

KCE Electronics Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month periods ended 31 March 2008 and 2007

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.

(Unaudited but reviewed)

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 (revised 2007) "Interim financial statements", with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets and, the statements of income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

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

1.3 Basis of consolidation

These consolidated financial statements include the financial statements of KCE Electronics Public Company Limited ("hereinafter called "the Company") and its subsidiaries (hereinafter called "the subsidiaries") and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2007. with the group structure as at 31 March 2008 and 31 December 2007 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 | 31 December | 31 March | 31 December | 31 March | 31 December |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| <u>Held by the Company</u> | | | | | | |
| K.C.E. International Co., Ltd. | 94.99 | 94.99 | 10 | 9 | 13 | 18 |
| KCE Technology Co., Ltd. | 100.00 | 100.00 | 53 | 54 | 49 | 51 |
| Thai Laminate Manufacturer Co., Ltd. (Held by the Company 52.00% and K.C.E. International Co., Ltd. 19.20%) | 70.24 | 70.24 | 10 | 9 | 3 | 1 |
| KCE (Thailand) Co., Ltd. | 60.00 | 60.00 | 1 | 1 | 2 | - |
| <u>Held by the subsidiary</u> | | | | | | |
| Konstant Pte. Ltd. (held by KCE Technology Co., Ltd. 100.00%) | - | 100.00 | - | - | - | - |

During the year 2007, Konstant Pte. Ltd., a subsidiary company held by KCE Technology Co., Ltd., a subsidiary of the Company was dissolved and liquidated under the Singapore Federal Bankruptcy Code.

1.4 Accounting Standards which are effective for the current year

| | |
|-----------------------|---|
| TAS 25 (revised 2007) | Cash Flow Statements |
| TAS 29 (revised 2007) | Leases |
| TAS 31 (revised 2007) | Inventories |
| TAS 33 (revised 2007) | Borrowing Costs |
| TAS 35 (revised 2007) | Presentation of Financial Statements |
| TAS 39 (revised 2007) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 41 (revised 2007) | Interim Financial Reporting |
| TAS 43 (revised 2007) | Business Combinations |
| TAS 49 (revised 2007) | Construction Contracts |
| TAS 51 | Intangible Assets |

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that and TAS 49 is not relevant to the business of the Company, whereas TAS 25, TAS 29, TAS 31, TAS 33, TAS 35, TAS 39, TAS 41 and TAS 51 do not have any significant impact on the financial statements for the current period.

TAS 43 (revised 2007) Business Combinations has an impact to the financial statements for the current year for negative goodwill acquired in a business combination before 2008. The Company will reassess the assets and liabilities valuation of the investee company before recognising negative goodwill against retained earnings.

(Unaudited but reviewed)

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2007 except for the change in the accounting policy of negative goodwill which does not require the amortisation. The Company will reassess the valuation of the assets and liabilities of the investee company before recognizing the negative goodwill into retained earnings.

2. Additional information of cash flows statements

Non-cash related transactions for investing activities for the three-month periods ended 31 March 2008 and 2007 are as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------------------|-------------|-------------------------------|-------------|
| | Consolidated financial statements | | Separate financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Purchase of fixed assets | 226,827 | 143,171 | 146,798 | 24,856 |
| Add(less): | | | | |
| Other payable from purchases of fixed assets | (40,906) | (78,208) | (3,716) | (24,856) |
| Amounts due to related parties for purchases of fixed assets | - | - | (2,098) | - |
| Trust receipts | (44,591) | (61,929) | - | - |
| Accounts payable under hire purchase agreements | (140,284) | (780) | (140,284) | - |
| Deposit for purchases of fixed assets and prepaid expenses | (1,080) | - | (1,080) | - |
| Accrued expenses capitalised as costs of machinery and equipment | (256) | (2,254) | (27) | - |
| Other receivable from sales of fixed assets | 290 | - | - | - |
| Amounts due from related parties for sales of fixed assets | - | - | 407 | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(Unaudited but reviewed)

3. Trade accounts receivable

The outstanding balance of trade accounts receivable as at 31 March 2008 and 31 December 2007 categorised by its aging is as follows:

