

KCE Electronics Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month and six-month periods ended 30 June 2010 and 2009

1. General information

1.1 Corporate information of the Company and its subsidiaries

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

KCE Technology Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law, with the registered address at No. 117 - 118 Moo 1, Hi-Tech Industrial Estate, Tambon Ban Lain, Amphur Bang Pa-In, 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, with the registered address at No. 677 Moo 4 Export Processing Zone, Bangpoo Industrial Estate, Sukhumvit Road, Tambon Phraksa, Amphur Muang, Samutprakarn Province. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of printed circuit board products.

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

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

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

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 Reporting", 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. There had been change in the group structure during the current period as a result of the purchase of the ordinary shares of K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd. from their minority shareholders by the Company and a subsidiary, as discussed in Note 5 to the financial statements.

(Unaudited but reviewed)

The group structure as at 30 June 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		Subsidiary's revenues as a percentage to the consolidated total revenues for the six-month periods ended	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	KCE Technology Co., Ltd.	100.00	100.00	52	57	49	53	51
K.C.E. International Co., Ltd.	99.99	94.99	7	5	9	-	8	-
Thai Laminate Manufacturer Co., Ltd. (70.00% held by the Company and 25.20% held by K.C.E. International Co., Ltd.)	95.20	70.24	10	8	1	2	1	2
KCE (Thailand) Co., Ltd.	60.00	60.00	1	1	3	4	3	4
Thai Business Solution Co., Ltd.	49.00	49.00	-	-	-	-	-	-

1.4 Accounting standards which are not effective for the current year

During the current period, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below. These standards are not effective for the current year, except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective.

	<u>Effective date</u>
Framework for the Preparation and Presentation of Financial Statements (revised 2009)	Immediately effective
TAS 1 (revised 2009) Presentation of Financial Statements	1 January 2011
TAS 2 (revised 2009) Inventories	1 January 2011
TAS 7 (revised 2009) Statement of Cash Flows	1 January 2011
TAS 8 (revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2011
TAS 10 (revised 2009) Events after the Reporting Period	1 January 2011
TAS 11 (revised 2009) Construction Contracts	1 January 2011
TAS 12 Income Taxes	1 January 2013
TAS 17 (revised 2009) Leases	1 January 2011
TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance	1 January 2013
TAS 23 (revised 2009) Borrowing Costs	1 January 2011
TAS 24 (revised 2009) Related Party Disclosures	1 January 2011

		<u>Effective date</u>
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements	1 January 2011
TAS 28 (revised 2009)	Investments in Associates	1 January 2011
TAS 29	Financial Reporting in Hyperinflationary	1 January 2011
TAS 31 (revised 2009)	Interests in Joint Ventures	1 January 2011
TAS 33 (revised 2009)	Earnings per Share	1 January 2011
TAS 34 (revised 2009)	Interim Financial Reporting	1 January 2011
TAS 36 (revised 2009)	Impairment of Assets	1 January 2011
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets	1 January 2011
TAS 38 (revised 2009)	Intangible Assets	1 January 2011
TAS 40 (revised 2009)	Investment Property	1 January 2011
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2011
TFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2011

The management of the Company has assessed the effect of these standards and believes that TAS 11 (revised 2009), TAS 20 (revised 2009), TAS 29, TAS 31 (revised 2009), TAS 40 (revised 2009), TFRS 5 (revised 2009) and TFRS 6 are not relevant to the business of the Company, while Framework for the Preparation and Presentation of Financial Statements (revised 2009) and the remaining 16 accounting standards described above will not have any significant impact on the financial statements for the year in which they are initially applied.

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 2009.

