

KCE Electronics Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 2008 and 2007

1. General information

1.1 Corporate information of the Company and its subsidiaries

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

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

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

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

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

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

1.2 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 customer. However, the management of the Company and its subsidiaries believe that the Company and the subsidiaries' future operating results will be gradually better off. 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 realization of assets and settlement of liabilities and obligations will occur in the ordinary course of business of the Company and the subsidiaries, without any expectation of significant disruption to the ongoing activities.

1.3 Basis for the preparation of interim financial statements

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

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

The interim financial statements in Thai language are the official statutory financial statements of the company. The interim financial statements in English language have been translated from the official statutory 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 2007 except the investment in Thai Business Solution Co., Ltd. during the period, with the group structure as at 30 September 2008 and 31 December 2007 as detailed below.

	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 nine-month periods ended	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007	30 September 2008	30 June 2007	30 September 2008	30 September 2007
K.C.E. International Co., Ltd.	94.99	94.99	8	9	14	15	14	16
KCE Technology Co., Ltd.	100.00	100.00	54	54	52	53	49	51
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	1	2	1
KCE (Thailand) Co., Ltd.	60.00	60.00	1	1	3	2	2	1
Thai Business Solution Co., Ltd.	49.00	-	-	-	-	-	-	-

1.5 Accounting Standards which are effective for the current year

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

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

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

1.6 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 2007 except for the change in the accounting policy of negative goodwill which does not require the amortisation. The Company will reassess the valuation of the assets and liabilities of the investee company before recognizing the negative goodwill from business combination before 2008 against retained earnings. In addition, there are significant accounting policies that the Company and its subsidiaries adopted during the period as follow.

Rendering of services

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

Hire-purchase agreements

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

Financial instruments and commodities and currency option agreements

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

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

2. Additional information of cash flows statements

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Purchase of machinery and equipment	412,746	189,336	197,838	108,284
Sale of machinery and equipment	(552)	-	(18,257)	(300)
Add(less):				
Other payable from purchases of machinery and equipment	(150,548)	(91,438)	(56,318)	(39,798)
Amounts due to related parties for purchases of machinery and equipment	-	(199)	(145)	(26,506)
Trust receipts	(109,719)	(55,228)	-	-
Accounts payable under hire purchase agreements	(151,292)	(42,420)	(140,277)	(41,980)
Accrued interest capitalised as costs of machinery and equipment	(89)	(51)	-	-
Advance payment and deposit of assets	(1,098)	-	(1,098)	-
Other receivable from sale of machinery and equipment	552	-	-	-
Amounts due from related parties for sales of machinery and equipment	-	-	18,257	300
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Unaudited but reviewed)

3. Trade accounts receivable

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

(Unit: Thousand Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
<u>Trade accounts receivable – related parties</u>				
Not yet due	479,843	416,624	278,968	222,529
Overdue				
Less than 3 months	66,547	105,797	53,098	53,520
3 – 6 months	3,874	2,580	273	-
6 – 12 months	-	383	-	375
Over 12 months	-	1,288	-	37
Total trade accounts receivable – related parties	<u>550,264</u>	<u>526,672</u>	<u>332,339</u>	<u>276,461</u>
<u>Trade accounts receivable – others</u>				
Not yet due	1,258,603	1,355,433	339,002	393,501
Overdue				
Less than 3 months	93,144	94,344	50,731	35,871
3 – 6 months	9,424	10,363	2,586	2,443
6 – 12 months	505	11,782	505	2,813
Over 12 months	956	1,950	956	1,824
Total trade accounts receivable – others	<u>1,362,632</u>	<u>1,473,872</u>	<u>393,780</u>	<u>436,452</u>
Total trade accounts receivable	1,912,896	2,000,544	726,119	712,913
Less: Allowance for doubtful accounts	<u>(1,041)</u>	<u>(2,420)</u>	<u>(850)</u>	<u>(2,358)</u>
Trade accounts receivable – net	<u>1,911,855</u>	<u>1,998,124</u>	<u>725,269</u>	<u>710,555</u>

