

KCE Electronics Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 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.

The group structure as at 30 September 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 nine-month periods ended	
	30	31	30	31	30	30	30	30
	September 2010	December 2009	September 2010	December 2009	September 2010	September 2009	September 2010	September 2009
KCE Technology Co., Ltd.	100.00	100.00	52	57	46	56	49	56
K.C.E. International Co., Ltd.	99.99	94.99	7	5	9	-	8	-
Thai Laminate Manufacturer Co., Ltd. (74.80% held by the Company and 25.20% held by K.C.E. International Co., Ltd.)	100.00	70.24	9	8	1	2	1	2
KCE (Thailand) Co., Ltd.	60.00	60.00	-	1	3	4	3	4
Thai Business Solution Co., Ltd.	49.00	49.00	-	-	-	-	-	-

1.4 Adoption of new accounting standards

During the current period, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that will become effective in fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements
(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 17 (revised 2009)	Leases
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures

TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

- b) Accounting standards that will become effective in fiscal years beginning on or after 1 January 2013:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance

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 accounting standards described above will not have any significant impact on the financial statements for the year in which they are initially applied, except TAS 12 that the management has yet to complete its evaluation of the impact of such accounting standard in the year when it is adopted.

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 September 2010 and 31 December 2009, aged on the basis of due date, was as follows:

Age of receivables	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009
<u>Trade accounts receivable - related parties</u>				
Not yet due	364,402	380,814	210,439	240,556
Past due				
Up to 3 months	99,705	59,137	96,984	64,563
3 - 6 months	3	3,447	775	-
6 - 12 months	1	1,816	-	-
Total trade accounts receivable				
- related parties	464,111	445,214	308,198	305,119
<u>Trade accounts receivable - unrelated parties</u>				
Not yet due	1,286,229	1,034,633	590,635	360,053
Past due				
Up to 3 months	131,600	74,698	59,651	39,827
3 - 6 months	4,892	5,829	-	1,001
6 - 12 months	204	159	-	159
Over 12 months	663	592	-	-
Total trade accounts receivable -				
unrelated parties	1,423,588	1,115,911	650,286	401,040
Total trade accounts receivable	1,887,699	1,561,125	958,484	706,159
Less: Allowance for doubtful accounts	(618)	(732)	(359)	(471)
Trade accounts receivable - net	1,887,081	1,560,393	958,125	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 September		For the three-month periods ended 30 September		
	2010	2009	2010	2009	
<u>Transactions with subsidiaries</u> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	64.4	80.8	Market prices and prices per job order for each product which are agreed between the parties
Service income	-	-	4.3	2.8	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	0.1	-	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	179.5	-	As announced in the minute of shareholders' meeting
Other income	-	-	1.5	1.4	Price agreed between the parties
Purchases of goods	-	-	260.8	178.7	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	6.1	1.3	Prices agreed between the parties
<u>Transactions with associated companies</u>					
Sales of goods	349.8	269.1	148.9	106.4	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	18.6	28.1	5.0	5.6	Market prices at which similar quality products are purchased under same conditions
Commission expense	17.3	16.6	9.6	8.3	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	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>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	-	-	251.9	209.8	Market prices and prices per job order for each product which are agreed between the parties
Service income	-	-	15.8	8.4	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	0.8	32.6	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	187.3	-	As announced in the minute of shareholders' meeting
Other income	-	-	4.5	2.2	Price agreed between the parties
Purchases of goods	-	-	725.8	546.6	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	42.8	33.8	Prices agreed between the parties
<u>Transactions with associated companies</u>					
Sales of goods	1,045.0	684.0	454.7	272.8	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	59.6	86.2	15.7	26.8	Market prices at which similar quality products are purchased under same conditions
Commission expense	45.3	41.5	22.3	18.9	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	-	22.4	-	22.4	Interest rate at 7.5 percent per annum

(Unaudited but reviewed)

