

(UNAUDITED BUT REVIEWED)

KCE ELECTRONICS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 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 30 June 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		Subsidiary’s revenues as a percentage to the consolidated total revenues for the six-month periods ended	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
<u>Held by the Company</u>								
K.C.E. International Co., Ltd.	94.99	94.99	11	12	16	19	17	21
KCE Technology Co., Ltd.	100.00	100.00	55	57	48	47	50	46
Thai Laminate Manufacturer Co., Ltd. (Held by the Company 52.00% and K.C.E. International Co., Ltd. 19.20%)	70.24	70.24	9	8	1	2	1	2
KCE (Thailand) Co., Ltd.	60.00	-	-	-	1	-	-	-
<u>Held by the subsidiary</u>								
Konstant Pte. Ltd. (held by KCE Technology Co., Ltd. 100.00%)	100.00	100.00	-	-	-	-	-	-

1.4 New accounting standards announced during the period

The Federation of Accounting Professions (FAP) has issued Notification No. 9/2550 regarding Thai Accounting Standards (TAS), which was announced in the Royal Gazette. This Notification mandates the use of the following Thai Accounting Standards (Revised 2007) in place of the previous versions, which are cancelled.

TAS 25	Cash Flow Statements
TAS 33	Borrowing Costs
TAS 44	Consolidated Financial Statements and Separate Financial Statements
TAS 45	Investments in Associates
TAS 46	Interests in Joint Ventures
TAS 49	Construction Contracts

a) Thai Accounting Standards effective for the current year

Thai Accounting Standards No. 44, 45 and 46 become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiary and associated companies in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 and 45, as discussed in Note 2.

b) Thai Accounting Standards not effective for the current year

Thai Accounting Standards No. 25, 33 and 49 will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. However, the management has assessed the effect of the Accounting Standards No. 25 and 30 and believes that they will not significantly impact on the financial statements for the year in which they are initially applied and the Accounting Standard No. 49 are not relevant to the business of the Company and its subsidiaries.

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 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 first quarter of the current year, 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 Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost 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 and six-month periods ended 30 June 2007 by Baht 47 million (Baht 0.14 per share) and Baht 96 million (Baht 0.30 per share), respectively (2006 : increasing net loss by Baht 32 million (Baht 0.10 per share) and Baht 61 million (Baht 0.19 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 six-month periods ended 30 June 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	98,150	185,092	56,977	87,271
Add(less) :				
Other payable from purchases of fixed assets	(98,147)	(126,087)	(31,144)	(7,011)
Amounts due to related parties for purchases of fixed assets	-	-	(26,050)	(80,260)
Trust receipts	(19,461)	(58,022)	-	-
Accounts payable under hire purchase agreements	(610)	(946)	-	-
Accrued interest capitalised as costs of machinery and equipment	(44)	(37)	-	-
Amounts due from related parties for sales of fixed assets	20,112	-	217	-
	<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 30 June 2007 and 31 December 2006 categorised by its aging is as follows:-

(Unit: Thousand Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
<u>Trade accounts receivable – related parties</u>				
Not yet due	528,055	456,261	186,957	170,151
Overdue				
Less than 3 months	83,558	94,144	29,564	45,792
3 – 6 months	727	309	656	85
6 – 12 months	1,163	145	1,195	21
Over 12 months	34	48	34	48
Total trade accounts receivable – related parties	613,537	550,907	218,406	216,097
<u>Trade accounts receivable – others</u>				
Not yet due	1,245,219	1,264,238	404,341	323,879
Overdue				
Less than 3 months	139,378	190,366	47,002	69,014
3 – 6 months	15,411	4,818	5,434	3,052
6 – 12 months	8,228	1,800	5,569	1,738
Over 12 months	552	457	552	457
Total trade accounts receivable – others	1,408,788	1,461,679	462,898	398,140
Total trade accounts receivable	2,022,325	2,012,586	681,304	614,237
Less : Allowance for doubtful accounts	(4,076)	(1,033)	(4,076)	(1,033)
Trade accounts receivable – net	2,018,249	2,011,553	677,228	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)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		<u>Pricing policy</u>
	For the three-month periods ended 30 June		For the three-month periods ended 30 June		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
<i><u>Transactions with subsidiaries</u></i> <i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	52.3	69.1	Market prices and prices per job order for each product which are agreed between the parties
Purchase of goods	-	-	241.4	192.9	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	26.0	7.0	Prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	491.1	455.9	151.7	144.9	Market prices at which similar quality products are sold under same conditions
Sales of fixed assets	20.4	-	-	-	Net book value plus margin and prices agreed between the parties
Purchases of raw materials	61.4	63.4	20.9	29.3	Market prices at which similar quality products are purchased under same conditions
Purchase of fixed assets	20.6	-	0.1	-	Prices agreed between the parties
Commission expense	13.2	8.0	9.2	3.6	At the agreed rates between the parties which is general rate for the same business
<i><u>Transactions with related company</u></i>					
Interest income	7.4	7.4	7.4	7.4	Interest rate at 7.5 percent per annum