4. Related party transactions

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

(Unit: Million Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		<u>Pricing policy</u>
	For the three-month		For the three-month		
	periods ended 30 September		periods ended 30 September		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
<u>Transactions with subsidiaries</u>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	155.9	73.6	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	17.8	0.1	Net book value plus margin and prices agreed between the parties
Other income	-	-	9.6	-	Prices agreed between the parties
Purchase of goods	-	-	242.5	238.8	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	1.2	10.0	Prices agreed between the parties
<u>Transactions with associated companies</u>					
Sales of goods	464.7	508.3	162.0	170.2	Market prices at which similar quality products are sold under same sales conditions
Purchases of raw materials	65.5	67.0	18.6	24.1	Market prices at which similar quality products are sold under same purchase conditions
Purchase of fixed assets	0.5	0.7	0.2	0.2	Prices agreed between the parties
Commission expense	15.5	10.0	6.2	4.2	At the agreed rates between the parties which is general rate for the same business
<u>Transactions with related company</u>					
Interest income	7.5	7.5	7.5	7.5	Interest rate at 7.5 percent per annum

(Unaudited but reviewed)

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the nine-month periods ended 30 September		For the nine-month periods ended 30 September		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
<u>Transactions with subsidiaries</u>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	401.0	173.0	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	25.3	0.3	Net book value plus margin and prices agreed between the parties
Other income	-	-	10.9	0.1	Prices agreed between the parties
Purchase of goods	-	-	831.0	688.6	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	11.5	36.9	Prices agreed between the parties
<u>Transactions with associated companies</u>					
Sales of goods	1,283.6	1,437.3	453.6	454.4	Market prices at which similar quality products are purchased under same conditions
Sales of fixed assets	-	20.4	-	-	Net book value plus margin and prices agreed between the parties
Purchases of raw materials	183.1	181.4	53.5	65.3	Market prices at which similar quality products are purchased under same conditions
Purchase of fixed assets	0.9	23.6	0.6	2.4	Prices agreed between the parties
Commission expense	38.4	37.1	17.7	18.9	At the agreed rates between the parties which is general rate for the same business
<u>Transactions with related company</u>					
Interest income	22.5	22.5	22.5	22.5	Interest rate at 7.5 percent per annum

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	107,713	73,789
K.C.E. International Co., Ltd.	-	-	34,404	21,831
Thai Laminate Manufacturer Co., Ltd.	-	-	4,471	1,516
KCE (Thailand) Co., Ltd.	-	-	3,853	5,093
Thai Business Solution Co., Ltd.	-	-	138	-
Total trade accounts receivable - subsidiaries	-	-	150,579	102,229
Associated companies				
KCE America, Inc.	432,798	474,563	151,084	146,831
KCE Singapore Pte., Ltd.	117,466	52,109	30,676	27,401
Total trade accounts receivable - associated companies	550,264	526,672	181,760	174,232
Total trade accounts receivable - related parties	550,264	526,672	332,339	276,461
 <u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	27,786	9
KCE International Co., Ltd.	-	-	2	-
KCE (Thailand) Co., Ltd.	-	-	-	8
Total amounts due from and short-term loans to subsidiaries	-	-	27,788	17
Associated company				
KCE America, Inc.	504	-	-	-
KCE Singapore Pte., Ltd.	309	-	-	-
Total amount due from and short-term loan to associates	813	-	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
Related company				
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	293,643	271,227	293,643	271,227
	692,878	670,462	692,878	670,462
Less: Allowance for doubtful accounts	(692,878)	(670,462)	(692,878)	(670,462)
Total amounts due from and short-term loans to related company - net	-	-	-	-
Total amounts due from and short-term loans to related parties - net	813	-	27,788	17

