

(UNAUDITED BUT REVIEWED)

KCE ELECTRONICS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2007 AND 2006

1. GENERAL INFORMATION

1.1 Corporate information of the Company and its subsidiaries

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

KCE (Thailand) Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law. The registered address is at No. 100/61, 21st floor, Vongvanich Building, Rama 9 Road, Tambon Huaykwang, Amphur 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.

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1.2 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, 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.

1.3 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 2006 except for investment in KCE (Thailand) Co., Ltd. with the group structure as at 31 March 2007 and 31 December 2006 as detailed below :-

	Percentage of shareholding		Subsidiary’s assets as a percentage to the consolidated total assets as at		Subsidiary’s revenues as a percentage to the consolidated total revenues for the three-month periods ended	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006	31 March 2007	31 March 2006
	<u>Held by the Company</u>					
K.C.E. International Co., Ltd.	94.99	94.99	12	12	18	22
KCE Technology Co., Ltd.	100.00	100.00	57	57	51	45
<u>Thai Laminate Manufacturer Co., Ltd.</u>						
(Held by the Company 52.00% and K.C.E.						
International Co., Ltd. 19.20%)	70.24	70.24	8	8	1	2
KCE (Thailand) Co., Ltd.	60.00	-	-	-	-	-
<u>Held by the subsidiary</u>						
Konstant Pte. Ltd.						
(held by KCE Technology Co., Ltd. 100.00%)	100.00	100.00	-	-	-	-

1.4 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 2006, except for the change in the accounting policy for recording investments in subsidiary and associated companies in the separate financial statements from the equity method to the cost method, as described in Note 2.

2. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES IN THE SEPARATE FINANCIAL STATEMENTS

During the current period, the Company changed its accounting policy for recording investments in subsidiary and associated companies in the separate financial statements from the equity method to the cost method, in compliance with Notification No. 26/2549 regarding Accounting Standard No. 44 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” (Amendment No. 1), issued by the Federation of Accounting Professions, 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.

In this regard, the Company has restated the previous period’s separate financial statements as though the investments in the subsidiary and associated companies had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate income statements for the three-month periods ended 31 March 2007 by Baht 49 million (Baht 0.15 per share) and increasing net loss in the separate income statements for the three-month periods ended 31 March 2006 by Baht 29 million (Baht 0.10 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiary and associated companies” in the separate statements of changes in shareholders’ equity.

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Such change in accounting policy affects only the accounts related to investments in subsidiary and associated companies in the Company's separate financial statements, with no effect to the consolidated financial statements.

3. ADDITIONAL INFORMATION OF CASH FLOWS STATEMENTS

Non-cash related transactions for investing activities for the three-month periods ended 31 March 2007 and 2006 are as follows: -

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Purchase of fixed assets	143,171	50,136	24,856	12,731
Add(less) :				
Other payable from purchases of fixed assets	(78,208)	(35,995)	(24,856)	(2,924)
Amounts due to related parties for purchases of fixed assets	-	-	-	(10,197)
Trust receipts	(61,929)	(13,067)	-	-
Accounts payable under hire purchase agreements	(780)	(1,067)	-	-
Accrued interest capitalised as costs of machinery and equipment	(2,254)	(7)	-	-
Amounts due from related parties for sales of fixed assets	-	-	-	390
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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4. TRADE ACCOUNTS RECEIVABLE

The outstanding balance of trade accounts receivable as at 31 March 2007 and 31 December 2006 categorised by its aging is as follows:-

(Unit: Thousand Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
<u>Trade accounts receivable – related parties</u>				
Not yet due	448,724	456,261	165,247	170,151
Overdue				
Less than 3 months	67,445	94,144	19,718	45,792
3 – 6 months	1,445	309	1,445	85
6 – 12 months	35	145	119	21
Over 12 months	-	48	-	48
Total trade accounts receivable – related parties	517,649	550,907	186,529	216,097
<u>Trade accounts receivable – others</u>				
Not yet due	1,387,941	1,264,238	380,537	323,879
Overdue				
Less than 3 months	154,012	190,366	45,105	69,014
3 – 6 months	7,856	4,818	4,110	3,052
6 – 12 months	3,327	1,800	2,601	1,738
Over 12 months	193	457	193	457
Total trade accounts receivable – others	1,553,329	1,461,679	432,546	398,140
Total trade accounts receivable	2,070,978	2,012,586	619,075	614,237
Less : Allowance for doubtful accounts	(2,674)	(1,033)	(2,674)	(1,033)
Trade accounts receivable – net	2,068,304	2,011,553	616,401	613,204