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(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the six-month periods ended 30 June		For the six-month periods ended 30 June		
	<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	-	-	99.4	142.8	Market prices and prices per job order for each product which are agreed between the parties
Purchase of goods	-	-	449.8	399.8	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	26.8	16.6	Prices agreed between the parties
<i>Transactions with associated companies</i>					
Sales of goods	929.0	857.3	284.1	254.1	Market prices at which similar quality products are sold under same conditions
Sales of fixed assets	20.4	-	-	-	Net book value plus margin and prices agreed between the parties
Purchases of raw materials	114.5	130.7	41.2	56.3	Market prices at which similar quality products are purchased under same conditions
Purchase of fixed assets	22.9	-	2.2	-	Prices agreed between the parties
Commission expense	26.9	17.1	14.6	8.3	At the agreed rates between the parties which is general rate for the same business
<i>Transactions with related company</i>					
Interest income	14.8	14.8	14.8	14.8	Interest rate at 7.5 percent per annum

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The outstanding balances of the above transactions as at 30 June 2007 and 31 December 2006 are as follows:-

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	27,333	65,764
KCE (Thailand) Co., Ltd.	-	-	7,578	-
Thai Laminate Manufacturer Co., Ltd.	-	-	4,757	738
K.C.E. International Co., Ltd.	-	-	2,846	6,791
Total trade accounts receivable - subsidiaries	-	-	42,514	73,293
Associated companies				
KCE America, Inc.	482,549	487,655	119,313	104,505
KCE Singapore Pte., Ltd.	130,988	63,252	56,579	38,299
Total trade accounts receivable - associated companies	613,537	550,907	175,892	142,804
Total trade accounts receivable - related parties	613,537	550,907	218,406	216,097
<u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	556	5,621
K.C.E. International Co., Ltd.	-	-	518	331
KCE (Thailand) Co., Ltd.	-	-	32	-
Total amounts due from and short-term loans to subsidiaries	-	-	1,106	5,952
Associated companies				
KCE Singapore Pte., Ltd.	20,753	2	-	-
KCE America, Inc.	192	-	132	-
Total amounts due from and short-term loans to associated companies	20,945	2	132	-

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(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2007	2006	2007	2006
Related company				
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	256,132	241,284	256,132	241,284
	<u>655,367</u>	<u>640,519</u>	<u>655,367</u>	<u>640,519</u>
Less : Allowance for doubtful accounts	(655,367)	(640,519)	(655,367)	(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>20,945</u>	<u>2</u>	<u>1,238</u>	<u>5,952</u>
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	274,074	60,800
KCE Technology Co., Ltd.	-	-	64,185	185,010
K.C.E. International Co., Ltd.	-	-	2,194	14,168
Total trade accounts payable - subsidiaries	<u>-</u>	<u>-</u>	<u>340,453</u>	<u>259,978</u>
Associated company				
KCE Singapore Pte., Ltd.	74,251	67,794	30,748	24,488
Total trade accounts payable - associated company	<u>74,251</u>	<u>67,794</u>	<u>30,748</u>	<u>24,488</u>
Total trade accounts payable - related parties	<u>74,251</u>	<u>67,794</u>	<u>371,201</u>	<u>284,466</u>
<u>Amounts due to and advances from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	26,051	10,053
Thai Laminate Manufacturer Co., Ltd.	-	-	-	1,658
Total amounts due to and advances from subsidiaries	<u>-</u>	<u>-</u>	<u>26,051</u>	<u>11,711</u>

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(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Associated companies				
KCE Singapore Pte., Ltd.	26,312	10,734	1,778	1,413
KCE America, Inc.	-	78	-	-
Total amounts due to and advances from associated companies	26,312	10,812	1,778	1,413
Total amounts due to and advances from related parties	26,312	10,812	27,829	13,124

