

For the three-month and six-month periods ended 30 June 2009 and 2008, 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.

## 8. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 30 June 2009 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate financial
	financial statements	statements
Net book value as at 1 January 2009	6,186,891	1,539,743
Acquisitions during period - at cost	32,431	26,543
Disposals during period - net book value at disposal date	(70,283)	(99,412)
Depreciation for the period	(282,345)	(83,576)
Net book value as at 30 June 2009	5,866,694	1,383,298

- 8.1 As at 30 June 2009, the Company and its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into negative pledge memorandums which are part of bank overdrafts and loans agreements. Under these memorandums, the Company and its subsidiaries are not allowed to dispose of, transfer, mortgage or provide any lien on their assets, as stipulated in such memorandums.

(Unaudited but reviewed)

8.2 As at 30 June 2009, its subsidiaries have mortgaged and pledged the following property, plant and equipment:

8.2.1 Thai Laminate Manufacturer Co., Ltd., a subsidiary, has mortgaged construction and pledged its machinery with a total net book value as at 30 June 2009 of Baht 239.87 million as collateral for loans from banks, as described in Note 11 to the financial statements.

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		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2009	2008	2009	2008
Consolidated financial statements	193	785	1,295	1,331
Separate financial statements	28	177	590	503

The assets capitalisation rates for the three-month and six-month period ended 30 June 2009 and 2008 are as follows:

(Unit: Thousand Baht)

	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2009	2008	2009	2008
Consolidated financial statements	2.48 - 6.69	2.62 - 6.62	2.48 - 6.69	2.59 - 7.25
Separate financial statements	2.48 - 2.68	3.90 - 6.25	2.48 - 5.25	3.50 - 7.25

## 9. Intangible assets

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
Cost	91,492	64,426	40,845	26,064
Less: Accumulated amortisation	(39,779)	(38,027)	(15,433)	(14,737)
Net book value	51,713	26,399	25,412	11,327
Amortisation for the period	2,510	4,828	696	1,149

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
Bank overdrafts	73,653	79,468	16,638	34,894
Short-term loans	702,227	1,199,500	280,291	301,500
Packing credits	2,503,000	2,465,600	678,000	735,500
Trust receipts	228,568	716,166	60,473	99,458
<b>Total</b>	<b>3,507,448</b>	<b>4,460,734</b>	<b>1,035,402</b>	<b>1,171,352</b>

10.1 As at 30 June 2009 and 31 December 2008, bank overdrafts and partial loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.

10.2 As at 30 June 2009 and 31 December 2008, bank overdrafts of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.

10.3 As at 30 June 2009 and 31 December 2008, bank overdrafts and loans from banks of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of most of land, construction thereon and the pledge of most of machineries of such subsidiary company.

**11. Long-term loans**

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	30 June	31 December	30 June	31 December
	2009	2008	2009	2008
EURO portion	39,988	87,498	14,063	43,408
Baht portion	1,580,126	866,812	166,334	58,000
	1,620,114	954,310	180,397	101,408
Less: Current portion of long-term loans	(162,981)	(395,131)	(30,263)	(65,539)
<b>Long-term loans, net of current portion</b>	<b>1,457,133</b>	<b>559,179</b>	<b>150,134</b>	<b>35,869</b>

Movements in the long-term loans account during the six-month period ended 30 June 2009 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<u>                    </u>	<u>                    </u>
Balance as at 1 January 2009	954,310	101,408
Add (less): Additional withdrawal of loan during period	809,684	108,334
Repayment during period	(142,819)	(28,972)
Unrealised gain on exchange	<u>(1,061)</u>	<u>(373)</u>
Balance as at 30 June 2009	<u>1,620,114</u>	<u>180,397</u>

As at 30 June 2009, the Company and a subsidiary company, KCE Technology Co., Ltd., had long-term loans from banks in EURO currency of EURO 0.8 million in consolidated financial statements and EURO 0.3 million in the separate financial statements (31 December 2008: EURO 1.8 million in consolidated financial statements and EURO 0.9 million in the separate financial statements).

