

(UNAUDITED BUT REVIEWED)

KCE ELECTRONICS PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARIES  
NOTES TO INTERIM FINANCIAL STATEMENTS

**1. GENERAL INFORMATION**

**1.1 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 “Interim financial statements”, with the Company choosing to present condensed interim financial statements. However, additional line items are presented in the balance sheet, the statements of earnings, changes in shareholders’ equity, and cash flows as in 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.

**1.2 Basis of consolidation**

These consolidated financial statements include the financial statements of KCE Electronics Public Company Limited and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2005 except for investment in Konstant Pte. Ltd. by KCE Technology Co., Ltd. with the group structure as at 31 March 2006 and 31 December 2005 as detailed below :-

	Percentage of shareholding		Subsidiary’s assets as a percentage to the consolidated total assets as at		Subsidiary’s revenues as a percentage to the consolidated total revenues for the three-month period ended	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005	31 March 2006	31 March 2005
<u>Held by the Company</u>						
K.C.E. International Co., Ltd.	94.99	94.99	13	15	22	21
KCE Technology Co., Ltd.	100.00	100.00	56	58	45	44
Thai Laminate Manufacturer Co., Ltd. (Held by the Company 52.00% and K.C.E. International Co., Ltd. 19.20%)	70.24	70.24	9	7	2	1
<u>Held by the subsidiary</u>						
Konstant Pte. Ltd. (held by KCE Technology Co., Ltd. 100.00%)	100.00	-	-	-	-	-

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- a) On 3 March 2006, KCE Technology Co., Ltd., a subsidiary company, purchased all shares of Konstant Pte. Ltd., which was incorporated in Singapore. It is therefore 100% indirectly held by the Company. Such company has a registered share capital of SGD 160,000 and its principal activity is the procurement and distribution of raw material for printed circuit board products.
- b) The translation of the financial statements of the overseas subsidiary into Thai Baht has been based on the average exchange rate ruling on the balance sheet date for assets and liabilities and the monthly average rate during the three-month period ended 31 March 2006 for revenues and expenses. The difference has been shown under the caption of “Translation adjustments” in the shareholders’ equity.

### **1.3 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 2005, except that the Company and its subsidiaries had changed its accounting policy to value inventories under the cost basis from the first-in, first-out method to the weighted average method in order to more appropriately present the transaction. The change is applied prospectively, with effective as from 1 January 2006 (See Note 14 to the financial statements).

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## 2. ADDITIONAL CASH FLOWS INFORMATION

Non-cash related transactions for investing activities for the three-month periods ended 31 March 2006 and 2005 are as follows: -

	Consolidated		(Unit: Thousand Baht) The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Purchase of fixed assets	50,136	113,317	12,731	3,320
Add(less) :				
Other payable from purchases of fixed assets	(35,995)	(34,753)	(2,924)	(924)
Amounts due to related parties for purchases of fixed assets	-	-	(10,197)	(3,641)
Trust receipts	(13,067)	(78,018)	-	-
Accounts payable under hire purchase agreements	(1,067)	(479)	-	-
Accrued interest capitalised as costs of machinery and equipment	(7)	(66)	-	-
Amounts due from related parties for sales of fixed assets	-	-	390	1,245
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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### 3. TRADE ACCOUNTS RECEIVABLE

The outstanding balance of trade accounts receivable as at 31 March 2006 and 31 December 2005 categorised by its aging is as follows:-

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
<u>Trade accounts receivable – related parties</u>				
Not yet due	492,591	567,201	158,646	200,803
Overdue				
Less than 3 months	122,756	161,228	69,147	79,247
3 – 6 months	4,194	2,431	3,403	853
6 - 12 months	1,751	62	568	1
Total trade accounts receivable - related parties	621,292	730,922	231,764	280,904
<u>Trade accounts receivable - others</u>				
Not yet due	1,096,080	1,022,114	339,360	334,006
Overdue				
Less than 3 months	208,349	257,167	78,633	87,697
3 - 6 months	944	764	282	436
6 - 12 months	603	1,068	603	645
Over 12 months	119	324	-	200
Total trade accounts receivable - others	1,306,095	1,281,437	418,878	422,984
Total trade accounts receivable	1,927,387	2,012,359	650,642	703,888
Less : Allowance for doubtful accounts	(1,205)	(497)	(756)	(137)
Trade accounts receivable - net	1,926,182	2,011,862	649,886	703,751

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#### 4. RELATED PARTY TRANSACTIONS

