

KCE ELECTRONICS PUBLIC COMPANY LIMITED

AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION OF THE COMPANY AND 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, 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, 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.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. BASIS OF CONSOLIDATION

3.1 The consolidated financial statements include the financial statements of KCE Electronics Public Company Limited (hereinafter called “the Company”) and its subsidiaries (hereinafter called “the subsidiaries”) as below:-

Company's name	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at		Revenues as a percentage to the consolidated total revenues for the year ended	
			31 December		31 December	
	2006	2005	2006	2005	2006	2005
<u>Held by the Company</u>						
K.C.E. International Co., Ltd.	94.99	94.99	12	15	19	21
KCE Technology Co., Ltd.	100.00	100.00	57	58	49	45
Thai Laminate Manufacturer Co., Ltd. (Held by the Company 52.00% and K.C.E. International Co., Ltd. 19.20%)	70.24	70.24	8	7	2	1
<u>Held by the subsidiary</u>						
Konstant Pte. Ltd. (Incorporation in Singapore and held by KCE Technology Co., Ltd. 100.00%)	100.00	-	-	-	-	-

3.2 The financial statements of overseas subsidiary companies are translated into Thai Baht at the average exchange rate ruling on the balance sheet date for assets and liabilities, and at the monthly average exchange rates during the year for revenues and expenses. The resultant differences have been shown under the caption of “Translation adjustments” in the shareholders’ equity.

- 3.3 Material balances and transactions between the Company and its subsidiaries and investments in subsidiaries in the Company's accounts and subsidiaries' share capital have been eliminated from the consolidated financial statements.
- 3.4 The excess of cost over the net book value of investment in its subsidiaries at acquisition date has been shown as "Goodwill" under non-current assets in the consolidated balance sheets and is amortised as expenses over the periods of five and ten years.
- 3.5 The lower of cost of investments in subsidiaries and the net assets value of the subsidiaries at the time of acquisition has been shown as "Negative goodwill" under non-current assets in the consolidated balance sheets and is recognised as revenues over the periods of five years.

4. CHANGE IN ACCOUNTING POLICY/ADOPTION OF NEW ACCOUNTING STANDARDS

- 4.1 Commencing fiscal year 2006, the Company and three subsidiary companies, K.C.E. International Co., Ltd., Thai Laminate Manufacturer Co., Ltd. and KCE Technology Co., Ltd., had changed their accounting policies for inventory valuation method under the cost basis from first-in, first-out method to weighted average method as the management believes that such method better reflects the present value of inventories and for the benefit of operation processing and planning. Such change had already been approved by the Revenue Department.
- 4.2 In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, the Company has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of the Company's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The restatement will have the effect of increasing net loss in the separate income statement for 2006 by approximately Baht 14.5 million (Baht 0.05 per share) and decreasing net worth in the balance sheet at 31 December 2006 by approximately Baht 667.0 million.

5. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by the Company and its subsidiaries are summarised below.

5.1 Revenue recognition

a) Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

b) Interest income

Interest income is recognised as interest accrues based on the effective rate method.

c) Dividends

Dividends are recognised when the right to receive the dividends is established.

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The adequacy of the allowance is based on collection experience and current status of receivables outstanding at the balance sheet date.

5.4 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

5.5 Inventories and allowance for diminution in value of stocks and stock obsolescence

Finished goods and work in process are valued at the lower of cost (weighted average method) and net realisable value. The cost includes cost of material, labour and overheads.

Raw materials, spare parts and factory supplies are valued at the lower of cost (weighted average method) and net realisable value and charged to production costs whenever consumed.

The net realisable value of inventories is estimated from the estimated selling price in the ordinary course of business, less the estimated costs to complete the sale.

Allowance for diminution in value of stocks and stock obsolescence are set up for obsolete, slow-moving and deteriorated inventories.

5.6 Investments

- a) Investments in the subsidiaries (in the Company's financial statements) and associates are stated under equity method.
- b) Investments in marketable securities held for trading are stated at fair value, which is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. Changes in the carrying amount of securities are recorded as gain or loss on revaluation of investment in marketable securities in the income statements. The weighted average method is used for computation of the cost of investments.

- c) Company's shares held by subsidiaries are stated at cost and are presented as a deduction in shareholders' equity. Gain or loss from sales of such shares is recorded in the shareholders' equity.

5.7 Property, plant and equipment and depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives :-

Building and plant	-	20 - 25	years
Machinery and equipment	-	5 - 16	years
Plant and office improvement	-	5 - 20	years
Furniture, fixtures and office equipment	-	5 - 10	years
Vehicles	-	5	years

No depreciation is provided for land, construction in progress, and machinery and equipment in transit and under installation.

5.8 Capitalisation of borrowing cost as cost of assets

The borrowing cost directly related to the acquisition of fixed assets is capitalised as part of cost of fixed assets, until the assets are ready for use.

5.9 Impairment of assets

The Company and its subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and its subsidiaries make an estimate of the asset's recoverable amount. (An asset's recoverable amount is the higher of fair value less costs to sell and value in use.) Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

5.10 Goodwill/Negative goodwill

Excess/lower of cost of investments in subsidiaries over the fair value of the identifiable assets and liabilities acquired as at the date of acquisition to the extent of the Company's interest obtained is accounted for as goodwill/negative goodwill and amortised/recognised as expense/revenue on the straight-line basis over the periods of five and ten years.

5.11 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

5.12 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.13 Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling on the balance sheet. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

5.14 Foreign currencies

Foreign currency transactions incurred during the year are translated into Baht at the rates ruling on the transaction dates. Assets and liabilities denominated in foreign currency outstanding at the balance sheet date are translated into Baht at the rates ruling on the balance sheet date.

Exchange gains and losses are included in determining income.

5.15 Financial instruments

The Company and its subsidiaries have significant financial instruments carried in the balance sheet which include cash and cash equivalents, bank deposits, trade accounts receivable, investments, trade accounts payable, and short-term and long-term loans.