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5. RELATED PARTY TRANSACTIONS

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the three-month periods ended 31 March		For the three-month periods ended 31 March		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
<i>Transactions with subsidiaries</i>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	47.1	73.7	Market prices and prices per job order for each product which are agreed between the parties
Purchase of goods	-	-	208.4	206.9	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	0.8	9.6	Prices agreed between the parties
<i>Transactions with associated companies</i>					
Sales of goods	437.9	401.4	132.4	109.2	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	53.1	67.3	20.3	27.0	Market prices at which similar quality products are purchased under same conditions
Commission expense	13.7	9.1	5.4	4.7	At the agreed rates between the parties which is general rate for the same business
<i>Transactions with related company</i>					
Interest income	7.4	7.4	7.4	7.4	Interest rate at 7.5 percent per annum

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The outstanding balances of the above transactions as at 31 March 2007 and 31 December 2006 are as follows:-

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	39,850	65,764
K.C.E. International Co., Ltd.	-	-	2,697	6,791
Thai Laminate Manufacturer Co., Ltd.	-	-	1,285	738
Total trade accounts receivable - subsidiaries	-	-	43,832	73,293
Associated companies				
KCE America, Inc.	448,636	487,655	98,963	104,505
KCE Singapore Pte., Ltd.	69,013	63,252	43,734	38,299
Total trade accounts receivable - associated companies	517,649	550,907	142,697	142,804
Total trade accounts receivable - related parties	517,649	550,907	186,529	216,097
 <u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	5,524	5,621
K.C.E. International Co., Ltd.	-	-	78	331
KCE (Thailand) Co., Ltd.	-	-	76	-
Total amounts due from and short-term loans to subsidiaries	-	-	5,678	5,952
Associated company				
KCE Singapore Pte., Ltd.	241	2	-	-
Total amounts due from and short-term loans to associated company	241	2	-	-

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(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
Related company				
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	248,667	241,284	248,667	241,284
	<u>647,902</u>	<u>640,519</u>	<u>647,902</u>	<u>640,519</u>
Less : Allowance for doubtful accounts	(647,902)	(640,519)	(647,902)	(640,519)
Total amounts due from and short-term loans to related company	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total amounts due from and short-term loans to related parties - net	<u>241</u>	<u>2</u>	<u>5,678</u>	<u>5,952</u>
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	227,322	60,800
KCE Technology Co., Ltd.	-	-	59,817	185,010
K.C.E. International Co., Ltd.	-	-	2,198	14,168
Total trade accounts payable - subsidiaries	<u>-</u>	<u>-</u>	<u>289,337</u>	<u>259,978</u>
Associated company				
KCE Singapore Pte., Ltd.	64,970	67,794	29,224	24,488
Total trade accounts payable - associated company	<u>64,970</u>	<u>67,794</u>	<u>29,224</u>	<u>24,488</u>
Total trade accounts payable - related parties	<u>64,970</u>	<u>67,794</u>	<u>318,561</u>	<u>284,466</u>
<u>Amounts due to and advances from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	10,053	10,053
Thai Laminate Manufacturer Co., Ltd.	-	-	-	1,658
Total amounts due to and advances from subsidiaries	<u>-</u>	<u>-</u>	<u>10,053</u>	<u>11,711</u>

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(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
Associated companies				
KCE Singapore Pte., Ltd.	7,987	10,734	771	1,413
KCE America, Inc.	589	78	-	-
Total amounts due to and advances from associated companies	8,576	10,812	771	1,413
Total amounts due to and advances from related parties	8,576	10,812	10,824	13,124

Directors and management's remuneration

The Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management during the three-month periods ended 31 March 2007 and 2006 totaling Baht 3.9 million and Baht 4.4 million, respectively (The separate financial statements : Baht 3.1 million and Baht 3.0 million, respectively).