2. Trade accounts receivable

The balance of trade accounts receivable as at 30 June 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	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
<u>Trade accounts receivable - related parties</u>				
Not yet due	381,217	380,814	240,293	240,556
Past due				
Up to 3 months	98,604	59,137	79,470	64,563
3 - 6 months	357	3,447	1,496	-
6 - 12 months	1	1,816	-	-
Total trade accounts receivable				
- related parties	480,179	445,214	321,259	305,119
<u>Trade accounts receivable - unrelated parties</u>				
Not yet due	1,234,981	1,034,633	511,505	360,053
Past due				
Up to 3 months	116,440	74,698	35,947	39,827
3 - 6 months	801	5,829	463	1,001
6 - 12 months	234	159	-	159
Over 12 months	90	592	90	-
Total trade accounts receivable -				
unrelated parties	1,352,546	1,115,911	548,005	401,040
Total trade accounts receivable	1,832,725	1,561,125	869,264	706,159
Less: Allowance for doubtful accounts	(617)	(732)	(416)	(471)
Trade accounts receivable - net	1,832,108	1,560,393	868,848	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 30 June		For the three-month periods ended 30 June		
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
<i><u>Transactions with subsidiaries</u></i> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	72.3	56.7	Market prices and prices per job order for each product which are agreed between the parties
Service income	-	-	4.8	3.5	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	0.5	2.4	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	7.8	-	As announced in the minute of shareholders' meeting
Other income	-	-	1.6	-	Price agreed between the parties
Purchases of goods	-	-	265.9	186.0	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	35.5	3.9	Prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	353.7	176.2	168.4	76.5	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	17.8	25.9	4.1	9.5	Market prices at which similar quality products are purchased under same conditions
Commission expense	14.7	12.1	7.1	4.2	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	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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
<u>Transactions with subsidiaries</u> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	187.5	129.0	Market prices and prices per job order for each product which are agreed between the parties
Service income	-	-	11.5	5.6	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	0.7	32.6	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	7.8	-	As announced in the minute of shareholders' meeting
Other income	-	-	3.0	-	Price agreed between the parties
Purchases of goods	-	-	465.0	367.9	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	36.7	32.5	Prices agreed between the parties
<u>Transactions with associated companies</u>					
Sales of goods	695.2	414.9	305.8	166.4	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	41.0	58.1	10.7	21.2	Market prices at which similar quality products are purchased under same conditions
Commission expense	28.0	24.9	12.7	10.6	At the agreed rates between the parties which is general rate for the same business
Purchases of fixed assets	0.3	-	0.3	-	Prices agreed between the parties
<u>Transactions with related company</u>					
Interest income	-	14.9	-	14.9	Interest rate at 7.5 percent per annum

(Unaudited but reviewed)

As at 30 June 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	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	99,823	98,771
K.C.E. International Co., Ltd.	-	-	7,338	7,577
KCE (Thailand) Co., Ltd.	-	-	2,999	3,427
Thai Laminate Manufacturer Co., Ltd.	-	-	2,110	1,463
Total trade accounts receivable - subsidiaries	-	-	112,270	111,238
Associated companies				
KCE America, Inc.	397,340	389,451	149,809	147,062
KCE Singapore Pte., Ltd.	82,839	55,763	59,180	46,819
Total trade accounts receivable - associated companies	480,179	445,214	208,989	193,881
Total trade accounts receivable - related parties	480,179	445,214	321,259	305,119
<u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
Thai Business Solution Co., Ltd.	-	-	6,373	73
KCE Technology Co., Ltd.	-	-	274	473
K.C.E. International Co., Ltd.	-	-	149	4
Thai Laminate Manufactures Co., Ltd.	-	-	48	85
Total amounts due from and short-term loans to subsidiaries	-	-	6,844	635
Associated company				
KCE Singapore Pte., Ltd.	140	3	-	-
Total amounts due from and short-term loans to associated company	140	3	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
Related company				
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	-	-	-	-
Total amounts due from and short-term loans to related parties - net				
	140	3	6,844	635
<u>Dividend receivable from a related party</u>				
Subsidiary				
K.C.E. International Co., Ltd.	-	-	69,996	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.

During the current period, the Company provided short-term loans to Thai Business Solution Co., Ltd., a subsidiary company, totaling Baht 6 million. The Company received repayment of short-term loans from the subsidiary company in full amount on 30 July 2010.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	253,904	213,596
K.C.E. International Co., Ltd.	-	-	91,717	13,059
KCE Technology Co., Ltd.	-	-	27,479	55,555
Total trade accounts payable - subsidiaries	-	-	373,100	282,210
Associated company				
KCE Singapore Pte., Ltd.	25,192	23,847	13,384	18,656
Total trade accounts payable - associated companies	25,192	23,847	13,384	18,656
Total trade accounts payable - related parties	25,192	23,847	386,484	300,866

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
<u>Amounts due to and advances from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	35,105	22,804
Thai Business Solution Co., Ltd.	-	-	1,979	4,306
K.C.E. International Co., Ltd.	-	-	520	45,384
Total amounts due to and advances from subsidiaries	-	-	37,604	72,494
Associated company				
KCE Singapore Pte., Ltd.	19,114	8,686	3,317	806
Total amounts due to and advances from associated company	19,114	8,686	3,317	806
Total amounts due to and advances from related parties	19,114	8,686	40,921	73,300