The Company had not received repayment from Avatar Systems Corporation, a subsidiary of an associated company, totaling approximately Baht 399 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 September 2008	31 December 2007	30 September 2008	31 December 2007
Trade accounts payable - related parties				
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	323,231	251,856
KCE Technology Co., Ltd.	-	-	66,327	82,969
K.C.E. International Co., Ltd.	-	-	2,629	3,507
Total trade accounts payable - subsidiaries	-	-	392,187	338,332
Associated company				
K.C.E Singapore Pte., Ltd.	75,482	51,264	25,198	14,480
Total trade accounts payable - associated company	75,482	51,264	25,198	14,480
Total trade accounts payable - related parties	75,482	51,264	417,385	352,812

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2008	2007	2008	2007
<u>Amounts due to and advances from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	7,271	4,911
Thai Business Solution Co., Ltd.	-	-	119	-
K.C.E. International Co., Ltd.	-	-	26	779
Total amounts due to and advances from subsidiaries	-	-	7,416	5,690
Associated company				
KCE Singapore Pte., Ltd.	11,457	9,155	1,887	2,171
Total amounts due to and advances from associated company	11,457	9,155	1,887	2,171
Total amounts due to and advances from related parties	11,457	9,155	9,303	7,861

Directors and management's remuneration

The Company and its subsidiaries recorded salaries, bonuses, provident fund and meeting allowances to their directors and management during the three-month and nine-month periods ended 30 September 2008 totaling Baht 13.7 million and Baht 47.6 million, respectively (The separate financial statements : Baht 6.4 million and Baht 23.5 million, respectively) and during the three-month and nine-month periods ended 30 September 2007 totaling Baht 13.7 million and Baht 43.0 million, respectively (The separate financial statements : Baht 6.7 million and Baht 24.3 million, respectively).

Guarantee obligations with related parties

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

(Unaudited but reviewed)

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 nine-month period ended 30 September 2008 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2008	28,673	15,695
Add: Allowance for diminution in value of inventories and inventory obsolescence made during the period	<u>24,381</u>	<u>2,150</u>
Balance as at 30 September 2008	<u><u>53,054</u></u>	<u><u>17,845</u></u>

6. Investments in subsidiaries

(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 September 2008	31 December 2007	30 September 2008	31 December 2007	30 September 2008	31 December 2007	30 September 2008	31 December 2007	30 September 2008	31 December 2007
K.C.E. International Co., Ltd.	100,000	100,000	94.99	94.99	172,499	172,499	-	-	172,499	172,499
Thai Laminate Manufacturer Co., Ltd.	250,000	250,000	52.00	52.00	157,710	157,710	-	-	157,710	157,710
KCE Technology Co., Ltd.	1,150,000	1,150,000	100.00	100.00	1,150,000	1,150,000	(563,271)	(563,271)	586,729	586,729
KCE (Thailand) Co., Ltd.	3,600	3,600	60.00	60.00	2,160	2,160	-	-	2,160	2,160
Thai Business Solution Co., Ltd.	3,000	-	49.00	-	1,470	-	-	-	1,470	-
Total					<u>1,483,839</u>	<u>1,482,369</u>	<u>(563,271)</u>	<u>(563,271)</u>	<u>920,568</u>	<u>919,098</u>

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

(Unaudited but reviewed)

7. Investments in associates

(Unit: Thousand Baht)

		Consolidated financial statements						
Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Carrying amounts based on equity method	
			30 September 2008	31 December 2007	30 September 2008	31 December 2007	30 September 2008	31 December 2007
			(%)	(%)				
KCE America, Inc.	Foreign sale representative to the Company and its affiliates	United States of America	48.75	48.75	644	644	57,698	56,462
KCE Singapore Pte., Ltd.	Foreign sale representative to the Company and its affiliates	Singapore	47.77	47.77	4,201	4,201	26,882	25,711
Total					4,845	4,845	84,580	82,173

(Unit: Thousand Baht)

		Separate financial statements			
Company's name	Shareholding percentage		Cost		
	30 September 2008	31 December 2007	30 September 2008	31 December 2007	
	(%)	(%)			
KCE America, Inc.	25.00	25.00	322	322	
KCE Singapore Pte., Ltd.	24.50	24.50	2,101	2,101	
Total			2,423	2,423	

During the nine-month periods ended 30 September 2008 and 2007 there is no dividend from the associated companies.

