

KCE Electronics Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 2009 and 2008

1. General information

1.1 Corporate information of the Company and its subsidiaries

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

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

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 a 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. The governments of many countries put in effort 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 affected by an array of future events.

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

1.3 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 34 (revised 2007) “Interim financial statements”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets and, the statements of income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

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

The interim financial statements in Thai language are the official statutory financial statements of the company. The interim financial statements in English language have been translated from the Thai language financial statements.

1.4 Basis of consolidation

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

Company's name	Percentage of shareholding		Subsidiary's assets as a percentage to the consolidated total assets as at		Subsidiary's revenues as a percentage to the consolidated total revenues for the three-month periods ended		Subsidiary's revenues as a percentage to the consolidated total revenues for the nine-month periods ended	
	30 September 2009	31 December 2008	30 September 2009	31 December 2008	30 September 2009	30 September 2008	30 September 2009	30 September 2008
	K.C.E. International Co., Ltd.	94.99	94.99	5	6	-	14	-
KCE Technology Co., Ltd.	100.00	100.00	56	56	56	52	56	49
Thai Laminate Manufacturer Co., Ltd. (Held by the Company 52.00% and K.C.E. International Co., Ltd. 19.20%)	70.24	70.24	9	9	2	2	2	2
KCE (Thailand) Co., Ltd.	60.00	60.00	1	1	4	3	4	2
Thai Business Solution Co., Ltd.	49.00	49.00	-	-	-	-	-	-

1.5. Adoption of new accounting standards

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

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

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

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

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale

and Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

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

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

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

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

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

1.6 Significant accounting policies

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

2. Trade accounts receivable

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

Age of receivables	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September 2009	31 December 2008	30 September 2009	31 December 2008
Trade accounts receivable - related parties				
Not yet due	275,803	412,697	155,877	262,723
Past due				
Up to 3 months	33,827	58,781	22,266	148,638
3 - 6 months	21,877	2,752	1,689	485
6 - 12 months	4,341	-	55	-
Total trade accounts receivable				
- related parties	335,848	474,230	179,887	411,846
Trade accounts receivable - unrelated parties				
Not yet due	1,040,266	713,420	416,396	209,446
Past due				
Up to 3 months	110,921	156,030	54,927	55,359
3 - 6 months	5,110	12,488	4,116	6,689
6 - 12 months	9	322	-	322
Over 12 months	377	716	-	716
Total trade accounts receivable - unrelated parties	1,156,683	882,976	475,439	272,532
Total trade accounts receivable	1,492,531	1,357,206	655,326	684,378
Less: Allowance for doubtful accounts	(1,906)	(4,540)	(1,675)	(4,260)
Trade accounts receivable - net	1,490,625	1,352,666	653,651	680,118

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 agree upon between the Company and those related parties.

(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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<u>Transactions with subsidiaries</u>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	83.6	155.9	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	-	17.8	Net book value plus margin and prices agreed between the parties
Other income	-	-	1.4	9.6	Prices agreed between the parties
Purchase of goods	-	-	178.7	242.5	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	1.3	1.2	Prices agreed between the parties
<u>Transactions with associated companies</u>					
Sales of goods	269.1	464.7	106.4	162.0	Market prices at which similar quality products are sold under same sales conditions
Purchases of raw materials	28.1	65.5	5.6	18.6	Market prices at which similar quality products are sold under same purchase conditions
Purchase of fixed assets	-	0.5	-	0.2	Prices agreed between the parties
Commission expense	16.6	15.5	8.3	6.2	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		For the nine-month		
	periods ended 30 September		periods ended 30 September		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<i><u>Transactions with subsidiaries</u></i>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	218.2	401.0	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	32.6	25.3	Net book value plus margin and prices agreed between the parties
Other income	-	-	2.2	10.9	Prices agreed between the parties
Purchase of goods	-	-	546.6	831.0	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	33.8	11.5	Prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	684.0	1,283.6	272.8	453.6	Market prices at which similar quality products are purchased under same conditions
Purchases of raw materials	86.2	183.1	26.8	53.5	Market prices at which similar quality products are purchased under same conditions
Purchase of fixed assets	-	0.9	-	0.6	Prices agreed between the parties
Commission expense	41.5	38.4	18.9	17.7	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	22.4	22.5	22.4	22.5	Interest rate at 7.5 percent per annum