(Unit: Thousand Baht)

| Age of receivables | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|---------------------|-------------------------------|---------------------|
| | 31 March 2008 | 31 December 2007 | 31 March 2008 | 31 December 2007 |
| <u>Trade accounts receivable – related parties</u> | | | | |
| Not yet due | 435,793 | 416,624 | 229,490 | 222,529 |
| Overdue | | | | |
| Less than 3 months | 67,119 | 105,797 | 24,990 | 53,520 |
| 3 – 6 months | 599 | 2,580 | 1 | - |
| 6 – 12 months | 514 | 383 | 358 | 375 |
| Over 12 months | 27 | 1,288 | 27 | 37 |
| Total trade accounts receivable – related parties | <u>504,052</u> | <u>526,672</u> | <u>254,866</u> | <u>276,461</u> |
| <u>Trade accounts receivable – others</u> | | | | |
| Not yet due | 1,373,357 | 1,355,433 | 429,165 | 393,501 |
| Overdue | | | | |
| Less than 3 months | 105,403 | 94,344 | 27,909 | 35,871 |
| 3 – 6 months | 6,912 | 10,363 | 2,119 | 2,443 |
| 6 – 12 months | 3,100 | 11,782 | 1,291 | 2,813 |
| Over 12 months | 818 | 1,950 | 818 | 1,824 |
| Total trade accounts receivable – others | <u>1,489,590</u> | <u>1,473,872</u> | <u>461,302</u> | <u>436,452</u> |
| Total trade accounts receivable | 1,993,642 | 2,000,544 | 716,168 | 712,913 |
| Less: Allowance for doubtful accounts | <u>(2,076)</u> | <u>(2,420)</u> | <u>(1,916)</u> | <u>(2,358)</u> |
| Trade accounts receivable – net | <u>1991,566</u> | <u>1,998,124</u> | <u>714,252</u> | <u>710,555</u> |

(Unaudited but reviewed)

4. 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 | | |
| | 2008 | 2007 | 2008 | 2007 | |
| <i>Transactions with subsidiaries</i> (eliminated from the consolidated financial statements) | | | | | |
| Sales of goods | - | - | 111.3 | 47.1 | Market prices and prices per job order for each product which are agreed between the parties |
| Purchase of goods | - | - | 297.8 | 208.4 | Market prices and prices per job order for each product which are agreed between the parties |
| Purchase of fixed assets | - | - | 2.0 | 0.8 | Prices agreed between the parties |
| <i>Transactions with associated companies</i> | | | | | |
| Sales of goods | 455.4 | 437.9 | 156.1 | 132.4 | Market prices at which similar quality products are sold under same conditions |
| Purchases of raw materials | 62.1 | 53.1 | 17.3 | 20.3 | Market prices at which similar quality products are purchase under same conditions |
| Commission expense | 11.8 | 13.7 | 6.4 | 5.4 | 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 |

(Unaudited but reviewed)

The outstanding balances of the above transactions as at 31 March 2008 and 31 December 2007 are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|---------------------|-------------------------------|---------------------|
| | 31 March 2008 | 31 December 2007 | 31 March 2008 | 31 December 2007 |
| <u>Trade accounts receivable - related parties</u> | | | | |
| Subsidiaries | | | | |
| KCE Technology Co., Ltd. | - | - | 53,863 | 73,789 |
| K.C.E. International Co., Ltd. | - | - | 27,938 | 21,831 |
| KCE (Thailand) Co., Ltd. | - | - | 7,717 | 5,093 |
| Thai Laminate Manufacturer Co., Ltd. | - | - | 3,147 | 1,516 |
| Total trade accounts receivable - subsidiaries | - | - | 92,665 | 102,229 |
| Associated companies | | | | |
| KCE America, Inc. | 425,819 | 474,563 | 125,081 | 146,831 |
| KCE Singapore Pte., Ltd. | 78,233 | 52,109 | 37,120 | 27,401 |
| Total trade accounts receivable - associated companies | 504,052 | 526,672 | 162,201 | 174,232 |
| Total trade accounts receivable - related parties | 504,052 | 526,672 | 254,866 | 276,461 |

Amounts due from and short-term loans to related parties

Subsidiaries

| | | | | |
|---|---|---|-------|----|
| K.C.E. International Co., Ltd. | - | - | 3,472 | - |
| KCE Technology Co., Ltd. | - | - | 59 | 9 |
| KCE (Thailand) Co., Ltd. | - | - | 8 | 8 |
| Total amounts due from and short-term loans to subsidiaries | - | - | 3,539 | 17 |

(Unaudited but reviewed)