Share of income (loss) from investments for the three-month and nine-month periods ended 30 September 2008 and 2007 in above two associated companies was calculated from interim financial statements which had not been reviewed by the auditors of those associated companies because they are located overseas and the Company has no power to direct the financial and operating policies of those companies, including the review of their financial statements.

8. Property, plant and equipment

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2008	5,764,365	1,379,025
Acquisitions during period - at cost	839,707	307,154
Disposals during period - net book value at disposal date	(9,036)	(31,714)
Depreciation for the period	<u>(410,381)</u>	<u>(116,905)</u>
Net book value as at 30 September 2008	<u>6,184,655</u>	<u>1,537,560</u>

8.1 As at 30 September 2008, the Company and its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into negative pledge memorandums which are part of bank overdrafts and loans agreements. Under these memorandums, the Company and its subsidiaries are not allowed to dispose of, transfer, mortgage or provide any lien on their assets, as stipulated in such memorandums.

8.2 As at 30 September 2008, its subsidiaries have mortgaged and pledged the following property, plant and equipment:

8.2.1 Thai Laminate Manufacturer Co., Ltd., a subsidiary, has mortgaged construction and pledged its machinery with a total net book value as at 30 September 2008 of Baht 114.3 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.

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2008	2007	2008	2007
Consolidated financial statements	1,287	693	2,618	7,074
Separate financial statements	418	296	921	3,794

The assets capitalisation rates for the three-month and nine-month periods ended 30 September 2008 are as follows.

(Unit: Percent)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2008	2007	2008	2007
Consolidated financial statements	2.47 – 7.50	2.25 – 6.96	2.47 – 7.50	2.13 – 6.96
Separate financial statements	3.95 – 7.50	4.55 – 6.96	3.50 – 7.50	4.55 – 6.88

9. Computer software

(Unit: Thousand Baht)

	Consolidated	Separate financial
	financial statements	statements
Net book value as at 1 January 2008	10,233	1,449
Acquisitions during period - at cost	16,122	8,924
Amortisation for the period	(3,729)	(958)
Net book value as at 30 September 2008	<u>22,626</u>	<u>9,415</u>

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
Bank overdrafts	37,353	38,101	1,662	-
Short-term loans	1,129,579	1,003,000	279,579	215,000
Packing credits	2,481,000	2,147,000	730,000	612,000
Trust receipts	792,398	535,986	111,712	42,104
Total	<u>4,440,330</u>	<u>3,724,087</u>	<u>1,122,953</u>	<u>869,104</u>

10.1 As at 30 September 2008 and 31 December 2007, bank overdrafts and partial loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.

10.2 As at 30 September 2008 and 31 December 2007, bank overdrafts and most of loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.

10.3 As at 30 September 2008 and 31 December 2007, bank overdrafts and loans from banks of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of most of land, construction thereon and the pledge of most of machineries of such subsidiary company.

11. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
EURO portion	112,602	201,331	57,447	107,177
Baht portion	842,212	1,176,165	-	-
	954,814	1,377,496	57,447	107,177
Less: Current portion of long-term loans	(416,410)	(573,383)	(57,447)	(63,797)
Long-term loans, net of current portion	<u>538,404</u>	<u>804,113</u>	<u>-</u>	<u>43,380</u>

(Unaudited but reviewed)

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

	Consolidated financial statements	(Unit: Thousand Baht) Separate financial statements
Balance as at 1 January 2008	1,377,496	107,177
Add (less): Additional withdrawal of loan during period	21,742	-
Repayment during period	(444,249)	(49,320)
Unrealised gain on exchange	(175)	(410)
Balance as at 30 September 2008	<u>954,814</u>	<u>57,447</u>

As at 30 September 2008, the Company and its two subsidiaries, K.C.E. International Co., Ltd. and KCE Technology Co., Ltd. had long-term loans from banks in EURO currency of EURO 2.3 million in consolidated financial statements and EURO 1.2 million in the separate financial statements (31 December 2007: EURO 4.1 million in consolidated financial statements and EURO 2.2 million in the separate financial statements).