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2009	2008	2009	2008
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	45,091	233,963
KCE (Thailand) Co., Ltd.	-	-	4,841	5,176
Thai Laminate Manufacturer Co., Ltd.	-	-	308	5,611
K.C.E. International Co., Ltd.	-	-	36	215
Total trade accounts receivable - subsidiaries	-	-	50,276	244,965
Associated companies				
KCE America, Inc.	289,102	402,494	105,335	132,735
KCE Singapore Pte., Ltd.	46,746	71,736	24,276	34,146
Total trade accounts receivable - associated companies	335,848	474,230	129,611	166,881
Total trade accounts receivable - related parties	335,848	474,230	179,887	411,846
<u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	32,753	18,167
K.C.E. International Co., Ltd.	-	-	1,832	1,092
Thai Business Solution Co., Ltd.	-	-	73	-
Thai Laminate Manufactures Co., Ltd.	-	-	51	-
KCE (Thailand) Co., Ltd.	-	-	6	73
Total amounts due from and short-term loans to subsidiaries	-	-	34,715	19,332
Associated companies				
KCE Singapore Pte., Ltd.	5	23	-	-
KCE America, Inc.	-	538	-	-
Total amounts due from and short-term loans to associated companies	5	561	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2009	2008	2009	2008
Related company				
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	323,565	301,170	323,565	301,170
	722,800	700,405	722,800	700,405
Less: Allowance for doubtful accounts	(722,800)	(700,405)	(722,800)	(700,405)
Total amounts due from and short-term loans				
to related company - net	-	-	-	-
Total amounts due from and short-term				
loans to related parties - net	5	561	34,715	19,332

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 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	31 December	30 September	31 December
	2009	2008	2009	2008
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	189,688	128,748
Thai Laminate Manufacturer Co., Ltd.	-	-	138,666	212,892
K.C.E. International Co., Ltd.	-	-	31,134	48,397
Total trade accounts payable - subsidiaries	-	-	359,488	390,037
Associated company				
KCE Singapore Pte., Ltd.	36,604	49,093	18,548	20,605
Total trade accounts payable - associated				
company	36,604	49,093	18,548	20,605
Total trade accounts payable - related parties	36,604	49,093	378,036	410,642

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2009	2008	2009	2008
<u>Amounts due to and advances from related parties</u>				
<u>parties</u>				
Subsidiaries				
K.C.E. International Co., Ltd.	-	-	48,291	20,399
Thai Laminate Manufacturer Co., Ltd.	-	-	40,183	-
KCE Technology Co., Ltd.	-	-	22,768	191
Thai Business Solution Co., Ltd.	-	-	963	-
Total amounts due to and advances from subsidiaries	-	-	112,205	20,590
Associated companies				
KCE Singapore Pte., Ltd.	10,884	11,301	1,685	2,795
Total amounts due to and advances from associated companies	10,884	11,301	1,685	2,795
Total amounts due to and advances from related parties	10,884	11,301	113,890	23,385

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 13.3 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 nine-month period ended 30 September 2009 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial	Separate financial
	statements	statements
Balance as at 1 January 2009	81,258	24,110
Less: Allowance for diminution in value of inventories and inventory obsolescence reversed during the period	(25,313)	(4,209)
Balance as at 30 September 2009	<u>55,945</u>	<u>19,901</u>

5. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Separate financial statements									
	Paid-up capital		Shareholding percentage		Cost		Provision for impairment of investments		Carrying amounts based on cost method-net	
	30	31	30	31	30	31	30	31	30	31
	September	December	September	December	September	December	September	December	September	December
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
			(%)	(%)						
K.C.E. International Co., Ltd.	100,000	100,000	94.99	94.99	172,499	172,499	-	-	172,499	172,499
Thai Laminate Manufacturer Co., Ltd.	250,000	250,000	52.00	52.00	157,710	157,710	-	-	157,710	157,710
KCE Technology Co., Ltd.	1,400,000	1,150,000	100.00	100.00	1,400,000	1,150,000	(563,271)	(563,271)	836,729	586,729
KCE (Thailand) Co., Ltd.	3,600	3,600	60.00	60.00	2,160	2,160	-	-	2,160	2,160
Thai Business Solution Co., Ltd.	3,000	3,000	49.00	49.00	1,470	1,470	-	-	1,470	1,470
Total					<u>1,733,839</u>	<u>1,483,839</u>	<u>(563,271)</u>	<u>(563,271)</u>	<u>1,170,568</u>	<u>920,568</u>