During the periods, the Company had significant business transactions with its subsidiary, associated, and related companies (related by way of common shareholders and/or common directors) mainly in respect of purchases and sales of goods and fixed assets and other expense. Such transactions, which have been concluded on the terms and basis as determined by the Company and those companies and in the ordinary course of business, are summarised below:-

(Unit: Million Baht)

	<u>Consolidated</u>		<u>The Company Only</u>		<u>Pricing policy</u>
	<u>For the three-month periods ended 31 March</u>		<u>For the three-month periods ended 31 March</u>		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
<i>Transactions with subsidiaries (eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	73.7	30.1	Market prices and prices per job order for each product which are agreed between the parties
Purchase of goods	-	-	206.9	145.2	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	9.6	3.8	Prices agreed between the parties
<i>Transactions with associated and related companies</i>					
Sales of goods	401.4	280.4	109.2	117.0	Market prices at which equivalent quality product is sold with the same sales conditions
Interest income	7.4	7.4	7.4	7.4	Interest rate at 7.5 percent per annum
Purchases of raw materials	67.3	91.6	27.0	45.4	Market prices at which equivalent quality product is purchased with the same purchase conditions
Commission expense	9.1	2.2	4.7	2.8	Market prices and prices per job order for each product which are agreed between the parties

## (UNAUDITED BUT REVIEWED)

The outstanding balances of the above transactions as at 31 March 2006 and 31 December 2005 have been separately shown in the balance sheets as follows:-

	(Unit: Thousand Baht)			
	Consolidated		The Company Only	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
<b><u>Trade accounts receivable - related parties</u></b>				
KCE Technology Co., Ltd.	-	-	61,728	70,793
K.C.E. International Co., Ltd.	-	-	6,316	3,980
Thai Laminate Manufacturer Co., Ltd.	-	-	1,733	1,054
KCE America, Inc.	564,917	645,607	122,232	152,497
KCE Singapore Pte. Ltd.	56,375	85,315	39,755	52,580
Total trade accounts receivable - related parties	621,292	730,922	231,764	280,904
<b><u>Amounts due from and short-term loans to related parties</u></b>				
KCE Technology Co., Ltd.	-	-	391	3,721
K.C.E. International Co., Ltd.	-	-	96	418
KCE America, Inc.	2,628	318	89	-
KCE Singapore Pte. Ltd.	1,606	37	-	-
	4,234	355	576	4,139
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	218,725	211,342	218,725	211,342
	617,960	610,577	617,960	610,577
Less : Allowance for doubtful accounts	(617,960)	(610,577)	(617,960)	(610,577)
	-	-	-	-
Total amounts due from and short-term loans to related parties, net	4,234	355	576	4,139

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	31 March	31 December	31 March	31 December
	2006	2005	2006	2005
<b><u>Trade accounts payable - related parties</u></b>				
Thai Laminate Manufacturer Co., Ltd.	-	-	141,839	129,426
KCE Technology Co., Ltd.	-	-	93,561	75,040
K.C.E. International Co., Ltd.	-	-	3,133	1,634
KCE Singapore Pte. Ltd.	81,809	98,284	30,292	35,490
Total trade accounts payable - related parties	<u>81,809</u>	<u>98,284</u>	<u>268,825</u>	<u>241,590</u>
 <b><u>Amounts due to and advances from related parties</u></b>				
KCE Technology Co., Ltd.	-	-	16,370	3,641
K.C.E. International Co., Ltd.	-	-	50	193
KCE Singapore Pte. Ltd.	6,307	8,313	1,380	1,521
Total amounts due to and advances from related parties	<u>6,307</u>	<u>8,313</u>	<u>17,800</u>	<u>5,355</u>

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**5. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES ACCOUNTED FOR UNDER EQUITY METHOD**

Investments in subsidiaries and associates accounted for under equity method consist of:-

Company's name	Business activity	Paid-up capital (Unit : Thousand)	Portion of investment		Consolidated		The Company Only			
			The Company		Investment		Investment			
			Consolidated	Only	Equity method		Cost method		Equity method	
			%	%	31 March 2006	31 December 2005	31 March 2006	31 December 2005	31 March 2006	31 December 2005
<b>Subsidiaries</b>										
K.C.E. International Co., Ltd.	Manufacturing of Printed Circuit Board	Baht 100,000	94.993	94.993	-	-	172,499	172,499	597,427	592,117
Thai Laminate Manufacturer Co., Ltd.	Manufacturing of Prepreg and laminate	Baht 250,000	70.239	52.000	-	-	157,710	157,710	371,815	350,685
KCE Technology Co., Ltd.	Manufacturing of Printed Circuit Board	Baht 900,000	100.000	100.000	-	-	900,000	900,000	442,678	511,163
Total investments in subsidiaries					-	-	1,230,209	1,230,209	1,411,920	1,453,965
<b>Associates</b>										
KCE America, Inc.	Trading of Printed Circuit Board	US\$ 50	48.750	25.000	44,401	45,437	322	322	37,901	38,432
KCE Singapore Pte., Ltd.	Trading of Printed Circuit Board	S\$ 500	47.770	24.500	22,037	22,480	2,101	2,101	12,754	12,982
Total investments in associates					66,438	67,917	2,423	2,423	50,655	51,414
Total investments in subsidiary and associated companies					66,438	67,917	1,232,632	1,232,632	1,462,575	1,505,379