- 11.1 As at 30 September 2008 and 31 December 2007, long-term loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.
- 11.2 As at 30 September 2008 and 31 December 2007, a long-term loan from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, is guaranteed by the Company and is secured by the mortgage of the subsidiary's plant, building and the pledge of part of its machinery. In addition, there are certain significant conditions that the subsidiary has to comply with, such as maintaining a ratio of total debt to equity not exceeding 3:1. Moreover, the Company and its subsidiaries must maintain the shareholding structure, whether by direct or indirect holding at not less than 51 percent of the registered and paid-up capital of the subsidiary.
- 11.3 As at 30 September 2008 and 31 December 2007, long-term loans from banks of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of the subsidiary's land and construction thereon and the pledge of most of the subsidiary's machinery.

12. Share capital**12.1 Share warrant**

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.

Movement of share warrant during the year are summarised below.

	Number of units (unit)	
	30 September 2008	31 December 2007
Warrants issued as at beginning of the period	2,370,000	-
Add: warrants issued during the period	630,000	2,370,000
Warrants issued as at end of the period	<u>3,000,000</u>	<u>2,370,000</u>

As at 30 September 2008, 3,000,000 units of issued warrant remained. No warrants were exercised because the exercise price as at stipulated exercise date, exceeds the fair value of ordinary share.

12.2 Company's shares held by its subsidiaries

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

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

	30 September 2008	31 December 2007
Number of shares held by its subsidiary (shares)	<u>389,700</u>	<u>4,571,850</u>
Cost of shares (Thousand Baht)	1,102	12,963
Share discount (Thousand Baht)	654	1,847
Shares held by its subsidiaries (Thousand Baht)	<u>1,756</u>	<u>14,810</u>

(Unaudited but reviewed)

12.3 Weighted average number of ordinary shares

As at 30 September 2008 and 2007, the weighted average number of ordinary shares in the consolidated and separate financial statements are calculated as follows:

(Unit: Share)

	Consolidated financial statements			
	For the three-month		For the nine-month	
	periods ended 30 September		periods ended 30 September	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Balance brought forward	462,497,269	462,497,269	462,497,269	314,930,000
Add : Shares issued during the period	-	-	-	54,594,484
Less : The Company's shares held by subsidiary	<u>(389,700)</u>	<u>(4,671,850)</u>	<u>(389,700)</u>	<u>(4,671,850)</u>
Weighted average number of ordinary shares	462,107,569	457,825,419	462,107,569	364,852,634
Add : Potential ordinary share - share warrant (2008: 3,000,000 shares, 2007: 365,000 shares)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Diluted weighted average number of ordinary shares	<u>462,107,569</u>	<u>457,825,419</u>	<u>462,107,569</u>	<u>364,852,634</u>

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the period ended 30 September 2008, the Company expected no exercise of the warrant and excluded the warrants for the calculation of potential diluted ordinary shares for diluted earnings per share calculation.

(Unit: Share)

	Separate financial statements			
	For the three-month		For the nine-month	
	periods ended 30 September		periods ended 30 September	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Balance brought forward	462,497,269	462,497,269	462,497,269	314,930,000
Add: Shares issued during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,594,484</u>
Weighted average number of ordinary shares	<u>462,497,269</u>	<u>462,497,269</u>	<u>462,497,269</u>	<u>369,524,484</u>

13. Gain on exchange rate

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

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

14. Corporate income tax

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

15. Commitments and contingent liabilities

15.1 As at 30 September 2008, the Company and its subsidiaries have rental and service contract commitments with a period of 1-3 years and the future minimum charge according to the agreements until the end of the agreement are as follows:

Currency	(Unit: Thousand)	
	Consolidated financial statements	Separate financial statements
Baht	32,691	14,946
US dollar	168	63

15.2 As at 30 September 2008, the Company and its subsidiaries had commitment for purchase of machine amounting to approximately USD 2.84 million, EURO 0.56 million and YEN 173.20 million or totally equivalent to Baht 181.72 million (the Company only: USD 1.51 million or totally equivalent to Baht 51.49 million).