Directors and management's remuneration

The Company and its subsidiaries paid salaries, bonuses, provident fund and meeting allowances to their directors and management during the three-month and six-month periods ended 30 June 2007 totaling Baht 17.2 million and Baht 29.3 million, respectively (The separate financial statements : Baht 10.9 million and Baht 17.6 million, respectively) and during the three-month and six-month periods ended 30 June 2006 totaling Baht 17.5 million and Baht 30.7 million, respectively (The separate financial statements : Baht 10.5 million and Baht 16.9 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.

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 six-month period ended 30 June 2007 are summarised below :-

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial 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	9,511	2,615
Balance as at 30 June 2007	<u>30,364</u>	<u>15,346</u>

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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	
	30 June	31 December	Consolidated	Separate	Investment		Investment	
	2007	2006	financial	financial	equity method		cost method	
	(Unit : Thousand)	(Unit : Thousand)	statements	statements	30 June	31 December	30 June	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	54,724	58,558	322	322
KCE Singapore Pte., Ltd.	S\$ 500	S\$ 500	47.770	24.500	24,529	22,558	2,101	2,101
Total investments in associates					79,253	81,116	2,423	2,423

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

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.

8. PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment account during the six-month period ended 30 June 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	306,375	150,655
Disposals during period - net book value at disposal date	(607)	(211)
Depreciation for period	(263,789)	(55,782)
Net book value as at 30 June 2007	<u>5,511,679</u>	<u>1,116,954</u>

8.1 As at 30 June 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 30 June 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 30 June 2007 of Baht 186.4 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	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Bank overdrafts	14,971	32,806	2,155	6,907
Short-term loans	1,048,000	1,072,000	225,000	235,000
Packing credits	1,861,000	1,910,200	417,000	563,500
Trust receipts	344,323	405,508	20,891	16,240
Total	<u>3,268,294</u>	<u>3,420,514</u>	<u>665,046</u>	<u>821,647</u>

- 9.1 As at 30 June 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 30 June 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 30 June 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	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
EURO portion	248,912	260,242	136,026	120,044
Baht portion	1,322,394	1,465,625	-	2,850
	<u>1,571,306</u>	<u>1,725,867</u>	<u>136,026</u>	<u>122,894</u>
Less: Current portion of long-term loans	<u>(578,845)</u>	<u>(696,813)</u>	<u>(67,918)</u>	<u>(74,649)</u>
Long-term loans, net of current portion	<u>992,461</u>	<u>1,029,054</u>	<u>68,108</u>	<u>48,245</u>

Movements in the long-term loans account during the six-month period ended 30 June 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	259,763	52,863
Repayment during period	(411,981)	(39,195)
Unrealised gain on exchange	(2,343)	(536)
Balance as at 30 June 2007	<u>1,571,306</u>	<u>136,026</u>

During the six-month period ended 30 June 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 30 June 2007 was EURO 2.6 million or equivalent to Baht 122.6 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.

On 6 July 2006, Thai Laminate Manufacturer Co., Ltd., a subsidiary company, entered into long-term loan agreement with a local bank to purchase machinery and equipment and improve building factory with the total credit facility of Baht 135 million. This loan is repayable in eight quarterly installments at Baht 16.9 million each with the first of these due within 27 months after first drawdown date, and is to be repaid in full within 4 years after first drawdown date. This loan bears interest at MLR-1.00 percent per annum for principal denominated in Baht and interest is repayable on a quarterly basis since the third month after first drawdown date. As at 30 June 2007, the Company has already withdrawn this loan of Baht 125.9 million.

As at 30 June 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 5.3 million in consolidated financial statements and EURO 2.9 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 30 June 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 30 June 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 30 June 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 30 June 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 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 called up the increased share capital of Baht 147.6 million and registered it with the Ministry of Commerce on 22 June 2007.