The Company and its subsidiaries entered into off-balance sheet derivatives for hedging commodities' price risk. At the end of period, the change of contract's fair values are recorded in shareholder's equity and recognised as a part of material cost when the materials are received.

5.16 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. ADDITIONAL INFORMATION OF CASH FLOWS STATEMENTS

Non-cash related transactions for investing activity for the years ended 31 December 2006 and 2005 are as follows : -

	(Unit: Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Purchase of fixed assets	282,757,219	71,320,293	50,890,299	3,461,756
Add(less) :				
Other payable from purchases of fixed assets	(167,409,734)	(56,470,213)	(44,534,651)	(2,825,466)
Amounts due to related parties for purchases of fixed assets	-	(68,289)	(11,685,648)	(3,834,290)
Retention payable	-	(785,886)	-	-
Trust receipts	(113,969,117)	(13,066,774)	-	-
Accounts payable under hire purchase agreements	(704,214)	-	-	-
Deposits for fixed assets	-	(299,000)	-	-
Accrued interest capitalised as costs of machinery and equipment	(607,665)	(8,965)	-	-
Other receivable from sales of fixed assets	-	38,000	-	-
Amounts due from related parties for sales of fixed assets	-	-	5,330,000	3,198,000
Others	(66,489)	(659,166)	-	-
	-	-	-	-

7. TRADE ACCOUNTS RECEIVABLE

The outstanding balance of trade accounts receivable as at 31 December 2006 and 2005 are aged, based on due date, as follows :-

Age of receivables	(Unit: Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Trade accounts receivable – related parties				
Not yet due	456,260,855	567,200,817	170,150,633	200,803,139
Overdue				
Less than 3 months	94,144,072	161,227,614	45,792,417	79,246,573
3 – 6 months	309,308	2,430,832	84,935	853,460
6 – 12 months	144,705	62,285	20,851	1,063
Over 12 months	48,018	-	48,018	-
Total trade accounts receivable – related parties	550,906,958	730,921,548	216,096,854	280,904,235
<u>Trade accounts receivable – others</u>				
Not yet due	1,264,238,473	1,022,113,622	323,879,203	334,006,301
Overdue				
Less than 3 months	190,365,839	257,167,050	69,013,968	87,696,829
3 – 6 months	4,817,779	764,366	3,051,742	436,366
6 – 12 months	1,799,906	1,068,420	1,738,239	644,957
Over 12 months	457,079	323,458	457,079	200,136
Total trade accounts receivable - others	1,461,679,076	1,281,436,916	398,140,231	422,984,589
Total trade accounts receivable	2,012,586,034	2,012,358,464	614,237,085	703,888,824
Less: Allowance for doubtful accounts	(1,033,531)	(496,981)	(1,033,531)	(137,323)
Trade accounts receivable - net	2,011,552,503	2,011,861,483	613,203,554	703,751,501

8. RELATED PARTY TRANSACTIONS

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

(Unit : Million Baht)

	Consolidated		The Company Only		Transfer Pricing Policy
	For the year ended		For the year ended		
	31 December		31 December		
	2006	2005	2006	2005	
<i>Transactions with subsidiaries</i>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	272.8	203.2	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	8.8	19.7	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	125.7	-	At the declared rate
Purchases of goods	-	-	799.2	658.2	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	29.4	4.5	Prices agreed between the parties
<i>Transactions with associated</i>					
Sales of goods	1,782.7	1,700.5	532.4	570.1	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	257.1	330.6	101.6	150.1	Market prices at which similar quality products are purchased under same conditions
Commission expense	40.0	33.5	20.4	24.8	At the agreed rates between the parties which similar international rate for same business
<i>Transactions with related company</i>					
Interest income	29.9	29.9	29.9	29.9	Interest rate at 7.5 percent per annum

The balances of the accounts as at 31 December 2006 and 2005 are as follows:-

	(Unit: Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	65,763,955	70,793,245
K.C.E. International Co., Ltd.	-	-	6,791,283	3,980,537
Thai Laminate Manufacturer Co., Ltd.	-	-	737,348	1,053,595
Total trade accounts receivable - subsidiaries	-	-	73,292,586	75,827,377
Associated companies				
KCE America, Inc.	487,655,378	645,607,018	104,504,723	152,497,144
KCE Singapore Pte., Ltd.	63,251,580	85,314,530	38,299,545	52,579,714
Total trade accounts receivable - associated companies	550,906,958	730,921,548	142,804,268	205,076,858
Total trade accounts receivable - related parties	550,906,958	730,921,548	216,096,854	280,904,235
<u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	5,620,846	3,720,682
K.C.E. International Co., Ltd.	-	-	331,549	418,420
Total amounts due from and short-term loans from subsidiaries	-	-	5,952,395	4,139,102
Associated companies				
KCE Singapore Pte., Ltd.	2,227	36,922	-	-
KCE America, Inc.	-	318,470	-	-
Total amounts due from and short-term loans from associated companies	2,227	355,392	-	-
Related company				
Avatar Systems Corporation				
Loans	399,235,126	399,235,126	399,235,126	399,235,126
Accrued interest income	241,284,199	211,341,565	241,284,199	211,341,565
	640,519,325	610,576,691	640,519,325	610,576,691
Less : Allowance for doubtful accounts	(640,519,325)	(610,576,691)	(640,519,325)	(610,576,691)
Total amounts due from and short-term loans from related company	-	-	-	-
Total amounts due from and short-term loans from related companies - net	2,227	355,392	5,952,395	4,139,102

	(Unit: Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	185,010,106	75,039,488
Thai Laminate Manufacturer Co., Ltd.	-	-	60,799,674	129,426,343
K.C.E. International Co., Ltd.	-	-	14,168,199	1,634,301
Total trade accounts payable - subsidiaries	-	-	259,977,979	206,100,132
Associated company				
KCE Singapore Pte., Ltd.	67,794,102	98,284,054	24,488,515	35,489,837
Total trade accounts payable - associated company	67,794,102	98,284,054	24,488,515	35,489,837
Total trade accounts payable - related parties	67,794,102	98,284,054	284,466,494	241,589,969
 <u>Amounts due to and advances from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	10,053,424	3,641,340
Thai Laminate Manufacturer Co., Ltd.	-	-	1,657,394	-
K.C.E. International Co., Ltd.	-	-	-	192,950
Total amounts due to and advances from subsidiaries	-	-	11,710,818	3,834,290
Associated companies				
KCE Singapore Pte., Ltd.	10,733,972	8,312,980	1,413,519	1,521,192
KCE America, Inc.	78,332	-	-	-
Total amounts due to and advances from associated companies	10,812,304	8,312,980	1,413,519	1,521,192
Total amounts due to and advances from related parties	10,812,304	8,312,980	13,124,337	5,355,482

Directors and management's remuneration

In 2006 and 2005, the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 20.9 million and Baht 20.5 million, respectively (The Company only: Baht 16.2 million and Baht 15.4 million, respectively).