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 14.3 to the financial statements.

6. 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 three-month period ended 31 March 2007 are summarised below :-

	Consolidated financial	Separate financial
	statements	statements
Balance as at 1 January 2007	20,853	12,731
Add: Allowance for diminution in value of inventories and inventory obsolescence made during the period	1,601	2,317
Balance as at 31 March 2007	22,454	15,048

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7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates consist of investments in ordinary share as follow :-

Company's name	Paid-up capital		Portion of investment		Consolidated financial statements		Separate financial statements	
	31 March	31 December	Consolidated	Separate	Investment		Investment	
	2007	2006	financial	financial	equity method		cost method	
	(Unit : Thousand)	(Unit : Thousand)	statements	statements	31 March	31 December	31 March	31 December
			(%)	(%)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
Investments in subsidiaries								
K.C.E. International Co., Ltd.	Baht 100,000	Baht 100,000	94.993	94.993	-	-	172,499	172,499
Thai Laminate Manufacturer Co., Ltd.	Baht 250,000	Baht 250,000	70.239	52.000	-	-	157,710	157,710
KCE Technology Co., Ltd.	Baht 1,150,000	Baht 1,150,000	100.000	100.000	-	-	586,729	586,729
KCE (Thailand) Co., Ltd.	Baht 3,600	-	60.000	60.000	-	-	2,160	-
Total investments in subsidiaries					-	-	919,098	916,938
Investments in associates								
KCE America, Inc.	US\$ 50	US\$ 50	48.750	25.000	52,679	58,558	322	322
KCE Singapore Pte., Ltd.	S\$ 500	S\$ 500	47.770	24.500	22,748	22,558	2,101	2,101
Total investments in associates					75,427	81,116	2,423	2,423

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During the three-month periods ended 31 March 2007 and 2006, there is no dividend received from subsidiaries.

On 8 March 2007, the Company purchased 216,000 shares of KCE (Thailand) Co., Ltd. at Baht 10 per share, or a total sum of Baht 2.16 million, which represents 60 percent of registered share capital of that company.

Share of income (loss) 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 the process to sue this case under the court in Thailand.

As at 31 March 2007 and 31 December 2006 , 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 5 to the financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment account during the three-month period ended 31 March 2007 are summarised below :-

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2007	5,469,700	1,022,292
Acquisitions during period - at cost	173,502	74,385
Disposals during period - net book value at disposal date	(590)	(31)
Depreciation for period	(129,639)	(27,411)
Net book value as at 31 March 2007	<u>5,512,973</u>	<u>1,069,235</u>

8.1 As at 31 March 2007, the Company and its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into negative pledge memorandums which are part of bank overdrafts and loans agreements. Under these memorandums, the Company and its subsidiaries are not allowed to dispose of, transfer, mortgage or provide any lien on their assets, as stipulated in such memorandums.

8.2 As at 31 March 2007, its subsidiaries have mortgaged and pledged the following property, plant and equipment :-

8.2.1 Thai Laminate Manufacturer Co., Ltd., a subsidiary, has mortgaged construction and pledged its machinery with a total net book value as at 31 March 2007 of Baht 192.7 million as collateral for loans from banks, as described in Note 10 to the financial statements.

8.2.2 KCE Technology Co., Ltd., a subsidiary, has mortgaged most of land and construction thereon and pledged most of its machinery as collateral for bank overdrafts and loans from banks, as described in Notes 9 and 10 to the financial statements.

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
Bank overdrafts	44,239	32,806	4,777	6,907
Short-term loans	1,078,000	1,072,000	230,000	235,000
Packing credits	1,925,000	1,910,200	517,000	563,500
Trust receipts	438,919	405,508	9,770	16,240
Total	<u>3,486,158</u>	<u>3,420,514</u>	<u>761,547</u>	<u>821,647</u>

- 9.1 As at 31 March 2007 and 31 December 2006, bank overdrafts and loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.
- 9.2 As at 31 March 2007 and 31 December 2006, bank overdrafts and partial loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.
- 9.3 As at 31 March 2007 and 31 December 2006, bank overdrafts and loans from banks of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of most of land, construction thereon and the pledge of most of machineries of such subsidiary company.