As at 30 September 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 September 2010	31 December 2009	30 September 2010	31 December 2009
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	89,098	98,771
K.C.E. International Co., Ltd.	-	-	4,575	7,577
KCE (Thailand) Co., Ltd.	-	-	3,739	3,427
Thai Laminate Manufacturer Co., Ltd.	-	-	1,293	1,463
Total trade accounts receivable - subsidiaries	-	-	98,705	111,238
Associated companies				
KCE America, Inc.	374,372	389,451	152,712	147,062
KCE Singapore Pte., Ltd.	89,739	55,763	56,781	46,819
Total trade accounts receivable - associated companies	464,111	445,214	209,493	193,881
Total trade accounts receivable - related parties	464,111	445,214	308,198	305,119
<u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
Thai Business Solution Co., Ltd.	-	-	586	73
K.C.E. International Co., Ltd.	-	-	139	4
KCE Technology Co., Ltd.	-	-	109	473
Thai Laminate Manufactures Co., Ltd.	-	-	56	85
Total amounts due from and short-term loans to subsidiaries	-	-	890	635
Associated company				
KCE Singapore Pte., Ltd.	-	3	-	-
Total amounts due from and short-term loans to associated company	-	3	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	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	-	3	890	635
<u>Dividend receivable from related parties</u>				
Subsidiaries				
Thai Laminate Manufactures Co., Ltd.	-	-	179,520	-
K.C.E. International Co., Ltd.	-	-	69,996	66,496
Total dividend receivable from related parties	-	-	249,516	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.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2010	2009	2010	2009
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	285,789	213,596
K.C.E. International Co., Ltd.	-	-	87,029	13,059
KCE Technology Co., Ltd.	-	-	19,029	55,555
Total trade accounts payable - subsidiaries	-	-	391,847	282,210
Associated company				
KCE Singapore Pte., Ltd.	26,233	23,847	16,761	18,656
Total trade accounts payable - associated company	26,233	23,847	16,761	18,656
Total trade accounts payable - related parties	26,233	23,847	408,608	300,866

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009
<u>Amounts due to and advances from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	33,580	22,804
Thai Business Solution Co., Ltd.	-	-	11	4,306
K.C.E. International Co., Ltd.	-	-	-	45,384
Total amounts due to and advances from subsidiaries	-	-	33,591	72,494
Associated company				
KCE Singapore Pte., Ltd.	13,719	8,686	2,711	806
Total amounts due to and advances from associated company	13,719	8,686	2,711	806
Total amounts due to and advances from related parties	13,719	8,686	36,302	73,300

Directors' and management's remuneration

During the three-month and nine-month periods ended 30 September 2010, the Company and its subsidiaries paid salaries, bonus, meeting allowances and other remuneration to their directors and management totaling Baht 14.5 million and Baht 47.6 million, respectively (the Company only: Baht 7.2 million and Baht 24.1 million, respectively) and during the three-month and nine-month periods ended 30 September 2009 totaling Baht 13.0 million and Baht 42.2 million, respectively (the Company only: Baht 6.0 million and Baht 22.5 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 nine-month period ended 30 September 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	6,076	1,239
Balance as at 30 September 2010	44,521	15,796

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 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
			(%)	(%)								2010	2009	2010
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	185,395	172,499	-	-	185,395	172,499	-	-	-	-
Thai Laminate Manufacturer Co., Ltd.	250,000	250,000	74.80	52.00	368,461	157,710	-	-	368,461	157,710	179,520	-	187,320	-
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					1,957,486	1,733,839	(541,771)	(541,771)	1,415,715	1,192,068	179,520	-	187,320	-

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.

(Unaudited but reviewed)

In addition, in September 2010, the Company purchased 1.2 million ordinary shares of Thai Laminate Manufacturer Company Limited from the existing shareholders at Baht 23.5 per share, or a total of Baht 28.2 million, representing 5 percent of the registered and paid-up share capital of the subsidiary. As a result, the percentage of direct shareholding of the Company and its subsidiary in that company increased to 74.8 percent and 25.2 percent, respectively, or increased to 100 percent for both direct and indirect shareholding of the Company.

The excess of the acquisition price over the attributable net book value of the subsidiaries at acquisition date, amounting to approximately Baht 38.6 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 September	31 December	30 September	31 December	30 September	31 December		
			2010	2009	2010	2009	2010	2009		
			(%)	(%)						
KCE America, Inc.	Foreign sale representative of the Company and its affiliates	United States of America	48.75	48.75	644	644	50,760	53,712		
KCE Singapore Pte., Ltd.	Foreign sale representative of the Company and its affiliates	Singapore	47.77	47.77	4,201	4,201	26,909	28,065		
Total					4,845	4,845	77,669	81,777		

(Unit: Thousand Baht)

Company's name	Separate financial statements			
	Shareholding percentage		Cost	
	30 September	31 December	30 September	31 December
	2010	2009	2010	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

(Unaudited but reviewed)