- 11.1 Long-term loans from banks of the Company are Baht and EURO loan which carry interest at the rate of MLR (Minimum Loan Rate) less 2.0 percent per annum and LIBOR plus 1.5 percent per annum, respectively. Parts of that loan are the transfer of short-term loans due in the current period to long-term loans of the same bank amounting to Baht 102.8 million.
- 11.2 A long-term loan from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, carries interest at the rates of MLR (Minimum Loan Rate) less 1.0 to 1.25 percent per annum. The loan is guaranteed by the Company and secured by mortgage of the subsidiary company's building and pledge of part of its machinery. In addition, there are certain significant conditions that the subsidiary has to comply with, such as maintaining a ratio of total debt to equity not exceeding 3:1. Moreover, the Company and its subsidiaries must maintain the shareholding structure, whether by direct or indirect holding at not less than 51 percent of the registered and paid-up capital of the subsidiary.
- 11.3 Long-term loans from banks of KCE Technology Co., Ltd. a subsidiary company are Baht and Euro loans which carry interest at the rates of MLR (Minimum Loan Rate) less 1.0 to 1.25 percent and LIBOR plus 2.0 percent per annum, respectively. These loans are guaranteed by the Company and are secured by the mortgage of the subsidiary's land and construction thereon and the pledge of most of the subsidiary's machinery. Parts of that loan are the transfer of promissory note to long-term loans of the same bank amounting to Baht 500 million.



**12. Share capital****12.1 Share warrant**

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

As at 30 June 2009, 3,000,000 units of issued warrant remained. During the period, no warrants were exercised because the exercise price as at stipulated exercise date, exceeds the fair value of ordinary share.

**12.2 Treasury shares**

As at 30 June 2009, details of treasury shares are as follows:

	Consolidated and separate financial statements
	<hr/>
Cost of treasury shares (Thousand Baht)	7,508.2
Number of treasury shares (Thousand shares)	6,779.7
Average price per share (Baht)	1.10
Percentage of treasury shares to the Company's shares in issue	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 take into account the prevailing market price at the time of sale.

### 12.3 Reserve for treasury shares

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

### 12.4 Weighted average number of ordinary shares

As at 30 June 2009 and 2008, the weighted average number of ordinary shares in the consolidated and separate financial statements are calculated as follows:

(Unit: Share)

	Consolidated financial statements			
	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Balance brought forward	456,497,369	462,497,269	462,218,585	462,497,269
Less: Treasury shares	(222,800)	-	(5,833,232)	-
Shares of the Company held by subsidiaries	-	(3,271,850)	-	(3,271,850)
Weighted average number of ordinary shares	<u>456,274,569</u>	<u>459,225,419</u>	<u>456,385,353</u>	<u>459,225,419</u>

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the period ended 30 June 2009, the Company expected no exercise of the warrant and excluded the warrants for the calculation of potential diluted ordinary shares for diluted earnings per share calculation.

(Unit: Share)

	Separate financial statements			
	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Balance brought forward	456,497,369	462,497,269	462,218,585	462,497,269
Less: Treasury shares	(222,800)	-	(5,833,232)	-
Weighted average number of ordinary shares	<u>456,274,569</u>	<u>462,497,269</u>	<u>456,385,353</u>	<u>462,497,269</u>

**13. Corporate income tax**

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

**14. Commitments and contingent liabilities**

14.1 As at 30 June 2009, the Company and its subsidiaries have rental and service contract commitments with a period of 1-3 years and the future minimum charge according to the agreements until the end of the agreement are as follows:

Currency	(Unit: Thousand)	
	Consolidated financial statements	Separate financial statements
Baht	35,227	15,808
US dollar	238	87

14.2 As at 30 June 2009, the Company had commitment for purchase of machine amounting to approximately USD 0.7 million, or equivalent to Baht 22.9 million.