(UNAUDITED BUT REVIEWED)

During the three-month period ended 31 March 2006 and the year ended 31 December 2005, there is no dividend received from subsidiaries.

Share of profit from investments in two associated companies was calculated from interim financial statements which had not been reviewed by the auditors of these two 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 interim financial statements.

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 March 2006 and 31 December 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 4 to the financial statements.

## **6. PROPERTY, PLANT AND EQUIPMENT**

6.1 As at 31 March 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.

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6.2 As at 31 March 2006, the Company and its subsidiaries have mortgaged and pledged the following property, plant and equipment :-

6.2.1 The Company has mortgaged part of its land as collateral for loans from banks.

6.2.2 Thai Laminate Manufacturer Co., Ltd., a subsidiary, has mortgaged construction and pledged some of its machinery as collateral for bank overdrafts and loans from banks.

6.2.3 KCE Technology Co., Ltd. a subsidiary, has mortgaged land and construction thereon and pledged most of its machinery as collateral for bank overdrafts and loans from banks.

6.3 As at 31 March 2006, Thai Laminate Manufacturer Co., Ltd., a subsidiary, had non-operating machinery with a net book value of approximately Baht 4.6 million which is held as spare machinery and for capacity increase which is expected to be required in the near future. Hence, the subsidiary has not set up provision for impairment of the value of such machinery in the accounts.

## 7. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
Bank overdrafts	93,339	18,227	17,814	-
Short-term loans	1,247,455	996,300	210,000	255,000
Packing credits	1,583,100	1,530,000	426,100	386,000
Trust receipts	60,993	256,100	3,453	22,252
Total	<u>2,984,887</u>	<u>2,800,627</u>	<u>657,367</u>	<u>663,252</u>

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

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

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- 7.3 As at 31 March 2006 and 31 December 2005, bank overdrafts and partial loans from banks of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, are guaranteed by the Company and secured by the mortgage of construction and the pledge of part of machineries of such subsidiary company.
- 7.4 As at 31 March 2006 and 31 December 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 machineries of such subsidiary company.

## 8. LONG-TERM LOANS

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
EURO portion	209,849	233,144	33,555	38,705
Baht portion	1,873,775	2,034,443	29,181	44,907
	2,083,624	2,267,587	62,736	83,612
Less: Current portion of long-term loans	(761,450)	(736,744)	(45,135)	(58,505)
Long-term loans, net of current portion	1,322,174	1,530,843	17,601	25,107

As at 31 March 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 4.4 million and Euro 0.7 million in consolidated financial statements and the Company's financial statement respectively (31 December 2005 : Euro 4.8 million and Euro 0.8 million in consolidated financial statements and the Company's financial statements respectively).

(UNAUDITED BUT REVIEWED)

Details of long-term loans as at 31 March 2006 are as follows :-

No.	Contract date	Lender	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	
			(Thousand)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)				
<b><u>The Company Only</u></b>										
1.	11 March 2003	Bank	Baht	48,000	12,525	-	12,525	4 years	1 month	1 month
2.	2 July 2004	Bank	Baht	50,000	16,656	-	16,656	2 years	1 month	1 month
3.	18 August 2005	Bank	EUR	1,000	15,954	17,601	33,555	2 years	1 month	1 month
Total loans of the Company					45,135	17,601	62,736			

(UNAUDITED BUT REVIEWED)