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|---------------|-------------------------------|----------------|
| | 31 March | 31 December | 31 March | 31 December |
| | 2008 | 2007 | 2008 | 2007 |
| Related company | | | | |
| Avatar Systems Corporation | 399,235 | 399,235 | 399,235 | 399,235 |
| Loans | 278,672 | 271,227 | 278,672 | 271,227 |
| Accrued interest income | 677,907 | 670,462 | 677,907 | 670,462 |
| | (677,907) | (670,462) | (677,907) | (670,462) |
| Less: Allowance for doubtful accounts | - | - | - | - |
| Total amounts due from and short-term loans to related company - net | - | - | 3,539 | 17 |
| Total amounts due from and short-term loans to related parties - net | | | | |
| <u>Trade accounts payable - related parties</u> | | | | |
| Subsidiaries | | | | |
| Thai Laminate Manufacturer Co., Ltd. | - | - | 290,551 | 251,856 |
| KCE Technology Co., Ltd. | - | - | 88,574 | 82,969 |
| K.C.E. International Co., Ltd. | - | - | 3,472 | 3,507 |
| Total trade accounts payable - subsidiaries | - | - | 382,597 | 338,332 |
| Associated company | | | | |
| KCE Singapore Pte., Ltd. | 64,541 | 51,264 | 20,848 | 14,480 |
| Total trade accounts payable - associated company | 64,541 | 51,264 | 20,848 | 14,480 |
| Total trade accounts payable - related parties | 64,541 | 51,264 | 403,445 | 352,812 |
| <u>Amounts due to and advances from related parties</u> | | | | |
| Subsidiaries | | | | |
| KCE International Co., Ltd. | - | - | 2,098 | 779 |
| KCE Technology Co., Ltd. | - | - | - | 4,911 |
| Total amounts due to and advances from subsidiaries | - | - | 2,098 | 5,690 |

(Unaudited but reviewed)

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|--------------|-------------------------------|--------------|
| | 31 March | 31 December | 31 March | 31 December |
| | 2008 | 2007 | 2008 | 2007 |
| Associated company | | | | |
| KCE Singapore Pte., Ltd. | 10,445 | 9,155 | 2,370 | 2,171 |
| Total amounts due to and advances from associate company | 10,445 | 9,155 | 2,370 | 2,171 |
| Total amounts due to and advances from related parties | 10,445 | 9,155 | 4,468 | 7,861 |

Directors and management's remuneration

The Company and its subsidiaries recorded salaries, bonus, provident fund and meeting allowances to their directors and management during the three-month periods ended 31 March 2008 and 2007 totaling Baht 13.5 million and Baht 12.0 million, respectively (The Company only: Baht 6.5 million and Baht 6.7 million, respectively).

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 14.4 to the financial statements.

5. 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 2008 are summarised below.

| | (Unit: Thousand Baht) | |
|--|--------------------------------------|----------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Balance as at 1 January 2008 | 28,673 | 15,695 |
| Add: Allowance for diminution in value of inventories and inventory obsolescence made during the period | 5,391 | 298 |
| Balance as at 31 March 2008 | <u>34,064</u> | <u>15,993</u> |

(Unaudited but reviewed)

6. Investments in subsidiaries

(Unit: Thousand Baht)

| Company' name | Separate financial statements | | | | | | | | | | | |
|--------------------------------------|-------------------------------|-------------|-------------------------|-------------|-----------|-------------|---|-------------|---|-------------|--|------|
| | Paid-up capital | | Shareholding percentage | | Cost | | Provision for impairment of investments | | Carrying amounts based on cost method net | | Dividend received for the periods ended 31 March | |
| | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December | 2008 | 2007 |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | | | (%) | (%) | | | | | | | | |
| K.C.E. International Co., Ltd. | 100,000 | 100,000 | 94.99 | 94.99 | 172,499 | 172,499 | - | - | 172,499 | 172,499 | - | - |
| Thai Laminate Manufacturer Co., Ltd. | 250,000 | 250,000 | 52.00 | 52.00 | 157,710 | 157,710 | - | - | 157,710 | 157,710 | - | - |
| KCE Technology Co., Ltd. | 1,150,000 | 1,150,000 | 100.00 | 100.00 | 1,150,000 | 1,150,000 | (563,271) | (563,271) | 586,729 | 586,729 | - | - |
| KCE (Thailand) Co., Ltd. | 3,600 | 3,600 | 60.00 | 60.00 | 2,160 | 2,160 | - | - | 2,160 | 2,160 | - | - |
| Total | | | | | 1,482,369 | 1,482,369 | (563,271) | (563,271) | 919,098 | 919,098 | - | - |

