

(UNAUDITED BUT REVIEWED)

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

1. GENERAL INFORMATION

1.1 Corporate information of the Company and its subsidiaries

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 office being located 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 office is located 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 office is located 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 office is located at No. 117 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.

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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 earnings, 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 2005 except for investment in Konstant Pte. Ltd. by KCE Technology Co., Ltd. with the group structure as at 30 June 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		Subsidiary’s revenues as a percentage to the consolidated total revenues for the six-month period ended	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005
<u>Held by the Company</u>								
K.C.E. International Co., Ltd.	94.99	94.99	13	15	19	21	21	21
KCE Technology Co., Ltd.	100.00	100.00	57	58	47	44	46	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	8	7	2	1	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 six-month period ended 30 June 2006 for revenues and expenses. The difference has been shown under the caption of “Translation adjustments” in the shareholders’ equity.

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 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 16 to the financial statements).

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2. ADDITIONAL INFORMATION OF CASH FLOWS STATEMENTS

Non-cash related transactions for investing activities for the six-month periods ended 30 June 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 (sales) of fixed assets	185,092	108,282	87,271	(12,140)
Add(less) :				
Other payable from purchases of fixed assets	(126,087)	(68,188)	(7,011)	(2,479)
Amounts due to related parties for purchases of				
fixed assets	-	(15)	(80,260)	(3,819)
Trust receipts	(58,022)	(39,136)	-	-
Accounts payable under hire purchase				
agreements	(946)	(918)	-	-
Accrued interest capitalised as costs of machinery				
and equipment	(37)	(25)	-	-
Amounts due from related parties for sales of				
fixed assets	-	-	-	18,438
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(UNAUDITED BUT REVIEWED)

3. TRADE ACCOUNTS RECEIVABLE

The outstanding balance of trade accounts receivable as at 30 June 2006 and 31 December 2005 categorised by its aging is as follows:-

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
<u>Trade accounts receivable – related parties</u>				
Not yet due	517,483	567,201	187,890	200,803
Overdue				
Less than 3 months	57,277	161,228	35,032	79,247
3 – 6 months	324	2,431	71	853
6 - 12 months	153	62	153	1
Over 12 months	1	-	1	-
Total trade accounts receivable - related parties	575,238	730,922	223,147	280,904
<u>Trade accounts receivable - others</u>				
Not yet due	1,083,919	1,022,114	328,657	334,006
Overdue				
Less than 3 months	164,692	257,167	43,462	87,697
3 - 6 months	1,603	764	1,121	436
6 - 12 months	59	1,068	59	645
Over 12 months	507	324	507	200
Total trade accounts receivable - others	1,250,780	1,281,437	373,806	422,984
Total trade accounts receivable	1,826,018	2,012,359	596,953	703,888
Less : Allowance for doubtful accounts	(1,274)	(497)	(1,033)	(137)
Trade accounts receivable - net	1,824,744	2,011,862	595,920	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)

	Consolidated		The Company Only		Pricing policy
	For the three-month periods ended 30 June		For the three-month periods ended 30 June		
	2006	2005	2006	2005	
<i>Transactions with subsidiaries (eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	69.1	43.1	Market prices and prices per job order for each product which are agreed between the parties
Purchase of goods	-	-	192.9	176.8	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	7.0	18.5	Prices agreed between the parties
<i>Transactions with associated and related companies</i>					
Sales of goods	455.9	411.9	144.9	148.2	Market prices at which equivalent quality product is sold with the same sales conditions
Interest income	7.4	7.5	7.4	7.5	Interest rate at 7.125-7.5 percent per annum
Purchases of raw materials	63.4	80.7	29.3	41.7	Market prices at which equivalent quality product is purchased with the same purchase conditions
Commission expense	8.0	13.7	3.6	10.7	Market prices and prices per job order for each product which are agreed between the parties

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	Consolidated		The Company Only		Pricing policy
	For the six-month periods ended 30 June		For the six-month periods ended 30 June		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
<i><u>Transactions with subsidiaries</u></i>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	142.8	73.2	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	1.2	19.3	Net book value plus margin and prices agreed between the parties
Purchase of goods	-	-	399.8	321.9	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	16.6	4.0	Prices agreed between the parties
<i><u>Transactions with associated and related companies</u></i>					
Sales of goods	857.3	692.3	254.1	265.2	Market prices at which equivalent quality product is sold with the same sales conditions
Interest income	14.8	14.8	14.8	14.8	Interest rate at 7.125-7.5 percent per annum
Purchases of raw materials	130.7	172.3	56.3	87.0	Market prices at which equivalent quality product is purchased with the same purchase conditions
Commission expense	17.1	15.9	8.3	13.5	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 30 June 2006 and 31 December 2005 have been separately shown in the balance sheets as follows:-