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 23.3 to the financial statements.

9. INVENTORIES

As at 31 December 2006 and 2005, inventories consisted of :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Finished goods	175,582,503	164,217,079	36,546,162	21,887,733
Work in process	367,903,186	361,943,435	93,822,265	84,688,124
Raw materials	320,873,744	286,736,483	62,716,303	63,622,085
Supplies	236,206,148	225,698,567	98,175,577	84,385,044
Spareparts	203,056,390	206,098,951	65,996,749	65,102,246
Goods in transit	87,785,448	57,097,798	15,375,872	9,743,258
Total	1,391,407,419	1,301,792,313	372,632,928	329,428,490
Less : Allowance for diminution in value of inventories and inventories obsolescence	(20,852,876)	(13,412,331)	(12,731,126)	(4,302,935)
Inventories - net	1,370,554,543	1,288,379,982	359,901,802	325,125,555

10. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES ACCOUNTED FOR UNDER EQUITY METHOD

Investments in subsidiary and associated companies accounted for under equity method consist of investments in ordinary shares as follow :-

Company's name	Paid-up capital		Portion of investment		Consolidated		The Company Only			
					Investment		Investment			
	2006	2005	Consolidated	The Company Only	Equity method		Cost method		Equity method	
					2006	2005	2006	2005	2006	2005
		(%)	(%)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	
Subsidiaries										
K.C.E. International Co., Ltd.	Baht 100,000,000	Baht 100,000,000	94.993	94.993	-	-	172,499,000	172,499,000	539,163,907	592,117,509
Thai Laminate Manufacturer Co., Ltd.	Baht 250,000,000	Baht 250,000,000	70.239	52.000	-	-	157,710,310	157,710,310	402,273,545	350,685,183
KCE Technology Co., Ltd.	Baht 1,150,000,000	Baht 900,000,000	100.000	100.000	-	-	1,150,000,000	900,000,000	586,728,865	511,162,676
Total investments in subsidiaries					-	-	1,480,209,310	1,230,209,310	1,528,166,317	1,453,965,368
Associates										
KCE America, Inc.	US\$ 50,000	US\$ 50,000	48.750	25.000	58,558,481	45,436,701	321,816	321,816	45,161,194	38,432,075
KCE Singapore Pte., Ltd.	S\$ 500,000	S\$ 500,000	47.770	24.500	22,557,649	22,480,498	2,100,569	2,100,569	13,021,567	12,981,998
Total investments in associates					81,116,130	67,917,199	2,422,385	2,422,385	58,182,761	51,414,073
Total investments in subsidiary and associated companies					81,116,130	67,917,199	1,482,631,695	1,232,631,695	1,586,349,078	1,505,379,441

On 14 July 2006 and 31 July 2006, the Extraordinary General Meeting of the shareholders of KCE Technology Co., Ltd., a subsidiary company, had a special resolution to approve the increase of the subsidiary company's registered share capital from Baht 900 million (90 million ordinary shares of Baht 10 each) to Baht 1,400 million (140 million ordinary shares of Baht 10 each) through the issuance of 50 million new ordinary shares with a par value of Baht 10 each, Baht 250 million of which had already been paid-up. The subsidiary company registered the share capital increase with the Ministry of Commerce on 25 August 2006.

On 14 July 2006, the Extraordinary General Meeting of the shareholders of K.C.E. International Co., Ltd., a subsidiary company, passed a resolution approving the payment of a dividend in respect of prior year's income at Baht 10.50 per share, or a total sum of Baht 105 million. The dividend was paid to the subsidiary company's shareholders on 23 August 2006 and 13 September 2006.

On 7 August 2006, the Board of Director Meeting of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, passed a resolution approving the payment of a dividend in respect of prior year's income at Baht 2 per share, or a total sum of Baht 50 million. The dividend was paid to the subsidiary company's shareholders on 30 August 2006.

There is no dividend received from subsidiaries during 2005.

10.1 Share of income from investments in two associates accounted for under the equity method for the years ended 31 December 2006 and 2005 is as follow :-

	Consolidated			
	Percentage of investment		Amount	
	2006	2005	2006	2005
	(%)	(%)	(Baht)	(Baht)
KCE America, Inc.	48.75	48.75	19,078,022	12,643,960
KCE Singapore Pte., Ltd.	47.77	47.77	1,043,783	4,126,928
			<u>20,121,805</u>	<u>16,770,888</u>

	The Company Only			
	Percentage of investment		Amount	
	2006	2005	2006	2005
	(%)	(%)	(Baht)	(Baht)
KCE America, Inc.	25.00	25.00	9,783,601	6,484,082
KCE Singapore Pte., Ltd.	24.50	24.50	535,329	2,116,595
			10,318,930	8,600,677

Share of income from investments for 2006 in above two associated companies was calculated from the unaudited financial statements 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 audit of their financial statements.

- 10.2 In 1998, the Company made repayment of liabilities from guarantees of loans of Avatar Systems Corporation, a subsidiary of an associated company, totaling approximately Baht 399 million in the consolidated financial statements and in the Company's financial statements. This company had been liquidated under Chapter 7 of the U.S. Federal Bankruptcy Code. The Company had not received repayment from that company. However, The Company is in process to sue this case under the court in Thailand.