7. Investments in associated

(Unit: Thousand Baht)

| Company's name | Nature of business | Country of incorporation | Consolidated financial statements | | | | | | | |
|--------------------------|---|--------------------------|-----------------------------------|-------------|----------|-------------|---|-------------|--|--|
| | | | Shareholding percentage | | Cost | | Carrying amounts based on equity method | | | |
| | | | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December | | |
| | | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | | |
| | | | (%) | (%) | | | | | | |
| KCE America, Inc. | Foreign sale representative to the Company and its affiliates | United States of America | 48.750 | 48.750 | 644 | 644 | 53,002 | 56,462 | | |
| KCE Singapore Pte., Ltd. | Foreign sale representative to the Company and its affiliates | Singapore | 47.770 | 47.770 | 4,201 | 4,201 | 26,121 | 25,711 | | |
| Total | | | | | 4,845 | 4,845 | 79,123 | 82,173 | | |

(Unaudited but reviewed)

(Unit: Thousand Baht)

| Company's name | Separate financial statements | | | |
|--------------------------|-------------------------------|------------------|---------------|------------------|
| | Shareholding percentage | | Cost | |
| | 31 March 2008 | 31 December 2007 | 31 March 2008 | 31 December 2007 |
| | (%) | (%) | | |
| KCE America, Inc. | 25.00 | 25.00 | 322 | 322 |
| KCE Singapore Pte., Ltd. | 24.50 | 24.50 | 2,101 | 2,101 |
| Total | | | 2,423 | 2,423 |

Share of income from investments for the three-month periods ended 31 March 2008 and 2007 in above two associated companies was calculated from interim financial statements which had not been reviewed by the auditors of those associated companies because they are located overseas and the Company has no power to direct the financial and operating policies of those companies, including the review of their financial statements.

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 2008 and 31 December 2007, 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.

(Unaudited but reviewed)

8. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2008 are summarised below.

| | (Unit: Thousand Baht) | |
|---|--------------------------------------|----------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Net book value as at 1 January 2008 | 5,774,598 | 1,380,474 |
| Acquisitions during period - at cost | 231,081 | 45,125 |
| Disposals during period - net book value at disposal date | (576) | (253) |
| Depreciation for period | <u>(139,784)</u> | <u>(36,836)</u> |
| Net book value as at 31 March 2008 | <u>5,865,319</u> | <u>1,388,510</u> |

8.1 As at 31 March 2008, 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 2008, 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 2008 of Baht 123 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.

(Unaudited but reviewed)

- 8.3 The Company and its subsidiaries have capitalised interest expenses as part of costs of machinery and equipment under installation as follows.

(Unit : Thousand Baht)

For the three-month periods

31 March

| | 2008 | 2007 |
|-----------------------------------|------|-------|
| Consolidated financial statements | 546 | 4,402 |
| Separate financial statements | 325 | 1,657 |

The assets capitalisation rates for the three-month period ended 31 March 2008 are at the rates between 2.6 to 6.9 percent per annum (2007: at the rates between 5.1 to 7.0 percent per annum) in the consolidated financial statements and the separate financial statements.

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|------------------|--------------------------------------|---------------------|----------------------------------|---------------------|
| | 31 March 2008 | 31 December 2007 | 31 March 2008 | 31 December 2007 |
| Bank overdrafts | 61,344 | 38,101 | 9,003 | - |
| Short-term loans | 1,076,000 | 1,003,000 | 195,000 | 215,000 |
| Packing credits | 2,222,500 | 2,147,000 | 657,500 | 612,000 |
| Trust receipts | 544,572 | 535,986 | 43,105 | 42,104 |
| Total | <u>3,904,416</u> | <u>3,724,087</u> | <u>904,608</u> | <u>869,104</u> |

- 9.1 As at 31 March 2008 and 31 December 2007, bank overdrafts and partial loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.
- 9.2 As at 31 March 2008 and 31 December 2007, bank overdrafts and most of loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.
- 9.3 As at 31 March 2008 and 31 December 2007, 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.