Directors' and management's remuneration

During the three-month and six-month periods ended 30 June 2010, the Company and its subsidiaries paid salaries, bonus, meeting allowances and other remuneration to their directors and management totaling Baht 18.3 million and Baht 33.1 million, respectively (the Company only: Baht 9.8 million and Baht 16.9 million, respectively) and during the three-month and six-month periods ended 30 June 2009 totaling Baht 18.1 million and Baht 29.2 million, respectively (the Company only: Baht 11.3 million and Baht 16.5 million, respectively).

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 six-month period ended 30 June 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	3,140	651
Balance as at 30 June 2010	41,585	15,208

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		Dividend income	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	For the six-month periods ended 30 June	
			(%)	(%)							2010	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	99.99	94.99	184,999	172,499	-	-	184,999	172,499	-	-
Thai Laminate Manufacturer Co., Ltd.	250,000	250,000	70.00	52.00	340,260	157,710	-	-	340,260	157,710	7,800	-
KCE (Thailand) Co., Ltd.	3,600	3,600	60.00	60.00	2,160	2,160	-	-	2,160	2,160	-	-
Thai Business Solution Co., Ltd.	3,000	3,000	49.00	49.00	1,470	1,470	-	-	1,470	1,470	-	-
Total					1,928,889	1,733,839	(541,771)	(541,771)	1,387,118	1,192,068	7,800	-

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

On 25 June 2010, the Company and K.C.E. International Company Limited entered into the agreements to purchase 6 million ordinary shares of Thai Laminate Manufacturer Company Limited with an existing shareholder of the subsidiary, representing 24 percent of the registered and paid-up share capital of the subsidiary, at total amount of Baht 243.4 million. As a result, the percentage of direct shareholding of the Company and its subsidiary in that company increased to 70 percent and 25 percent, respectively, or increased to 95 percent for both direct and indirect shareholding of the Company.

(Unaudited but reviewed)

The excess of the acquisition price over the attributable net book value of the subsidiaries at acquisition date, amounting to approximately Baht 47 million, was recorded under the caption of “Excess of investments arising from additional purchases of investments in subsidiaries at a price higher than the net book value of the subsidiaries at the acquisition date” in the shareholders’ equity.

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	
			30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 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	53,881	53,712
KCE Singapore Pte., Ltd.	Foreign sale representative of the Company and its affiliates	Singapore	47.77	47.77	4,201	4,201	28,358	28,065
Total					4,845	4,845	82,239	81,777

(Unit: Thousand Baht)

Company's name	Separate financial statements			
	Shareholding percentage		Cost	
	30 June 2010	31 December 2009	30 June 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
Total			2,422	2,422

During the six-month periods ended 30 June 2010 and 2009, there was no dividend received from the associated companies.

For the six-month periods ended 30 June 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 six-month period ended 30 June 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	111,156	77,270
Disposals/write-off during period - net book value at disposal/write-off date	(3,278)	(1,602)
Depreciation for the period	<u>(293,382)</u>	<u>(84,879)</u>
Net book value as at 30 June 2010	<u>5,433,381</u>	<u>1,310,833</u>

7.1 The Company and its two subsidiaries, which are K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into the negative pledge memorandums as 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 30 June 2010 of Baht 332.48 million as collateral for loans from banks, as described in Note 10.

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 30 June 2010 of Baht 1,902.22 million as collateral for bank overdrafts and loans from banks, as described in Note 9 and 10.

(Unaudited but reviewed)

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		For the three-month	
	periods ended 30 June		periods ended 30 June	
2010	2009	2010	2009	
Interest expenses capitalised as cost				
(Thousand Baht)	-	193	-	28
Capitalisation rate (percent)	-	2.48 - 6.69	-	2.48 - 2.68

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
2010	2009	2010	2009	
Interest expenses capitalised as cost				
(Thousand Baht)	-	1,295	-	590
Capitalisation rate (percent)	-	2.48 - 6.69	-	2.48 - 5.25

8. Intangible assets

Movements of intangible assets, which are computer software, during the six-month period ended 30 June 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	3,983	3,121
Amortisation for the period	(3,872)	(1,370)
Net book value as at 30 June 2010	<u>56,324</u>	<u>38,446</u>