(Unaudited but reviewed)

15.3 As at 30 September 2008, the Company and its subsidiaries have contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

(Unit: Million)

Guarantee company	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
K.C.E. International Co., Ltd.				
- Baht	130	212	-	-
- USD	2	5	-	-
KCE Technology Co., Ltd.				
- Baht	3,897	3,846	-	-
- EURO	1	2	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	135	170	-	-
KCE Electronics Plc.				
- Baht	-	-	246	258

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

15.5 As at 30 September 2008, the Company has contingent liabilities in respect of specifies business tax assessment from Revenue Department's officer of Baht 4.21 million because the Company guaranteed to a related party without fee. However, the Company appealed such assessment to the Central Tax Court, which the case is under consideration at the present. The Company's management believe that there is no tax to be paid from such assessment. Therefore, the Company did not record any contingent liabilities in the accounts.

15.6 On 26 October 2005, KCE America Inc., an associated company, had entered into operating lease agreement for its office premises with a subsidiary of an associated company for a period of 15 years. Under this agreement, the associated company has commitment to pay the rental fee in the future of approximately USD 1.8 million or equivalent to approximately Baht 63.2 million.

15.7 As at 30 September 2008, the Company and its subsidiaries have commitment in respect of installment and implementation of computer software amounting to Baht 98.0 million (the Company only: Baht 29.4 million).

16. Dividend payment

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

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

(Unaudited but reviewed)

17. Financial information by segment

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

(Unit: Thousand Baht)

Consolidated financial statements																
For the three-month period ended 30 September																
	Prepreg and Laminate business		Printed Circuit Board business								Service business		Eliminating entries		Total	
	2008	2007	America		Europe		Asia		Total		2008	2007	2008	2007	2008	2007
Revenue from external customers	34,526	27,495	358,280	449,122	1,149,373	1,212,379	517,425	426,929	2,025,078	2,088,430	-	-	-	-	2,059,604	2,115,925
Inter-segment revenues	380,824	351,683	-	-	-	-	318,023	230,730	318,023	230,730	5,697	-	(704,544)	(582,413)	-	-
Total revenues	<u>415,350</u>	<u>379,178</u>	<u>358,280</u>	<u>449,122</u>	<u>1,149,373</u>	<u>1,212,379</u>	<u>835,448</u>	<u>657,659</u>	<u>2,343,101</u>	<u>2,319,160</u>	<u>5,697</u>	<u>-</u>	<u>(704,544)</u>	<u>(582,413)</u>	<u>2,059,604</u>	<u>2,115,925</u>
Segment operating income	<u>43,299</u>	<u>40,628</u>							<u>230,541</u>	<u>289,300</u>	<u>2,045</u>	<u>-</u>	<u>10,385</u>	<u>(122)</u>	<u>286,270</u>	<u>329,806</u>
Unallocated income															131,746	80,446
Interest income															7,625	7,961
Unallocated expenses															(340,930)	(275,160)
Interest expenses															(68,754)	(69,770)
Corporate income tax															(638)	-
Minority interest in income of subsidiaries															(4,991)	(7,645)
Net income															<u>10,328</u>	<u>65,638</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