(Unaudited but reviewed)

10. Long-term loans

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|------------------|-------------------------------|------------------|
| | 31 March 2008 | 31 December 2007 | 31 March 2008 | 31 December 2007 |
| EURO portion | 171,165 | 201,331 | 89,235 | 107,177 |
| Baht portion | 1,057,600 | 1,176,165 | - | - |
| | 1,228,765 | 1,377,496 | 89,235 | 107,177 |
| Less: Current portion of long-term loans | (536,422) | (573,383) | (60,102) | (63,797) |
| Long-term loans, net of current portion | <u>692,343</u> | <u>804,113</u> | <u>29,133</u> | <u>43,380</u> |

Movements in the long-term loans account during the three-month period ended 31 March 2008 are summarised below.

(Unit: Thousand Baht)

| | Consolidated financial statements | Separate financial statements |
|-------------------------------------|-----------------------------------|-------------------------------|
| Balance as at 1 January 2008 | 1,377,496 | 107,177 |
| Add (less): Repayment during period | (151,354) | (19,710) |
| Unrealised gain on exchange | <u>2,623</u> | <u>1,768</u> |
| Balance as at 31 March 2008 | <u>1,228,765</u> | <u>89,235</u> |

As at 31 March 2008, 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 3.4 million in consolidated financial statements and EURO 1.8 million in the separate financial statements (31 December 2007: EURO 4.1 million in consolidated financial statements and EURO 2.2 million in the separate financial statements).

- 10.1 As at 31 March 2008 and 31 December 2007, long-term loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.

(Unaudited but reviewed)

- 10.2 As at 31 March 2008 and 31 December 2007, 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, there are certain significant conditions that the subsidiary has to comply with, such as maintaining a ratio of total debt to equity not exceeding 3 : 1. Moreover, the Company and its subsidiaries must maintain the shareholding structure, whether by direct or indirect holding at not less than 51 percent of the registered and paid-up capital of the subsidiary.
- 10.3 As at 31 March 2008 and 31 December 2007, 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 Share warrant

The movements of warrants during the three-month period ended 31 March 2008 are as follows:

| | Number of <u>unit (unit)</u> |
|---|---------------------------------|
| Warrants issued as at beginning of the period | 2,370,000 |
| Add: warrants issued during the period | - |
| Warrants issued as at end of the period | <u><u>2,370,000</u></u> |

On 9 August 2007 and 10 October 2007, the Company issued and allotted 365,000 and 2,005,000 registered and untransferable (except for transferring as stipulated in the prospectus) warrants free of charge to the employees of the Company and/or its subsidiaries. These warrants are exercisable at a price of Baht 3.93 per share at a ratio of 1 warrant to 1 new ordinary share, every quarter from 15 to 18 of March, June, September and December, for a period of 5 years from the issue date, starting from 15 to 18 September 2008 and with a final exercise date of 18 June 2012. The aforesaid exercise price and/or exercise ratio may be adjusted if certain events stipulated in the prospectus occur.

As at 31 March 2008, 2,370,000 units of issued warrant remained. No warrants were exercised because the exercise date started from 15 to 18 September 2008.

(Unaudited but reviewed)

11.2 Company's ordinary shares

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.

The Company had been paid up the increased share capital of Baht 147.6 million and registered it with the Ministry of Commerce on 22 June 2007.

11.3 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 subsidiary, K.C.E. International 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. The details as at 31 March 2008 and 31 December 2007 are as follows:

| | 31 March 2008 | 31 December 2007 |
|--|------------------|---------------------|
| Number of shares held by its subsidiaries (shares) | <u>4,571,850</u> | <u>4,571,850</u> |
| Cost of shares (Thousand Baht) | 12,963 | 12,963 |
| Share discount (Thousand Baht) | <u>1,847</u> | <u>1,847</u> |
| Shares held by its subsidiaries (Thousand Baht) | <u>14,810</u> | <u>14,810</u> |

(Unaudited but reviewed)

11.4 Weighted average number of ordinary shares

As at 31 March 2008 and 2007, the weighted average number of ordinary shares in the consolidated and separate financial statements are calculated as follows:

| | (Unit: Share) | |
|--|---|---------------------------|
| | Consolidated financial statements | |
| | For the three-month periods ended 31 March | |
| | <u>2008</u> | <u>2007</u> |
| Balance brought forward | 462,497,269 | 314,930,000 |
| Less: Shares of the Company held by subsidiaries | <u>(4,571,850)</u> | <u>(4,905,000)</u> |
| Weighted average number of ordinary shares | 457,925,419 | 310,025,000 |
| Add: Potential ordinary share - share warrant (2008: 2,370,000 shares, 2007: no balances) | <u>-</u> | <u>-</u> |
| Diluted weighted average number of ordinary shares | <u><u>457,925,419</u></u> | <u><u>310,025,000</u></u> |