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Bank overdrafts	11,152	29,456	1,095	12,335
Short-term loans	526,375	383,000	330,625	145,000
Packing credits	2,389,959	2,443,024	885,467	806,024
Trust receipts	356,454	409,329	58,913	102,345
Total	3,283,940	3,264,809	1,276,100	1,065,704

- 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 and 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	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Euro portion (Consolidated: 30 June 2010: Euro 0.54 million, 31 December 2009: Euro 0.54 million)	21,382	25,797	-	-
Baht portion	1,330,583	1,542,775	150,133	162,733
Total	1,351,965	1,568,572	150,133	162,733
Less: Current portion	(422,409)	(354,785)	(40,380)	(50,090)
Long-term loans - net of current portion	929,556	1,213,787	109,753	112,643

(Unaudited but reviewed)

Movements in the long-term loan account during the six-month period ended 30 June 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	(212,192)	(12,600)
Unrealised gain on exchange	(4,415)	-
Balance as at 30 June 2010	<u>1,351,965</u>	<u>150,133</u>

As at 30 June 2010, KCE Technology Co., Ltd., a subsidiary company, had a long-term loan from bank in Euro currency of Euro 0.54 million included in the consolidated financial statements (31 December 2009: Euro 0.54 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 to be made on 20 July 2010. The stipulated principal payment per installment is Baht 1.04 million for the first sixty installments, and the remaining balance for the final installment.
- 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 is secured by the mortgage of the subsidiary's building and the pledge of part of the subsidiary's 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 warrants

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

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

Movements of share warrants during the three-month and six-month periods ended 30 June 2010 and 2009 are summarised below.

	Number of units (units)	
	For the three-month periods ended 30 June	
	2010	2009
Warrants issued at beginning of the period	953,000	3,000,000
Add: Issued during the period	10,000,000	-
Less: Exercised during the period	(2,615,000)	-
Warrants issued at end of the period	<u>8,338,000</u>	<u>3,000,000</u>

(Unaudited but reviewed)

	Number of units (units)	
	For the six-month periods ended 30 June	
	2010	2009
Warrants issued at beginning of the period	2,435,500	3,000,000
Add: Issued during the period	10,000,000	-
Less: Exercised during the period	(4,097,500)	-
Warrants issued at end of the period	8,338,000	3,000,000

11.2 Treasury shares

As at 30 June 2010 and 31 December 2009, details of treasury shares are as follows:

	Consolidated and separate financial statements	
	30 June	31 December
	2010	2009
Cost of treasury shares (Thousand Baht)	-	7,508.22
Number of treasury shares (Thousand shares)	-	6,779.70
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 be taken into account the prevailing market price at the time of sale.

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

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

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

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 30 June 2010 and 2009, the weighted average number of ordinary shares in the consolidated and separate financial statements are calculated as follows:

	(Unit: Shares)			
	Consolidated financial statements			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2010	2009	2010	2009
Balance brought forward (net of treasury shares)	457,232,069	456,497,369	455,717,569	462,218,585
Less: Treasury shares	-	(222,800)	-	(5,833,232)
Add: Weighted average number of ordinary shares issued during the period	1,942,280	-	1,680,246	-
Treasury shares sold during the period	5,537,084	-	3,355,108	-
Weighted average number of ordinary shares	464,711,433	456,274,569	460,752,923	456,385,353
Add: Potential ordinary shares - share warrants (2010: 8,338,000 shares, 2009: 3,000,000 shares)	464,352	-	575,700	-
Diluted weighted average number of ordinary shares	<u>465,175,785</u>	<u>456,274,569</u>	<u>461,328,623</u>	<u>456,385,353</u>

(Unaudited but reviewed)

(Unit: Shares)

	Separate financial statements			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2010	2009	2010	2009
Balance brought forward (net of treasury shares)	457,232,069	456,497,369	455,717,569	462,218,585
Less: Treasury shares	-	(222,800)	-	(5,833,232)
Add: Weighted average number of ordinary shares issued during the period	1,942,280	-	1,680,246	-
Treasury shares sold during the period	5,537,084	-	3,355,108	-
Weighted average number of ordinary shares	464,711,433	456,274,569	460,752,923	456,385,353
Add: Potential ordinary shares - share warrants (2010: 8,338,000 shares, 2009: 3,000,000 shares)	464,352	-	575,700	-
Diluted weighted average number of ordinary shares	465,175,785	456,274,569	461,328,623	456,385,353