14.3 As at 30 June 2009 and 31 December 2008, the Company and its subsidiaries have contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

Guarantee company	(Unit: Million)			
	Guarantor		K.C.E. International Co., Ltd.	
	KCE Electronics Plc.		30 June	31 December
	30 June	31 December	2009	2008
	2009	2008	2009	2008
K.C.E. International Co., Ltd.				
- Baht	82	73	-	-
- USD	-	1	-	-
KCE Technology Co., Ltd.				
- Baht	3,705	3,572	-	-
- EURO	1	1	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	135	135	-	-
KCE Electronics Plc.				
- Baht	-	-	226	219

- 14.4 As at 30 June 2009, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 55.8 million (the Company only: Baht 28.3 million) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electric payment.
- 14.5 As at 30 June 2009, the Company has contingent liabilities in respect of specifies business tax assessment from Revenue Department's officer of Baht 4.2 million because the Company guaranteed to a related party without fee. On 9 July 2009, the Central Tax Court announced a judgement which was in favour of the Company and overran the assessment of officer and the Tax Appeal Board's judgement from Revenue Department.
- 14.6 On 26 October 2005, KCE America Inc., an associated company, had entered into operating lease agreement for its office premises with a subsidiary of an associated company for a period of 15 years. Under this agreement, as at 30 June 2009, the associated company has commitment to pay the rental fee in the future of approximately USD 1.8 million or equivalent to approximately Baht 60.4 million.
- 14.7 As at 30 June 2009, the Company and its two subsidiaries have commitment in respect of installment and implementation of computer software with a subsidiary company amounting to Baht 61.5 million (the Company only: Baht 18.4 million).

## **15. Dividend payment**

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

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.

## 16. Financial information by segment

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

(Unit: Thousand Baht)

Consolidated financial statements																
For the three-month periods ended 30 June 2009 and 2008																
	Prepreg and Laminate business		Printed Circuit Board Business								Service business		Eliminate entries		Total	
	2009	2008	America		Europe		Asia		Total		2009	2008	2009	2008	2009	2008
Revenue from external customers	34,958	38,377	132,061	331,444	846,088	1,249,604	278,291	402,245	1,256,440	1,983,293	665	-	-	-	1,292,063	2,021,670
Inter-segment revenues	225,463	380,114	-	-	-	-	248,502	335,407	248,502	335,407	14,229	350	(488,194)	(715,871)	-	-
<b>Total revenues</b>	<b>260,421</b>	<b>418,491</b>	<b>132,061</b>	<b>331,444</b>	<b>846,088</b>	<b>1,249,604</b>	<b>526,793</b>	<b>737,652</b>	<b>1,504,942</b>	<b>2,318,700</b>	<b>14,894</b>	<b>350</b>	<b>(488,194)</b>	<b>(715,871)</b>	<b>1,292,063</b>	<b>2,021,670</b>
Segment operating income	28,001	48,476							185,498	270,657	5,524	99	(15,190)	1,112	203,833	320,344
Unallocated income															76,740	55,545
Interest income															7,665	7,753
Unallocated expenses															(205,390)	(413,658)
Finance cost															(78,994)	(68,668)
Corporate income tax															(3,158)	694
Minority interest in income of subsidiaries															4,237	(3,316)
<b>Net income (loss)</b>															<b>4,933</b>	<b>(101,306)</b>

(Unaudited but reviewed)

(Unit: Thousand Baht)

Consolidated financial statements																
For the six-month periods ended 30 June 2009 and 2008																
	Prepreg and Laminate		Printed Circuit Board Business								Service business		Eliminate entries		Total	
	business		America		Europe		Asia		Total							
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external																
customers	54,235	96,616	317,931	721,474	1,499,636	2,553,566	522,181	823,757	2,339,748	4,098,797	925	-	-	-	2,394,908	4,195,413
Inter-segment revenues	415,166	776,657	-	-	-	-	537,744	660,893	537,744	660,893	26,973	350	(979,883)	(1,437,900)	-	-
Total revenues	<u>469,401</u>	<u>873,273</u>	<u>317,931</u>	<u>721,474</u>	<u>1,499,636</u>	<u>2,553,566</u>	<u>1,059,925</u>	<u>1,484,650</u>	<u>2,877,492</u>	<u>4,759,690</u>	<u>27,898</u>	<u>350</u>	<u>(979,883)</u>	<u>(1,437,900)</u>	<u>2,394,908</u>	<u>4,195,413</u>
Segment operating income	<u>27,292</u>	<u>92,581</u>							<u>293,771</u>	<u>555,687</u>	<u>10,185</u>	<u>99</u>	<u>(19,436)</u>	<u>849</u>	311,812	649,216
Unallocated income															87,548	115,160
Interest income															15,131	15,282
Unallocated expenses															(382,589)	(617,885)
Finance cost															(147,805)	(139,748)
Corporate income tax															(3,303)	(3,400)
Minority interest in income of subsidiaries															4,764	(9,326)
Net income (loss)															<u>(114,442)</u>	<u>9,299</u>

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

**17. Forward exchange contracts and commodity swap agreements**

As at 30 June 2009, the Company and its subsidiaries had outstanding forward exchange contracts, of which details are presented below.