	(Unit: Thousand Baht)			
	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
<u>Trade accounts receivable - related parties</u>				
KCE Technology Co., Ltd.	-	-	60,784	70,793
K.C.E. International Co., Ltd.	-	-	2,891	3,980
Thai Laminate Manufacturer Co., Ltd.	-	-	739	1,054
KCE America, Inc.	523,361	645,607	127,770	152,497
KCE Singapore Pte. Ltd.	51,877	85,315	30,963	52,580
Total trade accounts receivable - related parties	<u>575,238</u>	<u>730,922</u>	<u>223,147</u>	<u>280,904</u>
<u>Amounts due from and short-term loans to related parties</u>				
KCE Technology Co., Ltd.	-	-	40,444	3,721
K.C.E. International Co., Ltd.	-	-	-	418
KCE America, Inc.	3,145	318	91	-
KCE Singapore Pte. Ltd.	1,253	37	46	-
	<u>4,398</u>	<u>355</u>	<u>40,581</u>	<u>4,139</u>
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	226,190	211,342	226,190	211,342
	625,425	610,577	625,425	610,577
Less : Allowance for doubtful accounts	(625,425)	(610,577)	(625,425)	(610,577)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total amounts due from and short-term loans to related parties, net	<u>4,398</u>	<u>355</u>	<u>40,581</u>	<u>4,139</u>

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(Unit: Thousand Baht)

	Consolidated		The Company Only	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
<u>Trade accounts payable - related parties</u>				
Thai Laminate Manufacturer Co., Ltd.	-	-	154,288	129,426
KCE Technology Co., Ltd.	-	-	92,426	75,040
K.C.E. International Co., Ltd.	-	-	2,720	1,634
KCE Singapore Pte. Ltd.	72,148	98,284	30,599	35,490
Total trade accounts payable - related parties	<u>72,148</u>	<u>98,284</u>	<u>280,033</u>	<u>241,590</u>
 <u>Amounts due to and advances from related parties</u>				
K.C.E. International Co., Ltd.	-	-	38,456	193
KCE Technology Co., Ltd.	-	-	10,344	3,641
KCE Singapore Pte. Ltd.	9,212	8,313	2,151	1,521
Total amounts due to and advances from related parties	<u>9,212</u>	<u>8,313</u>	<u>50,951</u>	<u>5,355</u>

5. PROVISION FOR DIMINUTION IN VALUE OF STOCKS AND STOCK OBSOLESCENCE

Movements in the provision for diminution in value of stocks and stock obsolescence account during the six-month period ended 30 June 2006 are summarised below :-

	(Unit: Thousand Baht)	
	Consolidated	The Company Only
Balance as at 1 January 2006	13,412	4,303
Add: Provision for diminution in value of stocks and stock obsolescence made during the period	<u>22,547</u>	<u>11,789</u>
Balance as at 30 June 2006	<u>35,959</u>	<u>16,092</u>

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6. 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			
			Consolidated %	The Company Only %	Investment		Investment			
					Equity method		Cost method		Equity method	
					30 June 2006 (Thousand Baht)	31 December 2005 (Thousand Baht)	30 June 2006 (Thousand Baht)	31 December 2005 (Thousand Baht)	30 June 2006 (Thousand Baht)	31 December 2005 (Thousand Baht)
Subsidiaries										
K.C.E. International Co., Ltd.	Manufacturing of Printed Circuit Board	Baht 100,000	94.993	94.993	-	-	172,499	172,499	602,736	592,117
Thai Laminate Manufacturer Co., Ltd.	Manufacturing of Prepreg and laminate	Baht 250,000	70.239	52.000	-	-	157,710	157,710	400,596	350,685
KCE Technology Co., Ltd.	Manufacturing of Printed Circuit Board	Baht 900,000	100.000	100.000	-	-	900,000	900,000	364,284	511,163
Total investments in subsidiaries					-	-	1,230,209	1,230,209	1,367,616	1,453,965
Associates										
KCE America, Inc.	Trading of Printed Circuit Board	US\$ 50	48.750	25.000	46,187	45,437	322	322	38,817	38,432
KCE Singapore Pte., Ltd.	Trading of Printed Circuit Board	S\$ 500	47.770	24.500	22,192	22,480	2,101	2,101	12,834	12,982
Total investments in associates					68,379	67,917	2,423	2,423	51,651	51,414
Total investments in subsidiary and associated companies					68,379	67,917	1,232,632	1,232,632	1,419,267	1,505,379

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During the six-month period ended 30 June 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 30 June 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.

7. PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment account during the six-month period ended 30 June 2006 are summarised below :-

	(Unit: Thousand Baht)	
	Consolidated	The Company only
Net book value as at 1 January 2006	5,274,332	867,186
Acquisitions during period - at cost	268,053	133,075
Disposals during period - net book value at disposal date	(369)	(975)
Depreciation for period	(265,423)	(58,046)
Net book value as at 30 June 2006	<u>5,276,593</u>	<u>941,240</u>

(UNAUDITED BUT REVIEWED)

- 7.1 As at 30 June 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.
- 7.2 As at 30 June 2006, the Company and its subsidiaries have mortgaged and pledged the following property, plant and equipment :-
- 7.2.1 The Company has mortgaged most of its land as collateral for loans from banks, as described in Note 9 to the financial statements.
- 7.2.2 Thai Laminate Manufacturer Co., Ltd., a subsidiary, has mortgaged construction and pledged its machinery with a total net book value as at 30 June 2006 of Baht 172.3 million as collateral for loans from banks, as described in Note 9 to the financial statements.
- 7.2.3 KCE Technology Co., Ltd., a subsidiary, has mortgaged most of land and construction thereon and pledged most of its machinery as collateral for bank overdrafts and loans from banks, as described in Notes 8 and 9 to the financial statements.
- 7.3 As at 30 June 2006, Thai Laminate Manufacturer Co., Ltd., a subsidiary, had non-operating machinery with a net book value of approximately Baht 3.1 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.

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

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Bank overdrafts	52,066	18,227	10,195	-
Short-term loans	910,000	996,300	130,000	255,000
Packing credits	1,673,500	1,530,000	494,500	386,000
Trust receipts	458,598	256,100	17,098	22,252
Total	<u>3,094,164</u>	<u>2,800,627</u>	<u>651,793</u>	<u>663,252</u>

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- 8.1 As at 30 June 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.
- 8.2 As at 30 June 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.
- 8.3 As at 30 June 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 most of land, construction thereon and the pledge of most of machineries of such subsidiary company.

9. LONG-TERM LOANS

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
EURO portion	198,998	233,144	30,399	38,705
Baht portion	1,733,259	2,034,443	19,704	44,907
	1,932,257	2,267,587	50,103	83,612
Less: Current portion of long-term loans	(752,810)	(736,744)	(36,107)	(58,505)
Long-term loans, net of current portion	<u>1,179,447</u>	<u>1,530,843</u>	<u>13,996</u>	<u>25,107</u>

Movements in the long-term loans account during the six-month period ended 30 June 2006 are summarised below :-

(Unit: Thousand Baht)

	Consolidated	The Company Only
Balance as at 1 January 2006	2,267,587	83,612
Less: Repayment during period	(335,245)	(33,503)
Unrealised gain on exchange	(85)	(6)
Balance as at 30 June 2006	<u>1,932,257</u>	<u>50,103</u>

(UNAUDITED BUT REVIEWED)

As at 30 June 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 4.1 million and Euro 0.6 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).

9.1 As at 30 June 2006 and 31 December 2005, partial long-term loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company, and are secured by the mortgage of most of the Company's land.

9.2 As at 30 June 2006 and 31 December 2005, long-term loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.

9.3 As at 30 June 2006 and 31 December 2005, 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.

9.4 As at 30 June 2006 and 31 December 2005, 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.

10. SHARE CAPITAL

10.1 Share warrant and convertible debenture

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

- a) The issuance and offering of warrants to purchase the Company's ordinary share to the employees of the Company and/or its subsidiaries under the ESOP program of 3,000,000 units and allocation of shares to reserve for the exercise of the warrant.

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- b) The issuance and offering of the THB Senior Convertible Debentures for the amount not more than Baht 500 million which will be offered to specific investor (Private Placement) and allocation of share to reserve for the exercise of the convertible debentures.

As at 30 June 2006, the Company has not been issued and offered share warrant and convertible debenture as described.

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.

10.2 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 30 June 2006 and 31 December 2005 are as follows :-

	30 June 2006	31 December 2005
Number of shares held by its subsidiaries (shares)	<u>3,698,500</u>	<u>4,515,000</u>
Cost of shares (Thousand Baht)	19,816	24,742
Share premium (Thousand Baht)	<u>(2,142)</u>	<u>(4,148)</u>
Shares held by its subsidiaries (Thousand Baht)	<u><u>17,674</u></u>	<u><u>20,594</u></u>

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10.3 Weighted average number of ordinary shares

As at 30 June 2006 and 2005, the weighted average number of ordinary shares in consolidated and the Company's financial statement are calculated as follows :-

	(Unit : Share)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Balance brought forward	314,930,000	314,930,000	314,930,000	314,930,000
Less : The Company's shares held by subsidiaries	(3,698,500)	(4,359,200)	(3,698,500)	(4,359,200)
Weighted average number of ordinary shares	311,231,500	310,570,800	311,231,500	310,570,800
Add : Potential ordinary share - share warrants				
(2006 : no balances, 2005 : 0.07 million shares)	-	34,286	-	35,854
Diluted weighted average number of ordinary shares	<u>311,231,500</u>	<u>310,605,086</u>	<u>311,231,500</u>	<u>310,606,654</u>

11. 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.