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10. LONG-TERM LOANS

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
EURO portion	279,963	260,242	154,341	120,044
Baht portion	1,289,135	1,465,625	-	2,850
	<u>1,569,098</u>	<u>1,725,867</u>	<u>154,341</u>	<u>122,894</u>
Less: Current portion of long-term loans	<u>(636,811)</u>	<u>(696,813)</u>	<u>(70,569)</u>	<u>(74,649)</u>
Long-term loans, net of current portion	<u>932,287</u>	<u>1,029,054</u>	<u>83,772</u>	<u>48,245</u>

Movements in the long-term loans account during the three-month period ended 31 March 2007 are summarised below :-

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2007	1,725,867	122,894
Add (Less) : Additional borrowing during period	52,862	52,862
Repayment during period	(207,322)	(20,931)
Unrealised gain on exchange	(2,309)	(484)
Balance as at 31 March 2007	<u>1,569,098</u>	<u>154,341</u>

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During the three-month period ended 31 March 2007, the Company had additional borrowing of EURO 1.1 million or equivalent to Baht 52.9 million from loan facility of EURO 3.5 million, of which the outstanding balance as at 31 March 2007 was EURO 2.9 million or equivalent to Baht 136.9 million. Interest is charged at rate of LIBOR plus 1.5 percent per annum. Loan principal is monthly repaid in totally 36 installments, commencing in October 2006.

As at 31 March 2007, 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 6.0 million in consolidated financial statements and EURO 3.3 million in the separate financial statements (31 December 2006 : EURO 5.4 million in consolidated financial statements and EURO 2.5 million in the separate financial statements).

- 10.1 As at 31 March 2007 and 31 December 2006 , partial of long-term loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.
- 10.2 As at 31 March 2007 and 31 December 2006 , long-term loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.
- 10.3 As at 31 March 2007 and 31 December 2006 , a long-term loan from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, is guaranteed by the Company and is secured by the mortgage of the subsidiary's plant, building and the pledge of part of its machinery. In addition, the Company and its subsidiaries must maintain the structure and proportion of their shareholding, whereby, through direct or indirect holding; they all together hold not less than 51 percent of registered share capital.
- 10.4 As at 31 March 2007 and 31 December 2006 , long-term loans from banks of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of the subsidiary's land and construction thereon and the pledge of most of the subsidiary's machinery.

11. SHARE CAPITAL

11.1 Convertible debenture

On 30 April 2007, the Annual General Meeting of the Company's shareholders passed a resolution approving the cancellation of the resolution of the Annual General Meeting of the Company's shareholders on 27 April 2006 regarding the issuance and offering of convertible debentures of the Company and allocation of the newly issued shares to accommodate the exercise of the convertible debentures in the number of 90 million shares.

11.2 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 in the consolidated financial statements and the separate financial statements. The details as at 31 March 2007 and 31 December 2006 are as follows :-

	31 March 2007	31 December 2006
Number of shares held by its subsidiaries (shares)	4,905,000	4,905,000
Cost of shares (Thousand Baht)	18,209	18,209
Share discount (Thousand Baht)	4,535	4,535
Shares held by its subsidiaries (Thousand Baht)	22,744	22,744

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11.3 Weighted average number of ordinary shares

As at 31 March 2007 and 2006, the weighted average number of ordinary shares in the consolidated financial statements and the separate financial statements are calculated as follows :-

	(Unit : Share)	
	For the three-month periods ended 31 March	
	<u>2007</u>	<u>2006</u>
Balance brought forward	314,930,000	314,930,000
Less : Shares of the Company held by subsidiaries	(4,905,000)	(4,645,000)
Weighted average number of ordinary shares	<u>310,025,000</u>	<u>310,285,000</u>

12. DIVIDEND PAYMENT

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

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.

13. CORPORATE INCOME TAX

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

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14. COMMITMENTS AND CONTINGENT LIABILITIES

14.1 As at 31 March 2007, 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)

Currency	Consolidated financial statements	Separate financial statements
Baht	56,394	19,370
US dollar	67	12

14.2 As at 31 March 2007, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 50.2 million (The separate financial statements : Baht 16.8 million).