Currency	Amount	Maturity date	Contract exchange rate	Exchange rate as at 30 June 2009
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	9,892	13 August 2009 - 4 January 2010	34.1500 - 36.0900	34.1693
Sell				
US dollar	992	26 August 2009 - 30 December 2009	34.1650 - 35.3500	33.7899
Euro	2,585	20 November 2009 - 4 December 2009	46.6705 - 48.4995	47.5900

As at 30 June 2009, the Company and its subsidiaries had outstanding commodity swap agreement, of which details are presented below.

Type of goods	Quantity	Maturity date	Contract price	Commodity's market price as at 30 June 2009
	(Ton)		(US dollar per unit)	(US dollar per unit)
Copper	200	31 August 2009	6,700	5,108

During the first quarter of this year, the counterparty bank has exercised the option agreements to sell 600 tons (the Company only: 240 tons) of copper to the Company and its subsidiary at the contract price of USD 6,700 per ton. However the Company, its subsidiary and the counterparty bank entered into new agreements signed to replace the raw material price hedging contracts. The Company and its subsidiary will pay the bank an amount equal to the difference between the contract price (USD 6,700 per ton) and the average market price in the month of settlement, but shall not be below USD 4,350 per ton. The Company and its subsidiary entered into a new agreement whereby the bank granted additional credit facilities to pay the price difference to bank in the month of settlement. As at 30 June 2009, the Company and its subsidiary have already recorded their obligations in respect of the difference between the contract price and determined market price in full.

**18. Reclassification**

Certain amounts in the balance sheet as at 31 December 2008 and income statement for the three-month and six-month period ended 30 June 2008 have been reclassified to conform to the current period's classification but with no effect to previously reported net income (loss) or shareholders' equity. The reclassifications are as follows:

(Unit: Thousand Baht)

	Balance sheet as at 31 December 2008			
	Consolidated financial statements		Separate financial statements	
		As previously		As previously
	As reclassified	reported	As reclassified	reported
Other accounts receivable	20,466	20,466	13,315	4,369
Accrued income	-	3,597	-	815
Other current assets - others	36,692	33,095	5,391	13,522
Other accounts payable	317,677	306,601	86,728	75,652
Accrued expenses	43,730	54,806	12,355	23,431

(Unit: Thousand Baht)

	Income statements for the three-month period ended 30 June 2008			
	Consolidated financial statements		Separate financial statements	
		As previously		As previously
	As reclassified	reported	As reclassified	reported
Gain from hedging activities	22,303	24,036	5,851	6,310
Other income - others	33,242	34,220	12,358	12,382
Selling and administrative expenses	-	307,748	-	114,536
Selling expenses	188,258	-	73,100	-
Administrative expenses	95,261	-	29,961	-
Management's remuneration	19,816	-	10,574	-
Interest expense	-	66,966	-	13,621
Finance cost	68,668	-	14,039	-



(Unaudited but reviewed)

(Unit: Thousand Baht)

Income statements for the six-month period ended 30 June 2008				
	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously	As reclassified	As previously
		reported		reported
Gain from hedging activities	22,303	24,036	5,851	6,310
Other income - others	62,668	63,851	23,466	23,622
Selling and administrative expenses	-	624,044	-	224,444
Selling expenses	393,307	-	147,707	-
Administrative expenses	190,610	-	58,418	-
Management's remuneration	33,968	-	17,053	-
Interest expense	-	136,505	-	27,200
Finance cost	139,748	-	27,851	-

#### 19. Approval of interim financial statements

These interim financial statements were authorised for issue by the authorised directors of the Company on 11 August 2009.