As at 31 December 2006 and 2005, 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, as detailed in Note 8 to the financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

CONSOLIDATED

	Land	Building and plant	Machinery and equipment	Plant improvement	Furniture, fixtures and office equipment	Office improvement	Vehicles	Plant and plant improvement under construction	Machinery and equipment under installation	Machinery and equipment in transit	Total
Cost :											
31 December 2005	366,940,482	590,459,886	6,022,617,247	73,922,179	504,533,395	11,196,385	38,635,067	699,500	113,477,804	27,271	7,722,509,216
Purchase	37,850,500	652,700	44,952,835	4,165,400	11,528,093	192,206	7,480,433	16,604,110	633,057,688	14,436,013	770,919,978
								(187,219,066)	(27,272)	
Transfer in (out)	-	9,100,000	173,021,748	3,772,095	1,344,145	707,850	-	(699,500)			-
Disposal	-	-	(158,120,164)	(40,293)	(5,119,517)	(110,115)	(1,919,203)	-	(14,433,632)	-	(179,742,924)
31 December 2006	<u>404,790,982</u>	<u>600,212,586</u>	<u>6,082,471,666</u>	<u>81,819,381</u>	<u>512,286,116</u>	<u>11,986,326</u>	<u>44,196,297</u>	<u>16,604,110</u>	<u>544,882,794</u>	<u>14,436,012</u>	<u>8,313,686,270</u>
Accumulated depreciation :											
31 December 2005	-	160,918,673	2,009,136,278	47,457,174	199,119,004	6,455,590	25,090,323	-	-	-	2,448,177,042
Depreciation for the year	-	25,848,030	442,591,550	3,699,053	55,041,062	821,127	4,146,812	-	-	36,595	532,184,229
Depreciation of disposed	-	-	(130,622,395)	(40,288)	(4,950,209)	(41,226)	(720,878)	-	-	-	(136,374,996)
31 December 2006	<u>-</u>	<u>186,766,703</u>	<u>2,321,105,433</u>	<u>51,115,939</u>	<u>249,209,857</u>	<u>7,235,491</u>	<u>28,516,257</u>	<u>-</u>	<u>-</u>	<u>36,595</u>	<u>2,843,986,275</u>
Net book value :											
31 December 2005	<u>366,940,482</u>	<u>429,541,213</u>	<u>4,013,480,969</u>	<u>26,465,005</u>	<u>305,414,391</u>	<u>4,740,795</u>	<u>13,544,744</u>	<u>699,500</u>	<u>113,477,804</u>	<u>27,271</u>	<u>5,274,332,174</u>
31 December 2006	<u>404,790,982</u>	<u>413,445,883</u>	<u>3,761,366,233</u>	<u>30,703,442</u>	<u>263,076,259</u>	<u>4,750,835</u>	<u>15,680,040</u>	<u>16,604,110</u>	<u>544,882,794</u>	<u>14,399,417</u>	<u>5,469,699,995</u>
Depreciation for the year :											
2005 (Baht 488.8 million included in manufacturing cost, and the balance in selling and administrative expenses)											<u>511,709,360</u>
2006 (Baht 510.4 million included in manufacturing cost, and the balance in selling and administrative expenses)											<u>532,184,229</u>

(Unit : Baht)

	THE COMPANY ONLY									
	Land	Building and plant	Machinery and equipment	Plant improvement	Furniture, fixtures and office equipment	Office improvement	Vehicles	Machinery and equipment under installation	Machinery and equipment in transit	Total
Cost :										
31 December 2005	231,603,891	72,025,125	1,364,634,045	44,020,035	24,495,350	8,938,530	13,783,181	19,442,660	-	1,778,942,817
Purchase	-	-	10,285,806	2,412,727	1,104,942	175,348	1,707,136	259,541,938	6,557,775	281,785,672
Transfer in (out)	-	9,100,000	55,471,695	2,207,720	846,018	858,003	-	(68,483,436)	-	-
Disposal	-	-	(84,028,893)	(18,000)	(1,346,976)	(89,883)	(1,233,100)	(7,530,240)	-	(94,247,092)
31 December 2006	231,603,891	81,125,125	1,346,362,653	48,622,482	25,099,334	9,881,998	14,257,217	202,970,922	6,557,775	1,966,481,397
Accumulated depreciation :										
31 December 2005	-	48,345,390	792,310,005	36,545,067	17,652,061	5,331,653	11,572,918	-	-	911,757,094
Depreciation for the year	-	3,595,748	104,463,771	2,628,534	2,317,751	476,835	667,450	-	-	114,150,089
Accumulated depreciation of disposed assets	-	-	(79,846,176)	(17,999)	(1,346,891)	(31,447)	(475,275)	-	-	(81,717,788)
31 December 2006	-	51,941,138	816,927,600	39,155,602	18,622,921	5,777,041	11,765,093	-	-	944,189,395
Net book value :										
31 December 2005	231,603,891	23,679,735	572,324,040	7,474,968	6,843,289	3,606,877	2,210,263	19,442,660	-	867,185,723
31 December 2006	231,603,891	29,183,987	529,435,053	9,466,880	6,476,413	4,104,957	2,492,124	202,970,922	6,557,775	1,022,292,002
Depreciation for the year :										
2005 (Baht 112.7 million included in manufacturing cost, and the balance in selling and administrative expenses)										116,091,451
2006 (Baht 110.3 million included in manufacturing cost, and the balance in selling and administrative expenses)										114,150,089

As at 31 December 2006 and 2005, certain machinery and equipment of the Company and its subsidiaries have been fully depreciated but are still in use. The original cost, before accumulated depreciation, of those assets amounted to Baht 780.7 million and Baht 560.0 million, respectively (the Company Only : Baht 431.7 million and Baht 342.8 million, respectively).