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

For the nine-month periods ended 30 September 2010 and 2009, share of income (loss) from investments in the above two associated companies was calculated from the 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 in the property, plant and equipment account during the nine-month period ended 30 September 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	172,420	89,789
Disposals/write-off during period - net book value at disposal/write-off date	(3,990)	(2,015)
Depreciation for the period	<u>(441,567)</u>	<u>(127,767)</u>
Net book value as at 30 September 2010	<u>5,345,748</u>	<u>1,280,051</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 September 2010 of Baht 290.62 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 September 2010 of Baht 1,871.43 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 periods ended 30 September		For the three-month periods ended 30 September	
	2010	2009	2010	2009
Interest expenses capitalised as cost (Thousand Baht)	-	4	-	4
Capitalisation rate (percent)	-	1.98 - 2.30	-	1.98 - 2.30

	Consolidated		Separate	
	financial statements		financial statements	
	For the nine-month periods ended 30 September		For the nine-month periods ended 30 September	
	2010	2009	2010	2009
Interest expenses capitalised as cost (Thousand Baht)	-	1,299	-	594
Capitalisation rate (percent)	-	1.98 - 6.69	-	1.98 - 5.25

8. Intangible assets

Movements in intangible assets, which are computer software, during the nine-month period ended 30 September 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	13,230	11,141
Amortisation for the period	<u>(5,889)</u>	<u>(2,173)</u>
Net book value as at 30 September 2010	<u>63,554</u>	<u>45,663</u>

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009
Bank overdrafts	24,179	29,456	23,844	12,335
Short-term loans	451,125	383,000	265,625	145,000
Packing credits	2,485,043	2,443,024	931,943	806,024
Trust receipts	441,941	409,329	51,084	102,345
Total	<u>3,402,288</u>	<u>3,264,809</u>	<u>1,272,496</u>	<u>1,065,704</u>

- 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 September 2010	31 December 2009	30 September 2010	31 December 2009
Euro portion (Consolidated: 30 September 2010: Euro 0.36 million, 31 December 2009: Euro 0.54 million)	15,019	25,797	-	-
Baht portion	1,320,528	1,542,775	141,613	162,733
Total	1,335,547	1,568,572	141,613	162,733
Less: Current portion	(383,221)	(354,785)	(42,480)	(50,090)
Long-term loans - net of current portion	<u>952,326</u>	<u>1,213,787</u>	<u>99,133</u>	<u>112,643</u>

(Unaudited but reviewed)

Movements in the long-term loan account during the nine-month period ended 30 September 2010 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Balance as at 1 January 2010	1,568,572	162,733
Add: Additional withdraw during the period	130,000	-
Less: Repayment during the period	(360,718)	(21,120)
Unrealised gain on exchange	<u>(2,307)</u>	<u>-</u>
Balance as at 30 September 2010	<u><u>1,335,547</u></u>	<u><u>141,613</u></u>

As at 30 September 2010, KCE Technology Co., Ltd., a subsidiary company, had a long-term loan from bank in Euro currency of Euro 0.36 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 repayment 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 During the current period, Thai Laminate Manufacturer Co., Ltd., a subsidiary company, entered into two loan agreements as follows:
- 10.3.1 A loan agreement of Baht 159 million shall be repaid within 48 months from the drawdown date. The payment of principal is to be made in quarterly installments of Baht 12.5 million each, with the first installment to be paid in October 2011. Interest is to be paid monthly at a rate of THBFIX deposit for 3 months plus 1.65 percent per annum. During the period, the subsidiary company had drawn down Baht 130 million from the agreement and the draw down period was ended during the period.

10.3.2 A loan agreement of Baht 240 million shall be repaid within 48 months from the drawdown date. The payment of principal is to be made in quarterly installments of Baht 18.5 million each, with the first installment to be paid in November 2011. Interest is to be paid monthly at a rate of THBFIX deposit for 3 months plus 1.65 percent per annum. On 7 October 2010, the subsidiary company had drawn down Baht 240 million from the agreement.

These loans are secured by mortgage and negative pledge of the subsidiary's machinery.

10.4 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 2.0 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.

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.

(Unaudited but reviewed)

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

	Number of units (units)	
	For the three-month periods ended 30 September	
	2010	2009
Warrants issued at beginning of the period	8,338,000	3,000,000
Less: Exercised during the period	(3,908,000)	-
Warrants issued at end of the period	<u>4,430,000</u>	<u>3,000,000</u>

	Number of units (units)	
	For the nine-month periods ended 30 September	
	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	(8,005,500)	-
Warrants issued at end of the period	<u>4,430,000</u>	<u>3,000,000</u>

11.2 Treasury shares

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

	Consolidated and separate financial statements	
	30 September 2010	31 December 2009
Cost of treasury shares (Thousand Baht)	39,836.69	7,508.22
Number of treasury shares (Thousand shares)	4,149.80	6,779.70
Average price per share (Baht)	9.60	1.10
Percentage of treasury shares to the Company's shares in issue	0.88	1.46