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the period ended 31 March 2008, the Company expected no exercise of the warrant and excluded the warrants for the calculation of potential diluted ordinary shares for diluted earnings per share calculation.

| | (Unit: Share) | |
|--|---|---------------------------|
| | Separate financial statements | |
| | For the three-month periods ended 31 March | |
| | <u>2008</u> | <u>2007</u> |
| Balance brought forward | 462,497,269 | 314,930,000 |
| Add: Shares issued during the period | <u>-</u> | <u>-</u> |
| Weighted average number of ordinary shares | <u><u>462,497,269</u></u> | <u><u>314,930,000</u></u> |

12. Gain on exchange rate

Gain (loss) from foreign exchange rate includes gain (loss) from the translation of receivable and payable under forward exchange contracts which mature during the period or are outstanding at the balance sheet date.

According to the currency risk policy regarding sales denominated in foreign currency, the Company and its subsidiaries had entered into forward exchange contracts, mainly in US dollar, since the dates the orders confirmation from customers are received to stabilize margin level of the Company and its subsidiaries is protected to be, despite the subsequent fluctuation in exchange rate. The related exchange gain (loss) from forward exchange contract is treated by the Company and its subsidiaries as adjustment to sales and included in determining their operating results.

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.

14. Commitments and contingent liabilities

14.1 As at 31 March 2008, 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:

| Currency | (Unit: Thousand) | |
|-----------|---|-------------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Baht | 61,753 | 24,980 |
| US dollar | 326 | 12 |

(Unaudited but reviewed)

14.2 As at 31 March 2008, the Company and its subsidiaries had commitment for purchase machine amounting approximately USD 1.1 million EURO 0.3 million and YEN 13.9 million or totally equivalent to Baht 54.8 million (the Company only: USD 1.0 million or totally equivalent to Baht 31.3 million).

14.3 As at 31 March 2008, the Company had commitment for purchase program computer amounting to approximately Baht 4.7 million.

14.4 As at 31 March 2008, the Company and its subsidiaries have contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

(Unit: Million)

| Guarantee company | Guarantor | | | |
|---|----------------------|---------------------|--------------------------------|---------------------|
| | KCE Electronics Plc. | | K.C.E. International Co., Ltd. | |
| | 31 March 2008 | 31 December 2007 | 31 March 2008 | 31 December 2007 |
| K.C.E. International Co., Ltd. | | | | |
| - Baht | 195 | 212 | - | - |
| - USD | 5 | 5 | - | - |
| KCE Technology Co., Ltd. | | | | |
| - Baht | 3,765 | 3,846 | - | - |
| - EURO | 1 | 2 | - | - |
| Thai Laminate Manufacturer Co., Ltd. | | | | |
| - Baht | 158 | 170 | - | - |
| KCE Electronics Plc. | | | | |
| - Baht | - | - | 215 | 258 |

14.5 As at 31 March 2008, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 59.2 million (the Company only: Baht 24.6 million) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electric payment.

14.6 As at 31 March 2008, 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)

14.7 On 26 October 2005, KCE America Inc., an associated company, had entered into operating lease agreement for its office premises with a subsidiary of an associated company for a period of 15 years. Under this agreement, the associated company has commitment to pay the rental fee in the future of approximately USD 2.0 million or equivalent to approximately Baht 60.2 million.

15. Dividend payment

On 29 April 2008, the Annual General Meeting of the Company's shareholders approved the payment of dividend in respect of previous year's net income at Baht 0.08 per share to the ordinary shareholders totaling of Baht 37 million. The Company will pay the dividend on 28 May 2008 and will record this transaction in the second quarter of the current year.

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.