Separate financial statements																
For the nine-month period ended 30 September																
	Prepreg and Laminate		Printed Circuit Board business							Service business		Eliminating entries		Total		
	business		America		Europe		Asia		Total							
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	131,142	86,191	1,079,754	1,270,527	3,702,939	3,542,973	1,341,182	1,321,174	6,123,875	6,134,674	-	-	-	-	6,255,017	6,220,865
Inter-segment revenues	1,157,481	1,112,881	-	-	-	-	978,916	532,243	978,916	532,243	6,047	-	(2,142,444)	(1,645,124)	-	-
Total revenues	<u>1,288,623</u>	<u>1,199,072</u>	<u>1,079,754</u>	<u>1,270,527</u>	<u>3,702,939</u>	<u>3,542,973</u>	<u>2,320,098</u>	<u>1,853,417</u>	<u>7,102,791</u>	<u>6,666,917</u>	<u>6,047</u>	<u>-</u>	<u>(2,142,444)</u>	<u>(1,645,124)</u>	<u>6,255,017</u>	<u>6,220,865</u>
Segment operating income	<u>135,880</u>	<u>114,448</u>							<u>786,228</u>	<u>974,287</u>	<u>2,144</u>	<u>-</u>	<u>11,234</u>	<u>5,841</u>	<u>935,486</u>	<u>1,094,576</u>
Unallocated income															209,449	144,548
Interest income															22,907	23,789
Unallocated expenses															(924,601)	(838,841)
Interest expenses															(205,259)	(216,676)
Corporate income tax															(4,038)	(8,638)
Minority interest in income of subsidiaries															(14,317)	(18,129)
Net income															<u>19,627</u>	<u>180,629</u>

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

(Unaudited but reviewed)

18. Forward exchange contracts and commodity swap agreements

As at 30 September 2008, the Company and its subsidiaries had outstanding forward exchange contracts, of which details are presented below.

Currency	Amount	Maturity date	Contract exchange rate	Exchange rate as at 30 September 2008
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	25,329	14 October 2008 – 31 March 2009	33.0400 – 34.8300	34.1752
Euro	457	6 February 2009 – 5 March 2009	49.1416 – 51.7048	49.2682
Sell				
US dollar	46,590	2 October 2008 – 1 April 2009	31.5480 – 34.8500	33.8283
Euro	6,155	11 December 2008 – 23 March 2009	48.2045 – 53.1800	48.5249

As at 30 September 2008, the Company and its subsidiaries had outstanding commodity swap agreement, of which details are presented below :

Type of goods	Quantity	Maturity date	Contract price	Commodity's market price as at 30 September 2008
			(US dollar per unit)	(US dollar per unit)
Copper	860 ton	October 2008 – February 2009	6,700 – 8,000	6,419
Gold	500 Oz.	October 2008 – November 2009	780	885

On 16 June 2008, the Company and its subsidiaries had entered into put option agreements with an overseas bank in respect of future sale of copper of 1,050 ton (the Company only: 263 ton). The bank has to exercise the option within 31 December 2008 for sale of copper to the Company and its subsidiary, which has maturity date between January 2009 and June 2009. If the contract price, which is USD 7,200 per ton, is greater than average market price in the month of settlement, the Company and its subsidiaries will pay the bank an amount equal to the difference multiplied by notional quantity per settlement period.

(Unaudited but reviewed)

On 17 September 2008, the Company and its subsidiaries had entered into put option agreements with an overseas bank in respect of future sale of copper of 600 ton (the Company only: 150 ton). The bank has to exercise the option within 28 February 2009 for sale of copper to the Company and its subsidiary, which has maturity date between March 2009 and August 2009. If the contract price, which is USD 6,700 per ton, is greater than average market price in the month of settlement, the Company and its subsidiaries will pay the bank an amount equal to the difference multiplied by notional quantity per settlement period.

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

19. Reclassification

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

20. Subsequent events

On 22 October 2008, the Board of Directors of K.C.E. International Co., Ltd., a subsidiary Company, announced temporary cease of the production which will be effected in December 2008 and the whole production will be moved to the Company and KCE Technology Co., Ltd., another subsidiary, because of decrement in purchase order of double-sided PCB products and also a project for plant improvement to support production of multilayer PCB.

21. Approval of interim financial statements

These interim financial statements were authorised for issue by the authorised directors of the Company on 11 November 2008.