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

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

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	31	30	31	30	31	
			September	December	September	December	September	December	
			2009	2008	2009	2008	2009	2008	
			(%)	(%)					
KCE America, Inc.	Foreign sale representative to the Company and its affiliates	United States of America	48.75	48.75	644	644	52,162	59,487	
KCE Singapore Pte., Ltd.	Foreign sale representative to the Company and its affiliates	Singapore	47.77	47.77	4,201	4,201	27,794	27,606	
Total					<u>4,845</u>	<u>4,845</u>	<u>79,956</u>	<u>87,093</u>	

(Unaudited but reviewed)

(Unit: Thousand Baht)

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

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

For the three-month and nine-month periods ended 30 September 2009 and 2008, share of income (loss) from investments in above two associated companies was calculated from interim financial statements which had not been reviewed by the auditors of those associated companies because they are located overseas and the Company has no power to direct the financial and operating policies of those companies, including the review of their financial statements.

7. Property, plant and equipment

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

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2009	6,186,891	1,539,743
Acquisitions during period - at cost	44,596	29,057
Disposals during period - net book value at disposal date	(76,910)	(99,442)
Depreciation for the period	(426,528)	(125,160)
Net book value as at 30 September 2009	5,728,049	1,344,198

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

(Unaudited but reviewed)

7.2 As at 30 September 2009, its subsidiaries have mortgaged property and plant and pledged the equipment as follow:

7.2.1 Thai Laminate Manufacturer Co., Ltd., a subsidiary, has mortgaged construction and pledged its machinery with a total net book value as at 30 September 2009 of Baht 235.51 million as collateral for loans from banks, as described in Note 10 to the financial statements.

7.2.2 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 9 and 10 to the financial statements.

7.3 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	
	2009	2008	2009	2008
Consolidated financial statements	4	1,287	1,299	2,618
Separate financial statements	4	418	594	921

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

(Unit: Percent)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2009	2008	2009	2008
Consolidated financial statements	1.98 - 2.30	2.47 - 7.50	1.98 - 6.69	2.47 - 7.50
Separate financial statements	1.98 - 2.30	3.95 - 7.50	1.98 - 5.25	3.50 - 7.50

8. Intangible assets

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2009	2008	2009	2008
Cost	90,885	64,426	44,920	26,064
Less: Accumulated amortisation	(41,520)	(38,027)	(15,864)	(14,737)
Net book value	49,365	26,399	29,056	11,327
Amortisation for the period	4,249	4,828	1,127	1,149

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2009	2008	2009	2008
Bank overdrafts	59,090	79,468	15,159	34,894
Short-term loans	458,629	1,199,500	179,052	301,500
Packing credits	2,509,000	2,465,600	753,000	735,500
Trust receipts	307,182	716,166	60,727	99,458
Total	3,333,901	4,460,734	1,007,938	1,171,352

- 9.1 As at 30 September 2009 and 31 December 2008, bank overdrafts and partial loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.
- 9.2 As at 30 September 2009 and 31 December 2008, bank overdrafts of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.
- 9.3 As at 30 September 2009 and 31 December 2008, bank overdrafts and loans from banks of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of most of land, construction thereon and the pledge of most of machineries of such subsidiary company.

10. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	30 September	31 December	30 September	31 December
	2009	2008	2009	2008
EURO portion	26,465	87,498	-	43,408
Baht portion	1,563,251	866,812	166,334	58,000
	1,589,716	954,310	166,334	101,408
Less: Current portion of long-term loans	(252,739)	(395,131)	(38,813)	(65,539)
Long-term loans, net of current portion	1,336,977	559,179	127,521	35,869

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2009	954,310	101,408
Add (less): Additional withdrawal of loan during period	809,684	108,334
Repayment during period	(174,130)	(43,408)
Unrealised gain on exchange	(148)	-
Balance as at 30 September 2009	<u>1,589,716</u>	<u>166,334</u>

As at 30 September 2009, a subsidiary company, KCE Technology Co., Ltd., had a long-term loan from bank in EURO currency of EURO 0.5 million in consolidated financial statements (31 December 2008: EURO 1.8 million in consolidated financial statements and EURO 0.9 million in the separate financial statements).