- 11.1 As at 31 December 2006, 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.
- 11.2 As at 31 December 2006, the Company and its subsidiaries have mortgaged and pledged the following property, plant and equipment :-
- 11.2.1 The Company has mortgaged land with a total net book value as at 31 December 2006 of Baht 61.3 million as collateral for loans from banks, as described in Note 14 to the financial statements.
- 11.2.2 Thai Laminate Manufacturer Co., Ltd., a subsidiary, has mortgaged construction and pledged its machinery with a total net book value as at 31 December 2006 of Baht 199.0 million as collateral for loans from banks, as described in Note 14 to the financial statements.
- 11.2.3 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 13 and 14 to the financial statements.
- 11.3 Two subsidiaries, Thai Laminate Manufacturer Co., Ltd. and KCE Technology Co., Ltd., have capitalised interest expenses as part of costs of machinery and equipment under installation for the year ended 31 December 2006 of approximately Baht 2.0 million (2005 : Baht 2.7 million).

12. GOODWILL/NEGATIVE GOODWILL

(Unit: Baht)

	Consolidated	
	2006	2005
Goodwill	57,204,718	57,204,718
Less : Accumulated amortisation of goodwill	(57,137,201)	(57,069,684)
Goodwill - net	<u>67,517</u>	<u>135,034</u>
Negative goodwill	(17,968,446)	(17,968,446)
Less : Accumulated amortisation of negative goodwill	7,187,376	3,593,688
Negative goodwill - net	<u>(10,781,070)</u>	<u>(14,374,758)</u>
Amortisation expenses of goodwill/negative goodwill for the year	<u>(3,526,171)</u>	<u>(3,526,171)</u>

13. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Bank overdrafts and short-term loans from financial institutions as at 31 December 2006 and 2005 are consisted of :-

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Bank overdrafts	32,806,525	18,227,602	6,906,731	-
Short-term loans	1,072,000,000	996,300,000	235,000,000	255,000,000
Packing credits	1,910,200,000	1,530,000,000	563,500,000	386,000,000
Trust receipts	405,507,721	256,099,821	16,240,697	22,251,680
Total	<u>3,420,514,246</u>	<u>2,800,627,423</u>	<u>821,647,428</u>	<u>663,251,680</u>

13.1 As at 31 December 2006 and 2005, bank overdrafts and loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.

13.2 As at 31 December 2006 and 2005, bank overdrafts and partial loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.

13.3 As at 31 December 2006 and 2005, 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 land, construction thereon and the pledge of most of machinery of such subsidiary company.

14. LONG-TERM LOANS

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
EURO portion	260,242,428	233,143,981	120,043,872	38,704,607
Baht portion	1,465,624,770	2,034,442,770	2,850,000	44,908,000
	1,725,867,198	2,267,586,751	122,893,872	83,612,607
Less: Current portion of long-term loans	(696,813,251)	(736,743,697)	(74,648,460)	(58,505,133)
Long-term loans, net of current portion	1,029,053,947	1,530,843,054	48,245,412	25,107,474

As at 31 December 2006, the Company and its two subsidiaries, K.C.E. International Co., Ltd. and KCE Technology Co., Ltd. had long-term loans from banks in EURO currency of EURO 5.4 million in consolidated financial statements and EURO 2.5 million in the Company's financial statement (2005 : EURO 4.8 million in consolidated financial statements and EURO 0.8 million in the Company's financial statement).

KCE Technology Co., Ltd., a subsidiary company, negotiated with a local commercial bank for changing the principal repayment condition of loan facility of Baht 1,070 million, and in September 2006 received a letter from the bank approving the change of the principal repayment condition that all loan principal repayment of Baht 267.50 million will be made within 22 December 2006. The subsidiary company has subsequently renegotiated with a local commercial bank for changing the principal repayment condition back to previously agreement which loan principal repayment of Baht 133.75 million would be made within December 2006 which was already paid. The remaining outstanding loan principal of Baht 133.75 million will be made within January 2007 and April 2007. The amendment agreement for this change is made in January 2007.

Details of long-term loans from bank as at 31 December 2006 are as follows:-

No.	Contract date	Credit facility	Outstanding long-term loan amount			Significant terms and conditions of loan agreements		
			Current portion (Baht)	Non-current portion (Baht)	Total (Baht)	Loan period	Principal repayment	Interest repayment
<u>The Company Only</u>								
1.	11 March 2003	Baht 48,000,000	2,850,000	-	2,850,000	4 years	1 month	1 month
2.	18 August 2005	Euro 1,000,000	16,050,753	5,670,311	21,721,064	2 years	1 month	1 month
3.	9 June 2006	Euro 3,500,000	55,747,707	42,575,101	98,322,808	3 years	1 month	1 month
Total loans of the Company			74,648,460	48,245,412	122,893,872			

No.	Contract date	Credit facility	Outstanding long-term loan amount			Significant terms and conditions of loan agreements		
			Current portion	Non-current portion	Total	Loan period	Principal repayment	Interest repayment
			(Baht)	(Baht)	(Baht)			
Subsidiaries								
<u>K.C.E International Co., Ltd.</u>								
1.	2 July 2004	Baht 109,500,000	36,540,000	33,375,000	69,915,000	4 years	1 month	1 month
2.	2 July 2004	Euro 1,000,000	15,924,641	14,593,765	30,518,406	4 years	1 month	1 month
			52,464,641	47,968,765	100,433,406			
<u>Thai Laminate Manufacturer Co., Ltd.</u>								
1.	18 July 2002	Baht 340,000,000	46,400,000	34,800,000	81,200,000	5 years	3 months	3 months
			46,400,000	34,800,000	81,200,000			
<u>KCE Technology Co., Ltd.</u>								
1.	9 February 2001	Baht 1,070,000,000	133,750,000	-	133,750,000	6 years 3 months	3 months	1 month
2.	1 December 2003	Euro 3,000,000	33,630,150	76,050,000	109,680,150	6 years	3 months	3 months
3.	9 August 2004	Baht 445,500,000	104,800,000	288,300,000	393,100,000	6 years	3 months	1 month
4.	20 September 2004	Baht 704,049,770	167,720,000	200,889,770	368,609,770	4 years 6 months	3 months	1 month
5.	27 October 2004	Baht 124,500,000	29,200,000	88,000,000	117,200,000	6 years	3 months	1 month
6.	28 February 2005	Baht 180,000,000	42,400,000	137,600,000	180,000,000	6 years	3 months	1 month
7.	31 October 2005	Baht 200,000,000	11,800,000	107,200,000	119,000,000	1 years 8 months	3 months	1 month
			523,300,150	898,039,770	1,421,339,920			
Total loans of subsidiaries			622,164,791	980,808,535	1,602,973,326			
Total loans of the Company and subsidiaries			696,813,251	1,029,053,947	1,725,867,198			