14.3 As at 31 March 2007, 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.	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
K.C.E. International Co., Ltd.				
- Baht	338	319	-	-
KCE Technology Co., Ltd.				
- Baht	3,799	3,871	-	-
- EURO	2	2	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	70	81	-	-
KCE Electronics Plc.				
- Baht	-	-	419	439

14.4 As at 31 March 2007, Thai Laminate Manufacturer Co., Ltd., a subsidiary company, has one-year distributionship commitment to commission the Southeast Asia distributor at the rate stipulated in the agreement.

(UNAUDITED BUT REVIEWED)

15. FINANCIAL INFORMATION BY SEGMENT

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

(Unit : Thousand Baht)

Consolidated financial statements														
For the three-month period ended 31 March														
Printed Circuit Board business														
Prepreg and Laminate business	America		Europe		Asia		Total		Eliminating entries		Total			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue from external customers	14,986	34,305	394,401	362,654	1,063,473	826,563	602,451	489,621	2,060,325	1,678,838	-	-	2,075,311	1,713,143
Inter-segment revenues	363,690	298,595	-	-	-	-	151,552	208,597	151,552	208,597	(515,242)	(507,192)	-	-
Total revenues	378,676	332,900	394,401	362,654	1,063,473	826,563	754,003	698,218	2,211,877	1,887,435	(515,242)	(507,192)	2,075,311	1,713,143
Segment operating income	24,441	58,336							345,137	198,645	5,463	642	375,041	257,623
Unallocated income													30,119	26,819
Interest income													7,810	7,678
Unallocated expenses													(274,258)	(280,263)
Interest expenses													(74,523)	(64,247)
Corporate income tax													(5,700)	(3,675)
Minority interest in income of subsidiaries													(4,406)	(9,739)
Net income (loss)													54,083	(65,804)

The Company and its subsidiaries had determined the transfer pricing policy of related party transactions as described in Note 5 to the financial statements.

16. FINANCIAL INSTRUMENTS

As at 31 March 2007, the subsidiaries had outstanding forward exchange contracts of USD 4,516,898. The forward exchange rate under the contract is between Baht 34.67 and 36.02 per USD 1, which maturity date is between 2 April 2007 and 12 July 2007. The exchange rate as at 31 March 2007 is Baht 35.1354 per USD 1.

As at 31 March 2007, the Company and its subsidiaries had outstanding commodity swap agreement for copper of Ton 120. The price under the contract is USD 6,750 per Ton, which maturity date is between 30 April 2007 and 30 June 2007. The market price of copper at 31 March 2007 is USD 6,940 per Ton.

17. SUBSEQUENT EVENT

17.1 On 30 April 2007, the Annual General Meeting of the Company's shareholders passed a resolution approving the reduction and the increase of the registered capital as follow :-

- a) Reducing registered capital from Baht 450,000,000 (450,000,000 shares at the par value of Baht 1 per share) to Baht 317,930,000 (317,930,000 shares at the par value of Baht 1 per share) by canceling 132,070,000 authorised but unissued shares.
- b) Increasing registered capital from Baht 317,930,000 (317,930,000 shares at the par value of Baht 1 per share) to Baht 500,000,000 (500,000,000 shares at the par value of Baht 1 per share) by issuing the newly issued shares in the number of 182,070,000 shares at the par value of Baht 1 per share whereby 157,465,000 shares are to be offered to the existing shareholders of the Company, at the ratio of 2 existing shares to 1 new share and at offering price of Baht 1 per share. The remaining 24,605,000 shares shall be proposed for further consideration by the shareholders.

(UNAUDITED BUT REVIEWED)

17.2 On 10 April 2007, the Extraordinary General Meeting of the shareholders of Konstant Pte. Ltd., a subsidiary company held by the subsidiary of the Company, passed a resolution approving the dissolution of the company. That company is in the process of liquidation under the Singapore Federal Bankruptcy Code.

18. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the authorised directors of the Company on 9 May 2007.