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

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 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

The weighted average number of ordinary shares used in calculating earnings per share for the three-month and nine-month periods ended 30 September 2010 and 2009 is calculated as follows:

(Unit: Shares)

	Consolidated financial statements			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2010	2009	2010	2009
Balance brought forward (net of treasury shares)	467,159,269	456,274,569	455,717,569	462,218,585
Less: Treasury shares	(1,741,663)	(557,000)	(586,934)	(6,058,272)
Add: Weighted average number of ordinary shares issued during the period	679,652	-	2,914,126	-
Treasury shares sold during the period	-	-	4,509,183	-
Weighted average number of ordinary shares	466,097,258	455,717,569	462,553,944	456,160,313
Add: Potential ordinary shares - share warrants (2010: 4,430,000 shares, 2009: 3,000,000 shares)	2,116,378	-	924,839	-
Diluted weighted average number of ordinary shares	<u>468,213,636</u>	<u>455,717,569</u>	<u>463,478,783</u>	<u>456,160,313</u>

(Unit: Shares)

	Separate financial statements			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2010	2009	2010	2009
Balance brought forward (net of treasury shares)	467,159,269	456,274,569	455,717,569	462,218,585
Less: Treasury shares	(1,741,663)	(557,000)	(586,934)	(6,058,272)
Add: Weighted average number of ordinary shares issued during the period	679,652	-	2,914,126	-
Treasury shares sold during the period	-	-	4,509,183	-
Weighted average number of ordinary shares	466,097,258	455,717,569	462,553,944	456,160,313
Add: Potential ordinary shares - share warrants (2010: 4,430,000 shares, 2009: 3,000,000 shares)	2,116,378	-	924,839	-
Diluted weighted average number of ordinary shares	<u>468,213,636</u>	<u>455,717,569</u>	<u>463,478,783</u>	<u>456,160,313</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 for the period ended 30 September 2009.

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.

In September 2010, the Company received advance share subscription of Baht 3.93 per share for 480,000 additional ordinary shares and Baht 6.86 per share for 3,428,000 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 25,402,480. The Company registered the resulting increase of Baht 3,908,000 in its capital with the Ministry of Commerce on 29 September 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 September 2010, the Company and its subsidiaries had capital commitments related to purchases of machinery amounting to approximately Baht 17.83 million, USD 0.51 million, Yen 28.6 million and Swiss Francs 0.51 million or equivalent to a total of approximately Baht 59.90 million (the Company only: Baht 9.61 million, USD 0.18 million and Yen 28.60 million or equivalent to a total of approximately Baht 25.62 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 September 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	109,678	100,595
1 to 4 years	175,421	165,856

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 September 2010, the associated company had a commitment to pay the rental fee in the future under this agreement of approximately USD 1.63 million or equivalent to approximately Baht 49.93 million.

13.3 Long-term service commitments

13.3.1 As at 30 September 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 approximately Baht 34.7 million (the Company only: Baht 8.8 million).

13.3.2 As at 30 September 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 56.42 million (the Company only: Baht 13.95 million).

13.4 Guarantees

13.4.1 As at 30 September 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 September 2010	31 December 2009	30 September 2010	31 December 2009
KCE Electronics Plc.				
- Baht	-	-	222	151
K.C.E. International Co., Ltd.				
- Baht	131	2	-	-
KCE Technology Co., Ltd.				
- Baht	3,098	3,440	-	-
- Euro	-	1	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	-	101	-	-

13.4.2 As at 30 September 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 September 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.

On 17 August 2010, the meeting of the Company's Board of Directors approved the payment of interim dividend in respect of the net income for the first half of the year ended 30 June 2010 at Baht 0.15 per share to the ordinary shareholders, totaling approximately Baht 69 million. The Company paid such dividend on 16 September 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.

On 29 September 2010, the meeting of the Board of Directors of Thai Laminate Manufacturer Company Limited approved the payment of interim dividend in respect of its retained earnings at Baht 9.60 per share to the ordinary shareholders, totaling Baht 240 million. The subsidiary paid such dividend on 7 October 2010.