- 14.1 Long-term loans from banks of the Company are Baht and EURO loans which carry interest at the rates of MLR (Minimum Loan Rate) and LIBOR plus 1.5 percent per annum, respectively. Partial loans are guaranteed by K.C.E. International Co., Ltd., a subsidiary company and are secured by the mortgage of part of the Company's land.
- 14.2 A long-term loan from bank of K.C.E. International Co., Ltd., a subsidiary company, are Baht and EURO loans which carry interest at the rates of 3.5 percent and LIBOR plus 1.5 percent per annum, respectively. The loans are guaranteed by the Company.
- 14.3 A long-term loan from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, is a Baht loan which carry interest at the rates of MLR (Minimum Loan Rate) less 1.0 percent per annum. The loan is guaranteed by the Company and is secured by the mortgage of the subsidiary's plant, building and pledge of part of its machinery.

In addition, on 6 July 2006, the subsidiary company entered into a loan agreement with a local commercial bank for purchasing machinery and equipment and improving building factory with total loan facility of Baht 135 million. This loan is to be quarterly repaid in totally 8 installments with the first of these due within 27 months after first drawdown date. Interest is charged at rate of MLR (Minimum Loan Rate) less 1.0 percent per annum for principal denominated in Baht and SIBOR plus 1.5 percent per annum for principal denominated in foreign currency and interest is to be quarterly repaid. As at 31 December 2006, the subsidiary company has not yet withdrawn this loan.

- 14.4 Long-term loans from banks of KCE Technology Co., Ltd. a subsidiary company are Baht and Euro loans which carry interest at the rate between MLR (Minimum Loan Rate) less 1.25 percent and MLR (Minimum Loan Rate) per annum 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.
- 14.5 As at 31 December 2006, the long-term credit facilities of the Company and its subsidiaries which have not yet been drawn down amounting to approximately EURO 1.2 million and Baht 216.0 million or equivalent totally to Baht 273.3 million.

15. SHARE CAPITAL

15.1 Share warrant and convertible debenture

On 27 April 2006, the Annual General Meeting of the Company's shareholders passed a resolution approving as follow :-

- a) The issuance and offering of warrants to purchase the Company's ordinary share to the employees of the Company and/or its subsidiaries under the ESOP program of 3,000,000 units and allocation of shares to reserve for the exercise of the warrant.
- b) The issuance and offering of the THB Senior Convertible Debentures for the amount not more than Baht 500 million which will be offered to specific investor (Private Placement) and allocation of share to reserve for the exercise of the convertible debentures.

On 26 September 2006, the Company submitted a letter to withdraw a request for permission for offering of warrants to purchase the Company's ordinary shares to the employees of the Company to the Securities and Exchange Commission (SEC) because the exercise price of the Company's warrants was higher than the current market price of the Company's shares, hence, there was no benefit of such offering as intended to employees. SEC has acknowledged this withdrawal on 2 October 2006.

As at 31 December 2006, the Company has not yet offered convertible debenture as described above.

As at 31 December 2005, 70,000 units of issued share warrant remained. However, there is no exercise of such warrant in the current year and the exercise period of such warrant already expired in the current year.

15.2 Company's shares held by its subsidiaries

The Company's shares held by its subsidiaries represent the Company's ordinary shares which are held by its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd.

This shareholding is presented as a deduction item in the shareholders' equity in order to present the net Company's shareholders' equity in the consolidated and the separate financial statements of the Company. The details as at 31 December 2006 and 2005 are as follows :-

	2006	2005
Number of shares held by its subsidiaries (shares)	4,905,000	4,515,000
Cost of shares (Baht)	18,209,154	24,741,425
Shares discount (premium) (Baht)	4,534,660	(4,147,798)
Shares held by its subsidiaries (Baht)	22,743,814	20,593,627

15.3 Weighted average number of ordinary shares

As at 31 December 2006 and 2005, the weighted average number of ordinary shares in the consolidated financial statements and the financial statement of the Company only are calculated as follows:-

	(Unit : Shares)	
	2006	2005
Balance brought forward	314,930,000	314,930,000
Less: Shares of the Company held by subsidiaries	(4,905,000)	(4,515,000)
Weighted average number of ordinary shares	310,025,000	310,415,000
Add : Potential ordinary share - share warrants (2006 : no balances, 2005 : 0.07 million shares)	-	38,109
Diluted weighted average number of ordinary shares	310,025,000	310,453,109

16. CORPORATE INCOME TAX

No corporate income tax is payable on the Company's income for 2006 and 2005 because the Company has tax loss from the write-off of debts according to the Central Bankruptcy Court's order and has tax loss carried forward from prior years over its income for the year.

Corporate income tax for 2006 and 2005 of three subsidiary companies, K.C.E. International Co., Ltd., Thai Laminate Manufacturer Co., Ltd. and KCE Technology Co., Ltd., have been calculated from the 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.

17. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net income deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

18. DIVIDEND PAYMENT

On 27 April 2006, the Annual General Meeting of the Company's shareholders passed a resolution approving the omission of the annual dividend payment for the year 2005 to the Company's shareholders.

On 27 April 2005, the Annual General Meeting of the Company's shareholders passed a resolution approving the payment of a dividend in respect of prior year's income at Baht 0.10 per share, or a total sum of approximately Baht 31.5 million. The dividend was paid to the Company's shareholders on 26 May 2005.