12. CORPORATE INCOME TAX

Interim corporate income tax has been calculated on net earnings before income tax of non-BOI promoted earnings (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.

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13. COMMITMENTS AND CONTINGENT LIABILITIES

- 13.1 As at 30 June 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)

Currency	Consolidated	The Company Only
Baht	38,550	18,784
US dollar	236	127

- 13.2 As at 30 June 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).

- 13.3 As at 30 June 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.	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
K.C.E. International Co., Ltd.				
- Baht	358	396	-	-
KCE Technology Co., Ltd.				
- Baht	1,521	2,400	-	-
- EURO	3	3	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	206	206	-	-
- USD	-	5	-	-
KCE Electronics Plc.				
- Baht	-	-	399	352

- 13.4 As at 30 June 2006, 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.

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14. 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 30 June														
Printed Circuit Board Business														
	Prepreg and Laminate business		America		Europe		Asia		Total		Eliminate entries		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers	37,199	17,750	402,840	340,289	866,710	831,414	467,115	446,204	1,736,665	1,617,907	-	-	1,773,864	1,635,657
Inter-segment revenues	297,956	278,832	-	-	-	-	197,512	134,467	197,512	134,467	(495,468)	(413,299)	-	-
Total revenues	335,155	296,582	402,840	340,289	866,710	831,414	664,627	580,671	1,934,177	1,752,374	(495,468)	(413,299)	1,773,864	1,635,657
Segment operating profit	57,241	39,149							157,987	183,916	(1,240)	(3,128)	213,988	219,937
Unallocated income													46,122	19,249
Interest income													8,016	7,555
Unallocated expenses													(271,569)	(247,117)
Interest expenses													(73,399)	(50,340)
Corporate income tax													(2,445)	127
Minority interest in earnings of subsidiaries													(11,277)	(7,619)
Net loss													(90,564)	(58,208)

(Unit : Thousand Baht)

Consolidated														
For the six-month period ended 30 June														
Printed Circuit Board Business														
	Prepreg and Laminate		America		Europe		Asia		Total		Eliminate entries		Total	
	business													
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers	72,886	22,138	765,494	573,726	1,693,274	1,590,208	955,353	843,892	3,414,121	3,007,826	-	-	3,487,007	3,029,964
Inter-segment revenues	595,169	567,714	-	-	-	-	407,491	224,977	407,491	224,977	(1,002,660)	(792,691)	-	-
Total revenues	668,055	589,852	765,494	573,726	1,693,274	1,590,208	1,362,844	1,068,869	3,821,612	3,232,803	(1,002,660)	(792,691)	3,487,007	3,029,964
Segment operating profit	115,577	56,861							356,632	274,381	(598)	9,785	471,611	341,027
Unallocated income													53,846	34,799
Interest income													15,694	14,943
Unallocated expenses													(532,737)	(481,539)
Interest expenses													(137,646)	(96,068)
Corporate income tax													(6,120)	(715)
Minority interest in earnings of subsidiaries													(21,016)	(8,081)
Net loss													(156,368)	(195,634)

The Company and its subsidiaries had determined the pricing policy of related party transactions as described in Note 4 to the financial statements.

(UNAUDITED BUT REVIEWED)

15. FINANCIAL INSTRUMENTS

As at 30 June 2006, the Company and its subsidiaries had outstanding forward exchange contracts and cross currency interest rate swap agreements, of which details are presented below :-

	Amount	Maturity date	Exchange rate
	(Thousand)		(Baht per unit of foreign currency)
Buy			
US dollar	2,189	3 July 2006 - 15 November 2006	37.5400 - 38.6950
Sell			
US dollar	180	15 August 2006 - 7 September 2006	37.9237 - 38.3037
EURO	800	5 October 2006 - 15 November 2006	48.7400 - 49.0883

In addition, the Company and K.C.E. International Co., Ltd., a subsidiary company, had entered into cross currency swap contracts with banks to buy totally USD 1,292,060 by payment to banks totally of EURO 1,000,000 which had maturity date between 7 August 2006 and 7 December 2006.

16. 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.

17. SUBSEQUENT EVENT

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

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

18. RECLASSIFICATION

Certain amounts in the balance sheet as at 31 December 2005 have been reclassified to conform to current period classification, with no effect on previously reported shareholders' equity.

19. APPROVAL OF INTERIM FINANCIAL STATEMENT

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