(Unaudited but reviewed)

16. Financial information by segment

The Company and its subsidiaries' operations mainly involve business segments in printed circuit board, prepreg and laminate products with production facilities in Thailand and 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 periods ended 31 March 2008 and 2007 | | | | | | | | | | | | | | |
| Printed Circuit Board business | | | | | | | | | | | | | | |
| | Prepreg and Laminate | | America | | Europe | | Asia | | Total | | Eliminating entries | | Total | |
| | business | | | | | | | | | | | | | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenue from external customers | 58,239 | 14,986 | 390,030 | 394,401 | 1,303,962 | 1,063,473 | 421,512 | 602,451 | 2,115,504 | 2,060,325 | - | - | 2,173,743 | 2,075,311 |
| Inter-segment revenues | 396,543 | 363,690 | - | - | - | - | 325,486 | 151,552 | 325,486 | 151,552 | (722,029) | (515,242) | - | - |
| Total revenues | <u>454,782</u> | <u>378,676</u> | <u>390,030</u> | <u>394,401</u> | <u>1,303,962</u> | <u>1,063,473</u> | <u>746,998</u> | <u>754,003</u> | <u>2,440,990</u> | <u>2,211,877</u> | <u>(722,029)</u> | <u>(515,242)</u> | <u>2,173,743</u> | <u>2,075,311</u> |
| Segment operating income | <u>44,105</u> | <u>24,441</u> | | | | | | | <u>285,030</u> | <u>345,137</u> | <u>(263)</u> | <u>5,463</u> | <u>328,872</u> | <u>375,041</u> |
| Unallocated income | | | | | | | | | | | | | 170,156 | 30,119 |
| Interest income | | | | | | | | | | | | | 7,529 | 7,810 |
| Unallocated expenses | | | | | | | | | | | | | (316,310) | (274,258) |
| Interest expenses | | | | | | | | | | | | | (69,539) | (74,523) |
| Corporate income tax | | | | | | | | | | | | | (4,094) | (5,700) |
| Minority interest in income of subsidiaries | | | | | | | | | | | | | (6,009) | (4,406) |
| Net income | | | | | | | | | | | | | <u>110,605</u> | <u>54,083</u> |

(Unaudited but reviewed)

Financial information by business segment for the consolidated balance sheets as at 31 March 2008 and 31 December 2007 are as follows :

(Unit: Thousand Baht)

| | Prepreg and Laminate | | Printed Circuit Board | | Total | |
|-------------------------------|----------------------|-------------|-----------------------|-------------|------------|-------------|
| | business | | business | | | |
| | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Property, plant and equipment | 611,069 | 525,044 | 5,254,250 | 5,249,554 | 5,865,319 | 5,774,598 |
| Other assets | 938,093 | 939,273 | 3,253,136 | 3,163,094 | 4,191,229 | 4,102,367 |
| Total assets | 1,549,162 | 1,464,317 | 8,507,386 | 8,412,648 | 10,056,548 | 9,876,965 |

Transfer prices between business segments are as set out in Note 4 to the financial statements.

(Unaudited but reviewed)

17. Forward exchange contracts and commodity swap agreements

As at 31 March 2008, the Company and its subsidiaries had outstanding forward exchange contracts, of which details are presented below.

| Currency | Amount | Maturity date | Contract exchange rate | Exchange rate as at 31 March 2008 |
|-----------|------------|----------------------------------|--|--|
| | (Thousand) | | (Baht per unit of foreign currency) | (Baht per unit of foreign currency) |
| Buy | | | | |
| US dollar | 4,741 | 17 April 2008 - 8 September 2008 | 31.4050 - 32.0620 | 31.6229 |
| Euro | 199 | 21 April 2008 | 48.2800 | 50.0139 |
| Sell | | | | |
| US dollar | 60,539 | 12 May 2008 - 2 October 2008 | 31.1200 - 33.7750 | 31.2977 |
| Euro | 9,791 | 17 April 2008 - 1 October 2008 | 47.9700 - 50.4000 | 49.3021 |

As at 31 March 2008, the Company and its subsidiaries had outstanding commodity swap agreement for copper of 170 Ton. The price under the contract is USD 6,600 - 7,500 per Ton, which maturity date is between April 2008 to May 2008. The market price of copper at 31 March 2008 is USD 8,520 per Ton.

18. Reclassification

Certain amounts in the revenue account for consolidated financial statements for the three-month period ended 31 March 2007 have been reclassified to conform to the current period's classifications, with no effect on previously reported net income.

19. Subsequent event

On 29 April 2008, the Board of Directors Meeting of the Company passed a resolution approving the investment in the new company that operating to implement and support computer system for KCE group. The Company's interest is 49 percent of registered share capital, Baht 3.00 million. Totaling investment was of Baht 1.47 million.

20. Approval of interim financial statements

These interim financial statements were authorised for issue by the authorised directors of the Company on 9 May 2008.