No.	Contract date	Lender	Credit facility (Thousand)	Outstanding long-term loan amount			Significant terms and conditions of loan agreements		
				Current portion	Non-current portion	Total	Loan period	Principal repayment	Interest repayment
				(Thousand Baht)	(Thousand Baht)	(Thousand Baht)			
<b>Subsidiaries</b>									
<u>K.C.E. International Co., Ltd.</u>									
1.	11 June 2003	Bank	Baht 36,000	1,500	-	1,500	2 years	1 month	1 month
2.	2 July 2004	Bank	Baht 109,500	36,540	60,780	97,320	4 years	1 month	1 month
3.	2 July 2004	Bank	EURO 1,000	15,828	26,377	42,205	4 years	1 month	1 month
				<u>53,868</u>	<u>87,157</u>	<u>141,025</u>			
<u>Thai Laminate Manufacturer Co., Ltd.</u>									
1.	18 July 2002	Bank	Baht 340,000	90,000	26,000	116,000	5 years	3 months	3 months
				<u>90,000</u>	<u>26,000</u>	<u>116,000</u>			
<u>KCE Technology Co., Ltd.</u>									
1.	9 February 2001	Bank	Baht 1,070,000	267,500	66,875	334,375	6 years 3 months	3 months	1 month
2.	1 December 2003	Bank	EURO 3,000	33,427	100,661	134,088	6 years	3 months	3 months
3.	9 August 2004	Bank	Baht 445,500	78,600	366,900	445,500	6 years	3 months	1 month
4.	20 September 2004	Bank	Baht 704,050	167,720	326,680	494,400	4 years 6 months	3 months	1 month
5.	27 October 2004	Bank	Baht 124,500	14,600	109,900	124,500	6 years	3 months	1 month
6.	28 February 2005	Bank	Baht 180,000	10,600	169,400	180,000	6 years	3 months	1 month
7.	31 October 2005	Bank	Baht 51,000	-	51,000	51,000	6 years	3 months	1 month
				<u>572,447</u>	<u>1,191,416</u>	<u>1,763,863</u>			
Total loans of subsidiaries				<u>716,315</u>	<u>1,304,573</u>	<u>2,020,888</u>			
Total loans of the Company and subsidiaries				<u>761,450</u>	<u>1,322,174</u>	<u>2,083,624</u>			

(UNAUDITED BUT REVIEWED)

- 8.1 Long-term loans from banks of the Company are a Baht and Euro loans which carry interest at the rate between MLR (Minimum Loan Rate) less 4.0% and MLR per annum. 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.
- 8.2 Long-term loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are a Baht and Euro loans which carry interest rate at the rate between 3.5% and LIBOR plus 1.5% annum. The loans are guaranteed by the Company.
- 8.3 A long-term loan from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, is a Baht loan under the credit facility of Baht 340 million and carries interest rate at the rates between 4.5% and MLR (Minimum Loan Rate) less 1.5% per annum. The loan is guaranteed by the Company and is secured by the mortgage of the subsidiary's plant building and the pledge of part of its machinery.
- 8.4 Long-term loans from banks of KCE Technology Co., Ltd. a subsidiary company are Baht and Euro loans which carry interest at the rates between MLR (Minimum Loan Rate) less 1.25% and LIBOR plus 2.0% per annum. 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.

## **9. SHARE CAPITAL**

### **9.1 Share warrant**

On 27 October 1999, the Extraordinary General Meeting of the Company's Shareholders and the Annual General Meeting of the Company's shareholders on 26 April 2001 passed a resolution to issue 1,500,000 units of share warrants to offer to the directors and/or employees of the Company and/or its subsidiaries at a price of Baht 0 (zero) per warrant. One warrant entitles the holder to purchase 1 ordinary share at 25% of the weighted average closing price of the Company's ordinary shares as traded on the Stock Exchange of Thailand, on the date approved by the Office of the Securities and Exchange Commission, but not less than Baht 10 per share. The exercise period is every 15th of March, June, September and December of each year for a period of five years from the date on which the warrants are issued.

(UNAUDITED BUT REVIEWED)

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

## 9.2 Company's shares held by its subsidiaries

The Company's ordinary 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. The details as at 31 March 2006 and 31 December 2005 are as follows :-

	31 March 2006	31 December 2005
Number of shares held by its subsidiaries (shares)	4,645,000	4,515,000
Cost of shares (Thousand Baht)	25,434	24,742
Share premium (Thousand Baht)	(4,148)	(4,148)
Shares held by its subsidiaries (Thousand Baht)	21,286	20,594

## 9.3 Weighted average number of ordinary shares

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

(UNAUDITED BUT REVIEWED)

(Unit : Share)

For the three-month periods ended

31 March

	<u>2006</u>	<u>2005</u>
Balance brought forward	314,930,000	314,930,000
Less : The Company's shares held by subsidiaries	(4,645,000)	(4,359,200)
Weighted average number of ordinary shares	310,285,000	310,570,800
Add : Potential ordinary share - share warrants (2006 : no balance, 2005 : 0.07 million shares)	-	37,290
Diluted weighted average number of ordinary shares	<u>310,285,000</u>	<u>310,608,090</u>

## 10. 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 earnings 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.