19. PRIOR YEAR'S ADJUSTMENT

The Company has adjusted the beginning retained earnings as at 1 January 2006 amounting Baht 0.4 million, on the consolidated statements of changes in shareholders equity because of under recording of minority interest in subsidiaries in 2005.

20. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated		The Company Only	
	2006	2005	2006	2005
Number of employees at the end of year (Persons)	4,243	4,041	1,266	1,155
Employee costs for the year (Million Baht)	941	829	313	283

21. PROVIDENT FUND

The Company and three subsidiary companies, K.C.E. International Co., Ltd., Thai Laminate Manufacturer Co., Ltd., and KCE Technology Co., Ltd. and their employees have jointly established a provident fund as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company or the subsidiary companies contributed to the fund monthly at the rates of 3 - 8 percent of their basic salary. The fund, which is managed by National Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2006, the Company and its subsidiaries contributed Baht 14.5 million in consolidated financial statements (2005 : Baht 14.3 million) and Baht 7.5 million in the Company's financial statement (2005 : Baht 7.6 million) to the fund.

22. PROMOTIONAL PRIVILEGES

The Company and its subsidiaries have been granted promotional privileges under the Investment Promotion Act B.E. 2520 by the Board of Investment under certain significant conditions. Significant privileges of the Company and its subsidiaries are as follow :-

Details	KCE Electronics Public Company Limited			K.C.E. International Co., Ltd.			Thai Laminate Manufacturer Co., Ltd.			KCE Technology Co., Ltd.	
	1292/2539	1062/2541	1065/2543	1003/2538	1015/2543	1278(2)/2548	1099/2544	1249(1)/2545	1664(2)/2547	1378/2543	1598(2)/2547
1. Certificate No.	1292/2539	1062/2541	1065/2543	1003/2538	1015/2543	1278(2)/2548	1099/2544	1249(1)/2545	1664(2)/2547	1378/2543	1598(2)/2547
2. Promotional privileges for	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Prepreg	Manufacturing of Laminate	Manufacturing of Prepreg	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board
3. The significant privileges are											
3.1 Exemption of corporate income tax for net income from promotional operation and exemption of income tax on dividends paid from the profit of the operations throughout the period in which the corporate income tax is exempted.	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years	3 years (Expired)	3 years (Expired)	3 years	7 years	7 years
3.2 Allowance for 5% of the increment in export income over the preceding year for ten years, providing that the export income of that particular year should not be lower than the average export income over the three preceding years except for the first two years.	Granted (Expired)	Granted	Granted	Granted (Expired)	Granted	Not granted	Granted	Not granted	Not granted	Granted	Not granted
3.3 Exemption of import duty on machinery as approved by the board.	Granted	Granted	Granted	50% Exemption	Granted	Granted	Granted	Granted	Granted	Granted	Granted
3.4 Exemption of import duty on raw materials and significant supplies used in export production for a period of one year from the first import date.	Granted (Expired)	Granted (Expired)	Not granted	Granted (Expired)	Not granted	Not granted	Not granted	Not granted	Not granted	Granted (Expired)	Granted (Expired)
4. Date of first earning operating income	6 January 1996	8 August 1998	4 June 2000	15 June 1994	13 October 1999	1 September 2006	3 November 2000	1 September 2003	7 July 2004	25 June 2001	1 November 2004

All sales of the Company for 2006 and 2005 are derived from non-promoted operation which could be separated between export and local sales as follows :-

	(Unit : Baht)	
	2006	2005
Sales		
Export	2,389,845,964	2,170,927,148
Local sales	95,526,423	149,206,207
Total sales per tax	2,485,372,387	2,320,133,355
Consignment sales	-	(2,230,016)
Total sales in the financial statements	<u>2,485,372,387</u>	<u>2,317,903,339</u>

23. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net earnings for the year by the weighted average number of ordinary shares held by outsiders and in issue during the year.

Diluted earnings per share is calculated by dividing net earnings for the year by the total sum of the weighted average number of ordinary shares held by outsiders and in issue during the year and the weighted average number of ordinary shares to be issued for conversion of all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

24. COMMITMENTS AND CONTINGENT LIABILITIES

24.1 As at 31 December 2006, the Company and its subsidiaries have rental and service contract commitments with a period of 1 - 3 years. The future minimum charge according to the agreements until the end of the agreements amounting to Baht 44.1 million in consolidated financial statements and Baht 15.2 million in the Company's financial statements.

24.2 As at 31 December 2006, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 50.2 million (The Company Only : Baht 16.8 million).

24.3 As at 31 December 2006, 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.	
	2006	2005	2006	2005
K.C.E. International Co., Ltd.				
- Baht	319	396	-	-
KCE Technology Co., Ltd.				
- Baht	3,871	2,400	-	-
- EURO	2	3	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	206	206	-	-
- USD	-	5	-	-
KCE Electronics Plc.				
- Baht	-	-	439	352

24.4 As at 31 December 2006, Thai Laminate Manufacturer Co., Ltd., a subsidiary company, has one-year distributionship commitment to commission the Southeast Asia distributors at the rate stipulated in the agreement.

25. 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														
For the year ended 31 December														
Printed Circuit Board business														
	Prepreg and Laminate business		America		Europe		Asia		Total		Eliminating entries		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers	133,452	83,264	1,548,740	1,471,339	3,759,663	3,363,169	2,097,999	1,750,469	7,406,402	6,584,977	-	-	7,539,854	6,668,241
Inter-segment revenues	1,230,151	1,168,113	-	-	-	-	797,171	564,375	797,171	564,375	(2,027,322)	(1,732,488)	-	-
Total revenues	<u>1,363,603</u>	<u>1,251,377</u>	<u>1,548,740</u>	<u>1,471,339</u>	<u>3,759,663</u>	<u>3,363,169</u>	<u>2,895,170</u>	<u>2,314,844</u>	<u>8,203,573</u>	<u>7,149,352</u>	<u>(2,027,322)</u>	<u>(1,732,488)</u>	<u>7,539,854</u>	<u>6,668,241</u>
Segment operating income	<u>175,316</u>	<u>164,211</u>							<u>920,740</u>	<u>944,127</u>	<u>33,987</u>	<u>12,340</u>	1,130,043	1,120,678
Unallocated income													144,170	78,988
Interest income													32,053	30,157
Unallocated expenses													(1,080,046)	(968,311)
Interest expenses													(296,124)	(212,092)
Corporate income tax													(13,990)	(13,933)
Minority interest in income of subsidiaries													(32,453)	(34,155)
Net income (loss)													<u>(116,347)</u>	<u>1,332</u>