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

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

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

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 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 30 June 2010, the Company and its subsidiaries had capital commitments related to purchases of machinery amounting to approximately Baht 11.87 million and USD 0.01 million or equivalent to a total of approximately Baht 12.15 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 30 June 2010, future minimum lease payments required under these non-cancellable operating lease contracts were as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Payable within:		
Less than 1 year	107,870	100,304
1 to 4 years	198,676	190,339

13.2.2 On 26 October 2005, KCE America Inc., an associated company, entered into an operating lease agreement for its office premises with a subsidiary of an associated company for a period of 15 years. As at 30 June 2010, the associated company had a commitment to pay the rental fee in the future under this agreement of approximately USD 1.7 million or equivalent to approximately Baht 54.1 million.

13.3 Long-term service commitments

13.3.1 As at 30 June 2010, the Company and its subsidiaries had commitments under the service contracts, with a period of 1 to 3 years. The future minimum service charges until the end of the agreements are as follows:

	(Unit: Thousand)	
Currency	Consolidated	Separate
<u></u>	<u>financial statements</u>	<u>financial statements</u>
Baht	34,423	11,430
US dollars	3	-

(Unaudited but reviewed)

13.3.2 As at 30 June 2010, the Company and its two subsidiaries had commitments in respect of installment and implementation of computer software, with a subsidiary company, amounting to Baht 67.4 million (the Company only: Baht 20.1 million).

13.4 Guarantees

13.4.1 As at 30 June 2010 and 31 December 2009, the Company and its subsidiaries had 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 2010	31 December 2009	30 June 2010	31 December 2009
KCE Electronics Plc.				
- Baht	-	-	217	151
K.C.E. International Co., Ltd.				
- Baht	115	2	-	-
KCE Technology Co., Ltd.				
- Baht	3,224	3,440	-	-
- Euro	1	1	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	17	101	-	-

13.4.2 As at 30 June 2010, the Company and its subsidiaries had 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 30 June 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 provided guarantee to a related party with free-of-charge. 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. Dividend payment

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 paid such dividend on 27 May 2010.

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 0.60 per share to the ordinary shareholders, totaling Baht 15 million. The subsidiary paid such dividend on 21 May 2010.

15. Insurance claim

During the current period, the electrical distribution control room of KCE Technology Co., Ltd., a subsidiary, was fired. The loss from the fire incident is covered by the subsidiary's insurance, which covers all risks and business interruption. The subsidiary estimated and recognised insurance claim receivable of Baht 70 million based on the memorandum received from the insurance broker. However, the actual amount recoverable is dependent upon the actual damage and the terms and conditions of policies. The subsidiary is now in the process of claiming compensation from the insurers.

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 operate in both local and overseas markets. Financial information of the Company and its subsidiaries by business segment is as follows:

(Unit: Thousand Baht)

Consolidated financial statements																
For the three-month periods ended 30 June 2010 and 2009																
	Prepreg and laminate		Printed circuit board business						Service provider		Eliminating entries		Total			
	business		America		Europe		Asia		Total		business		Total			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		
Revenue from external customers	25,805	34,958	314,214	132,061	1,057,839	846,088	493,594	278,291	1,865,647	1,256,440	2,683	665	-	-	1,894,135	1,292,063
Inter-segment revenues	340,345	225,463	-	-	-	-	314,793	248,502	314,793	248,502	21,694	14,229	(676,832)	(488,194)	-	-
Total revenues	<u>366,150</u>	<u>260,421</u>	<u>314,214</u>	<u>132,061</u>	<u>1,057,839</u>	<u>846,088</u>	<u>808,387</u>	<u>526,793</u>	<u>2,180,440</u>	<u>1,504,942</u>	<u>24,377</u>	<u>14,894</u>	<u>(676,832)</u>	<u>(488,194)</u>	<u>1,894,135</u>	<u>1,292,063</u>
Segment operating income	<u>43,214</u>	<u>28,001</u>							<u>357,413</u>	<u>185,498</u>	<u>15,784</u>	<u>5,524</u>	<u>(11,250)</u>	<u>(15,190)</u>	405,161	203,833
Unallocated income															45,125	76,940
Compensation from insurance claim															20,000	-
Interest income from a related company															-	7,465
Unallocated expenses															(247,466)	(205,390)
Finance cost															(53,416)	(78,994)
Corporate income tax															(2,234)	(3,158)
Minority interest of the subsidiaries															(6,099)	4,237
Net income															<u>161,071</u>	<u>4,933</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