15. Insurance claim

During the second quarter of the current year, 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 78 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 September 2010 and 2009																
	Prepreg and laminate business		Printed circuit board business						Service provider business		Eliminating entries		Total			
	2010	2009	America	Europe	Asia	Total	2010	2009	2010	2009	2010	2009	2010	2009		
Revenue from external customers	25,060	25,601	356,705	248,020	1,178,779	983,386	408,426	370,215	1,943,910	1,601,621	2,535	545	-	-	1,971,505	1,627,767
Inter-segment revenues	393,947	259,618	-	-	-	-	285,057	233,787	285,057	233,787	13,942	13,320	(692,946)	(506,725)	-	-
Total revenues	419,007	285,219	356,705	248,020	1,178,779	983,386	693,483	604,002	2,228,967	1,835,408	16,477	13,865	(692,946)	(506,725)	1,971,505	1,627,767
Segment operating income	16,325	38,624							341,991	309,120	8,797	7,089	(4,872)	(13,850)	362,241	340,983
Unallocated income															77,157	43,655
Compensation from insurance claim															21,001	-
Interest income from related parties															-	7,547
Unallocated expenses															(249,678)	(199,882)
Finance cost															(45,845)	(64,283)
Corporate income tax															(117)	(493)
Minority interest of the subsidiaries															370	(3,965)
Net income															165,129	123,562

(Unaudited but reviewed)

(Unit: Thousand Baht)

Consolidated financial statements

For the nine-month periods ended 30 September 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	74,523	79,836	1,000,337	565,951	3,277,545	2,483,022	1,365,677	892,396	5,643,559	3,941,369	5,582	1,470	-	-	5,723,664	4,022,675
Inter-segment revenues	1,041,407	674,784	-	-	-	-	955,829	771,531	955,829	771,531	51,496	40,293	(2,048,732)	(1,486,608)	-	-
Total revenues	1,115,930	754,620	1,000,337	565,951	3,277,545	2,483,022	2,321,506	1,663,927	6,599,388	4,712,900	57,078	41,763	(2,048,732)	(1,486,608)	5,723,664	4,022,675
Segment operating income	100,000	65,916							1,111,048	602,891	31,649	17,274	(21,847)	(33,286)	1,220,850	652,795
Unallocated income															147,069	129,134
Compensation from insurance claim															41,001	-
Interest income from related parties															-	22,395
Unallocated expenses															(734,826)	(580,119)
Finance cost															(155,365)	(212,088)
Corporate income tax															(3,142)	(3,796)
Minority interest of the subsidiaries															(8,406)	799
Net income															507,181	9,120

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 September 2010, the Company and its subsidiaries had outstanding forward exchange contracts, cross currency swap agreements and currency option agreements, of which details are presented below.

17.1 Forward exchange contracts

Currency	Amount	Maturity date	Contract exchange rate	Exchange rate as at 30 September 2010
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	7,496	16 February 2011 - 24 March 2011	30.8100 - 31.8100	30.5578
Yen	6,575	9 March 2011 - 15 March 2011	0.3658 - 0.3700	0.3675
Euro	96	24 January 2011 - 9 March 2011	39.2875 - 41.8000	41.7186
Sell				
US dollar	3,942	31 January 2011 - 25 March 2011	30.6799 - 32.3600	30.1757
Euro	2,621	22 December 2010 - 4 April 2011	39.9080 - 41.5250	40.9684

17.2 Cross currency swap agreements

	Notional amount	Contract exchange rate
US dollar and Euro	6,342,220: 5,000,000	1.2010 - 1.3120

17.3 Currency option agreements

	Currency	Sold amount	Strike rate	Delivery date
		(Thousand)	(Baht per unit of foreign currency)	
Put option	US dollar	2,000	32.25	27 October 2010

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

As at 30 September 2010, fair value of currency option agreements was Baht 3.63 million.

18. Reclassification

Certain amounts in the income statements for the three-month and nine-month periods ended 30 September 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 September 2009

(Only reclassification items)

	Consolidated financial statements		Separate financial statements	
	As previously		As previously	
	As reclassified	reported	As reclassified	reported
Sales and service income	-	1,627,767	-	687,315
Revenues from sales	1,627,020	-	684,446	-
Service income	747	-	2,869	-
Interest income	-	7,551	-	7,550
Interest income from related parties	7,547	-	7,547	-
Other income - others	22,555	22,551	14,154	14,151

(Unit: Thousand Baht)

Income statements for the nine-month period ended 30 September 2009

(Only reclassification items)

	Consolidated financial statements		Separate financial statements	
	As previously		As previously	
	As reclassified	reported	As reclassified	reported
Sales and service income	-	4,022,675	-	1,717,156
Revenues from sales	4,021,205	-	1,708,733	-
Service income	1,470	-	8,423	-
Interest income	-	22,682	-	22,507
Interest income from related parties	22,395	-	22,395	-
Other income - others	45,660	45,373	27,130	27,018

19. Approval of interim financial statements

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