Financial information by business segment for the consolidated balance sheets as at 31 December 2006 and 2005 are as follows :-

(Unit: Thousand Baht)

	Prepreg and Laminate business		Printed Circuit Board business		Total	
	2006	2005	2006	2005	2006	2005
Property, plant and equipment - net	500,732	400,565	4,968,968	4,873,767	5,469,700	5,274,332
Other assets	765,450	694,259	2,880,423	2,904,515	3,645,873	3,598,774
Total assets	<u>1,266,182</u>	<u>1,094,824</u>	<u>7,849,391</u>	<u>7,778,282</u>	<u>9,115,573</u>	<u>8,873,106</u>

Transfer prices between business segments are as set out in Note 8 to the financial statements.

26. FINANCIAL INSTRUMENTS

26.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "*Financial Instruments: Disclosure and Presentations*", principally comprise cash and cash equivalents, trade accounts receivable, investments, trade accounts payable, and short-term and long-term loans. In addition, the Company and its subsidiaries have off-balance sheets derivatives for hedging the risk from commodities' price. The financial risks associated with these financial instruments and derivatives and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a large customer base that has good payment abilities. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheet.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks and financial institutions, bank overdrafts, and loans from bank. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2006 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

CONSOLIDATED

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	interest rate (% p.a.)
	Within	1 - 5 years				
	1 year		(Million Baht)			
<u>Financial Assets</u>						
Cash and cash equivalents	-	-	94	54	148	0.2500 - 3.2500
Trade accounts receivable	-	-	-	2,012	2,012	-
Investments in subsidiaries and associates accounted for under equity method	-	-	-	81	81	-
Investments in marketable securities	-	-	-	1	1	-
	-	-	94	2,148	2,242	
<u>Financial liabilities</u>						
Bank overdrafts	-	-	32	-	32	7.7500 - 8.7500
Short-term loans from financial institutions	3,388	-	-	-	3,388	2.1875 - 7.2500
Trade accounts payable	-	-	-	1,220	1,220	-
Amounts due to and advances from related parties	-	-	-	11	11	-
Other payable from purchases of fixed assets	-	-	-	167	167	-
Long-term loans	23	21	1,682	-	1,726	3.5000 - 7.7500
	3,411	21	1,714	1,398	6,544	

THE COMPANY ONLY						
	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	interest rate (% p.a.)
	Within 1 year	1 - 5 years				
(Million Baht)						
<u>Financial Assets</u>						
Cash and cash equivalents	-	-	65	17	82	0.2500 - 3.2500
Trade accounts receivable	-	-	-	613	613	-
Amounts due from and short-term loans to related parties	-	-	-	6	6	-
Investments in subsidiaries and associates accounted for under equity method	-	-	-	1,586	1,586	-
Investments in marketable securities	-	-	-	1	1	-
	-	-	65	2,223	2,288	
<u>Financial liabilities</u>						
Bank overdrafts	-	-	7	-	7	8.0000 – 8.7500
Short-term loans from financial institutions	815	-	-	-	815	5.7000 – 6.5000
Trade accounts payable	-	-	-	543	543	-
Amounts due to and advances from related parties	-	-	-	13	13	-
Other payable from purchases of fixed assets	-	-	-	44	44	-
Long-term loans	-	-	123	-	123	5.1740 - 7.7500
	815	-	130	600	1,545	

Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk relates primarily to their sales of goods, purchases of materials and loans, which are denominated in foreign currencies. The Company and its subsidiaries have policies to manage their assets and liabilities denominated in foreign currencies through matching the quantities and conditions of those assets and liabilities, with emphasis on having receipts and payments occur at the same time. Moreover, the Company and its subsidiaries have entered into forward exchange contracts with banks to hedge foreign exchange risk which have maturities of less than one year.

As at 31 December 2006, the Company and its subsidiaries had balances of financial assets and liabilities denominated in foreign currencies as follow :-

Foreign currency	Consolidated		The Company Only		Exchange rate as at	
	Assets	Liabilities	Assets	Liabilities	31 December 2006	
	(Thousand Unit)	(Thousand Unit)	(Thousand Unit)	(Thousand Unit)	Buying rate	Selling rate
					(Baht per unit of foreign currency)	
USD	44,083	35,769	13,567	12,930	35.8601	36.2308
EURO	10,391	6,271	4,174	3,096	47.0308	47.7701
SGD	-	397	-	94	23.2619	23.7158
YEN	-	162,031	-	846	30.0297	30.5787

As at 31 December 2006, the Company and its subsidiaries had outstanding forward exchange contracts, of which details are presented below :-

Currency	Amount	Maturity date	Contract exchange rate
	(Thousand)		(Baht per unit of foreign currency)
Buy			
US dollar	8,386	3 January 2007 to 26 June 2007	35.2000 - 37.7700
Sell			
EURO	2,588	16 January 2007 to 29 June 2007	46.4051 - 48.0700

Commodity price risk

As at 31 December 2006, the Company and its subsidiaries had outstanding commodity forward contracts, of which details are presented below :-

Type of goods	Quantity	Maturity date	Contract price
			(US dollar per unit)
Copper	240 Ton	31 January 2007 to 30 June 2007	6,750
Gold	970 Oz.	31 January 2007 to 28 February 2007	625 and 630

26.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

27. RECLASSIFICATION

Amounts of deposit and advance for purchase of assets in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classifications, with no effect on previously reported shareholders' equity.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2007.