Consolidated financial statements																
For the six-month periods ended 30 June 2010 and 2009																
	Prepreg and laminate		Printed circuit board business						Service provider		Eliminating entries		Total			
	business		America		Europe		Asia		Total		business					
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	49,463	54,235	643,632	317,931	2,098,766	1,499,636	957,251	522,181	3,699,649	2,339,748	3,047	925	-	-	3,752,159	2,394,908
Inter-segment revenues	647,460	415,166	-	-	-	-	670,772	537,744	670,772	537,744	37,554	26,973	(1,355,786)	(979,883)	-	-
Total revenues	696,923	469,401	643,632	317,931	2,098,766	1,499,636	1,628,023	1,059,925	4,370,421	2,877,492	40,601	27,898	(1,355,786)	(979,883)	3,752,159	2,394,908
Segment operating income	83,675	27,292							769,057	293,771	22,852	10,185	(16,975)	(19,436)	858,609	311,812
Unallocated income															84,745	87,831
Compensation from insurance claim															20,000	-
Interest income from a related company															-	14,848
Unallocated expenses															(499,981)	(382,589)
Finance cost															(109,520)	(147,805)
Corporate income tax															(3,025)	(3,303)
Minority interest of the subsidiaries															(8,776)	4,764
Net income															342,052	(114,442)

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

17. Foreign currency risk

As at 30 June 2010, the Company and its subsidiaries had outstanding forward exchange contracts, cross currency swap agreements, currency option agreements and commodity hedge agreements, of which details are presented below.

17.1 Forward exchange contracts

Currency	Amount	Maturity date	Contract exchange rate	Exchange rate as at 30 June 2010
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	3,568	19 July 2010 - 23 December 2010	32.3417 - 33.8841	32.5864
Yen	3,258	23 September 2010	0.3557	0.3699
Sell				
US dollar	4,399	18 November 2010 - 29 December 2010	32.3500 - 32.6200	32.2030
Euro	1,300	30 September 2010 - 22 December 2010	40.0702 - 40.1702	39.1720

17.2 Cross currency swap agreements

	Amount	Contract exchange rate
US dollar and Euro	4,005,950 : 3,300,000	1.1915 - 1.2410

17.3 Currency option agreements

	Currency	Sold amount	Strike rate	Delivery date
		(Thousand)	(Baht per unit of foreign currency)	
Put option	US dollar	5,000	32.55	23 September 2010

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

As at 30 June 2010, fair value of currency option agreements was Baht 1.2 million.

17.4 Commodity hedge agreements

As at 30 June 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 market price as at 30 June 2010
	(Ton)		(US dollar per ton)	(US dollar per ton)
Copper	200	1 July 2010 - 31 August 2010	6,125	6,515

18. Subsequent events

On 20 July 2010, the meeting of the Board of Directors of the Company No. 7/2553 passed the following resolutions.

- 18.1 Approved the Company's share repurchase program for financial management, with value not exceeding Baht 90 million, and not exceeding the Company's retained earnings. The number of shares repurchased will be 10 million shares at the par value of Baht 1 each, or equal to 2.14 percent of the total paid-up share capital. The repurchase period will be from 9 August 2010 to 8 February 2011.
- 18.2 Approved the purchase of 1.2 million ordinary shares of Baht 10 each of Thai Laminate Manufacturer Co., Ltd, a subsidiary, from the minority shareholders, or equal to 5 percent of the total registered and paid-up share capital. The purchase price is set at Baht 23.5 per share. After the purchase of the ordinary shares, the Company will hold 100 percent equity interest in Thai Laminate Manufacturer Co., Ltd.

19. Reclassification

Certain amounts in the income statements for the three-month and six-month periods ended 30 June 2009 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)

	Income statements for the three-month period ended 30 June 2009 (Only reclassification items)			
	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Interest income	-	7,665	-	7,515
Interest income from a related company	7,465	-	7,465	-
Other income - others	11,745	11,545	7,364	7,314

(Unaudited but reviewed)

(Unit: Thousand Baht)

Income statements for the six-month period ended 30 June 2009

(Only reclassification items)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Interest income	-	15,131	-	14,957
Interest income from a related company	14,848	-	14,848	-
Other income - others	23,105	22,822	12,976	12,867

20. Approval of interim financial statements

These interim financial statements were authorised for issue by the authorised directors of the Company on 3 August 2010.