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

11. Share capital**11.1 Share warrant**

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

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

11.2 Treasury shares

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

	Consolidated and separate financial statements
Cost of treasury shares (Thousand Baht)	7,508.2
Number of treasury shares (Thousand shares)	6,779.7
Average price per share (Baht)	1.10
Percentage of treasury shares to the Company's shares in issue	1.46

Any shares bought back are to be resold on the Stock Exchange of Thailand during the period from 8 December 2009 to 7 June 2012. Resale of shares, cancellations of the repurchased shares and reductions of share capital are to conform with the 2001 Ministerial Regulations on the principles and procedures for the repurchase and resale of shares. The determination of the resale price will take into account the prevailing market price at the time of sale.

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

(Unit: Share)

	Consolidated financial statements			
	For the three-month		For the nine-month	
	periods ended 30 September		periods ended 30 September	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Balance brought forward	456,274,569	462,497,269	462,218,585	462,497,269
Less: Treasury shares	(557,000)	-	(6,058,272)	-
Shares of the Company held by subsidiaries	-	(389,700)	-	(389,700)
Weighted average number of ordinary shares	<u>455,717,569</u>	<u>462,107,569</u>	<u>456,160,313</u>	<u>462,107,569</u>

(Unit: Share)

	Separate financial statements			
	For the three-month		For the nine-month	
	periods ended 30 September		periods ended 30 September	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Balance brought forward	456,274,569	462,497,269	462,218,585	462,497,269
Less: Treasury shares	(557,000)	-	(6,058,272)	-
Weighted average number of ordinary shares	<u>455,717,569</u>	<u>462,497,269</u>	<u>456,160,313</u>	<u>462,497,269</u>

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

12. 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.

13. Commitments and contingent liabilities

13.1 Operating lease commitments

13.1.1 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 September 2009, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Payable within:		
Less than 1 year	98,948	94,583
1 to 4 years	269,094	261,869

13.1.2 On 26 October 2005, KCE America Inc., an associated company, had entered into operating lease agreement for its office premises with a subsidiary of an associated company for a period of 15 years. Under this agreement, as at 30 September 2009, the associated company has a commitment to pay the rental fee in the future of approximately USD 1.7 million or equivalent to approximately Baht 58.7 million.

13.2 Long-term service commitments

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

	(Unit: Thousand)	
Currency	Consolidated financial statements	Separate financial statements
Baht	25,546	11,326
US dollar	156	56

13.2.2 As at 30 September 2009, the Company and its two subsidiaries have commitment in respect of installment and implementation of computer software with a subsidiary company amounting to Baht 58.5 million (the Company only: Baht 17.5 million).

13.3 Guarantees

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

(Unit: Million)

Guarantee company	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	30 September 2009	31 December 2008	30 September 2009	31 December 2008
K.C.E. International Co., Ltd.				
- Baht	-	73	-	-
- USD	-	1	-	-
KCE Technology Co., Ltd.				
- Baht	3,551	3,752	-	-
- EURO	1	1	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	118	135	-	-
KCE Electronics Plc.				
- Baht	-	-	159	219

13.3.2 As at 30 September 2009, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 58.1 million (the Company only: Baht 28.3 million) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electric payment.

13.5 Litigation

As at 30 September 2009, the Company has contingent liabilities in respect of specific business tax assessment from Revenue Department's officer of Baht 4.2 million because the Company guaranteed to a related party without fee. On 9 July 2009, the Central Tax Court announced a judgement which was in favour of the Company and overran the assessment of officer and the Tax Appeal Board's judgement from Revenue Department. Later on 7 September 2009, the Revenue Department lodged an appeal against the Central Tax Court's judgement and the Central Tax Court has issued a court receipt for such appeal. At present, the lawsuit is being considered by the Supreme Court. The Company's management believe that the Company will eventually win the case and the Company has therefore not yet set aside any contingent liabilities in the accounts.