## 11. COMMITMENTS AND CONTINGENT LIABILITIES

11.1 As at 31 March 2006, the Company and its subsidiaries have rental and service contract commitments with a period of 1-3 years and the future minimum charge according to the agreements until the end of the agreement are as follows :-

	(Unit: Thousand)	
<u>Currency</u>	<u>Consolidated</u>	<u>The Company Only</u>
Baht	38,486	19,069
US dollar	446	187
EURO	45	-



(UNAUDITED BUT REVIEWED)

- 11.2 As at 31 March 2006, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 42.6 million (the Company Only : Baht 16.8 million).
- 11.3 As at 31 March 2006, two subsidiary companies, K.C.E. International Co., Ltd. and KCE Technology Co., Ltd., have commitment in respect of purchases of machinery amounting to approximately Baht 4.9 million and USD 1.4 million or equivalent totally to Baht 53.2 million.
- 11.4 As at 31 March 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 provided to	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
K.C.E. International Co., Ltd.				
- Baht	331	396	-	-
KCE Technology Co., Ltd.				
- Baht	2,439	2,400	-	-
- EURO	3	3	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	206	206	-	-
- USD	-	5	-	-
KCE Electronics Plc.				
- Baht	-	-	361	352

(UNAUDITED BUT REVIEWED)

## 12. 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 three-month period ended 31 March												
	Prepreg and Laminate Business		Printed Circuit Board Business								Total	
	2006	2005	America		Europe		Asia		Total		2006	2005
Revenues			2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sales	332,900	293,270	362,654	233,438	826,563	758,795	523,926	402,074	1,713,143	1,394,307	2,046,043	1,687,577
Less: Intercompany transactions	-	-							(332,900)	(293,270)	(332,900)	(293,270)
Net sales	332,900	293,270							1,380,243	1,101,037	1,713,143	1,394,307
Other income	5,273	2,846							29,224	20,092	34,497	22,938
Total revenues	338,173	296,116							1,409,467	1,121,129	1,747,640	1,417,245
Earnings (loss) before interest expenses and corporate income tax											11,857	(90,394)
Less: Interest expenses											(64,247)	(45,728)
Corporate income tax											(3,675)	(842)
											(56,065)	(136,964)
Less: Minority interest in net earnings											(9,739)	(462)
Net loss											(65,804)	(137,426)

(UNAUDITED BUT REVIEWED)

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

(Unit : Thousand Baht)

	Prepreg and		Printed Circuit		Total	
	Laminate Business		Board Business			
	31 March	31 December	31 March	31 December	31 March	31 December
	2006	2005	2006	2005	2006	2005
Property, plant and equipment	394,335	400,565	4,846,920	4,873,767	5,241,255	5,274,332
Other assets	823,758	694,259	2,898,648	2,904,515	3,722,406	3,598,774
Total assets	1,218,093	1,094,824	7,745,568	7,778,282	8,963,661	8,873,106

### 13. 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 significant 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 March 2006, there are outstanding forward exchange contracts in consolidated financial statements to purchase USD 3,631,235 at rate of 38.56 - 39.27 Baht per US dollar (The Company only : USD 550,000 at rate of 38.96 Baht per US dollar).

(UNAUDITED BUT REVIEWED)

As at 31 March 2006, the Company and its subsidiaries had significant assets and liabilities denominated in foreign currencies as follow :-

Foreign currency	Consolidated		The Company Only		Exchange rate as at	
	Assets	Liabilities	Assets	Liabilities	31 March 2006	
	(Thousand unit)	(Thousand unit)	(Thousand unit)	(Thousand unit)	Buying rate	Selling rate
US dollar	34,550	33,583	11,925	10,257	38.6499	38.9417
EURO	12,153	5,526	4,427	1,278	46.8585	47.4816
Pound Sterling	115	45	41	5	67.2874	68.1024
Yen	-	6,955	-	490	-	0.3329
Singapore dollar	-	590	-	130	-	24.1581

#### 14. CHANGES IN ACCOUNTING POLICY

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 for the Company, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd. and being submitted by KCE Technology Co., Ltd. to the Revenue Department for approval.

#### 15. SUBSEQUENT EVENT

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

- 15.1 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.

(UNAUDITED BUT REVIEWED)

15.2 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.

## **16. APPROVAL OF INTERIM FINANCIAL STATEMENT**

These interim financial statements were authorised for issue by the authorised directors of the Company on 9 May 2006.