14. Dividend payment

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

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

15. 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 2009 and 2008																
	Prepreg and Laminate business		Printed Circuit Board business								Service business		Eliminating entries		Total	
	2009	2008	America		Europe		Asia		Total		2009	2008	2009	2008	2009	2008
Revenue from external customers	25,601	34,526	248,020	358,280	983,386	1,149,373	370,215	517,425	1,601,621	2,025,078	545	-	-	-	1,627,767	2,059,604
Inter-segment revenues	259,618	380,824	-	-	-	-	233,787	318,023	233,787	318,023	13,320	5,697	(506,725)	(704,544)	-	-
Total revenues	285,219	415,350	248,020	358,280	983,386	1,149,373	604,002	835,448	1,835,408	2,343,101	13,865	5,697	(506,725)	(704,544)	1,627,767	2,059,604
Segment operating income																
Unallocated income	38,624	43,299							309,120	230,541	7,089	2,045	(13,850)	10,385	340,983	286,270
Interest income															43,651	131,176
Unallocated expenses															7,551	7,625
Finance cost															(199,882)	(338,758)
Corporate income tax															(64,283)	(70,356)
Minority interest of the subsidiaries															(493)	(638)
Net income															(3,965)	(4,991)
															123,562	10,328

(Unaudited but reviewed)

(Unit: Thousand Baht)

Separate financial statements																
For the nine-month period ended 30 September 2009 and 2008																
	Prepreg and Laminate business		Printed Circuit Board business								Service business		Eliminating entries		Total	
	2009	2008	America		Europe		Asia		Total		2009	2008	2009	2008	2009	2008
Revenue from external customers	79,836	131,142	565,951	1,079,754	2,483,022	3,702,939	892,396	1,341,182	3,941,369	6,123,875	1,470	-	-	-	4,022,675	6,255,017
Inter-segment revenues	674,784	1,157,481	-	-	-	-	771,531	978,916	771,531	978,916	40,293	6,047	(1,486,608)	(2,142,444)	-	-
Total revenues	<u>754,620</u>	<u>1,288,623</u>	<u>565,951</u>	<u>1,079,754</u>	<u>2,483,022</u>	<u>3,702,939</u>	<u>1,663,927</u>	<u>2,320,098</u>	<u>4,712,900</u>	<u>7,102,791</u>	<u>41,763</u>	<u>6,047</u>	<u>(1,486,608)</u>	<u>(2,142,444)</u>	<u>4,022,675</u>	<u>6,255,017</u>
Segment operating income																
Unallocated income	<u>65,916</u>	<u>135,880</u>							<u>602,891</u>	<u>786,228</u>	<u>17,274</u>	<u>2,144</u>	<u>(33,286)</u>	<u>11,234</u>	652,795	935,486
Interest income															128,847	207,696
Unallocated expenses															22,682	22,907
Finance cost															(580,119)	(918,003)
Corporate income tax															(212,088)	(210,104)
Minority interest of the subsidiaries															(3,796)	(4,038)
Net income															<u>799</u>	<u>(14,317)</u>
															<u>9,120</u>	<u>19,627</u>

Transfer prices between business segments are as set out in Note 3 to the financial statements.

16. Foreign currency risk

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

16.1 Forward exchange contracts

Currency	Amount	Maturity date	Contract exchange rate	Exchange rate as at 30 September 2009
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	10,216	17 November 2009 - 29 March 2010	33.6530 - 34.4950	33.6972
Sell				
US dollar	124	18 March 2010 - 23 March 2010	33.7550 - 33.8850	33.3232
Euro	4,610	20 November 2009 - 29 March 2010	46.6705 - 49.5992	48.5864

16.2 Cross currency swap contracts

	Notional amount	Average exchange rate
US dollar and Euro	1,352,930 : 928,430	1.4365 - 1.4633

17. Reclassification

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

(Unit: Thousand Baht)

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

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Income statements for the three-month period ended 30 September 2008			
	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously	As reclassified	As previously
		reported		reported
Other income - others	130,758	131,328	24,727	26,048
Selling and administrative expenses	-	273,319	-	96,729
Selling expenses	164,084	-	58,093	-
Administrative expenses	95,116	-	30,919	-
Management's remuneration	13,680	-	6,474	-
Loss from hedging activities	49,541	51,274	10,387	10,846
Interest expense	-	68,754	-	14,910
Finance cost	70,356	-	15,291	-

(Unit: Thousand Baht)

	Income statements for the nine-month period ended 30 September 2008			
	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously	As reclassified	As previously
		reported		reported
Other income - others	193,426	195,179	48,193	49,141
Selling and administrative expenses	-	897,363	-	320,644
Selling expenses	557,391	-	205,800	-
Administrative expenses	285,726	-	89,337	-
Management's remuneration	47,648	-	23,527	-
Interest expense	-	205,259	-	42,110
Finance cost	210,104	-	43,142	-

18. Approval of interim financial statements

These interim financial statements were authorised for issue by the authorised directors of the Company on 5 November 2009.