(UNAUDITED BUT REVIEWED)

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 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. The details as at 30 June 2007 and 31 December 2006 are as follows :-

	30 June 2007	31 December 2006
Number of shares held by its subsidiaries (shares)	6,748,300	4,905,000
Cost of shares (Thousand Baht)	18,973	18,209
Share discount (Thousand Baht)	3,902	4,535
Shares held by its subsidiaries (Thousand Baht)	22,875	22,744

11.4 Weighted average number of ordinary shares

As at 30 June 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)

	Consolidated financial statements			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Balance brought forward	314,930,000	314,930,000	314,930,000	314,930,000
Add : Shares issued during the period	14,594,565	-	7,337,599	-
Less : The Company's shares held by subsidiaries	(6,748,300)	(3,698,500)	(6,748,300)	(3,698,500)
Weighted average number of ordinary shares	<u>322,776,265</u>	<u>311,231,500</u>	<u>315,519,299</u>	<u>311,231,500</u>

(UNAUDITED BUT REVIEWED)

(Unit : Share)

	Separate financial statements			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Balance brought forward	314,930,000	314,930,000	314,930,000	314,930,000
Add : Shares issued during the period	14,594,565	-	7,337,599	-
Weighted average number of ordinary shares	<u>329,524,565</u>	<u>314,930,000</u>	<u>322,267,599</u>	<u>314,930,000</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.

14. COMMITMENTS AND CONTINGENT LIABILITIES

14.1 As at 30 June 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 :-

Currency	(Unit: Thousand)	
	Consolidated financial statements	Separate financial statements
Baht	45,923	21,182

US dollar

356

128

(UNAUDITED BUT REVIEWED)

- 14.2 As at 30 June 2007, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 50.3 million (The separate financial statements : Baht 17.0 million).
- 14.3 The Company had commitment for purchase machine amounting approximately USD 1.0 million and YEN 25.0 million or totally equivalent to Baht 41.7 million.
- 14.4 As at 30 June 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.	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
K.C.E. International Co., Ltd.				
- Baht	288	319	-	-
KCE Technology Co., Ltd.				
- Baht	3,837	3,871	-	-
- EURO	2	2	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	184	81	-	-
KCE Electronics Plc.				
- Baht	-	-	394	439

- 14.5 As at 30 June 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.
- 14.6 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 69 million.

(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 30 June														
Printed Circuit Board Business														
Prepreg and Laminate business	America		Europe		Asia		Total		Eliminate entries		Total			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006		
Revenue from external customers	36,442	41,928	379,540	402,840	921,530	866,710	684,847	467,115	1,985,917	1,736,665	-	-	2,022,358	1,778,593
Inter-segment revenues	397,508	297,956	-	-	-	-	149,960	197,512	149,960	197,512	(547,469)	(495,468)	-	-
Total revenues	433,950	339,884	379,540	402,840	921,530	866,710	834,807	664,627	2,135,877	1,934,177	(547,469)	(495,468)	2,022,358	1,778,593
Segment operating income	42,107	61,970							340,121	157,987	230	(1,240)	382,458	218,717
Unallocated income													46,209	41,393
Interest income													8,018	8,016
Unallocated expenses													(294,377)	(271,569)
Interest expenses													(72,384)	(73,399)
Corporate income tax													(2,938)	(2,445)
Minority interest in income of subsidiaries													(6,078)	(11,277)
Net income (loss)													60,908	(90,564)

(UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

Consolidated														
For the six-month period ended 30 June														
Printed Circuit Board Business														
Prepreg and Laminate business			America		Europe		Asia		Total		Eliminate entries		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue from external customers	58,698	88,234	773,941	765,494	1,985,003	1,693,274	1,287,298	955,353	4,046,242	3,414,121	-	-	4,104,940	3,496,355
Inter-segment revenues	761,199	595,169	-	-	-	-	301,512	407,491	301,512	407,491	(1,062,711)	(1,002,660)	-	-
Total revenues	819,897	677,403	773,941	765,494	1,985,003	1,693,274	1,588,810	1,362,844	4,347,754	3,821,612	(1,062,711)	(1,002,660)	4,104,940	3,496,355
Segment operating income	73,820	124,925							684,986	356,632	5,964	(598)	764,770	480,959
Unallocated income													64,102	44,498
Interest income													15,828	15,694
Unallocated expenses													(563,681)	(532,737)
Interest expenses													(146,906)	(137,646)
Corporate income tax													(8,638)	(6,120)
Minority interest in income of subsidiaries													(10,484)	(21,016)
Net income (loss)													114,991	(156,368)

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. FORWARD EXCHANGE CONTRACTS AND COMMODITY SWAP AGREEMENT

As at 30 June 2007, the subsidiaries had outstanding forward exchange contracts of USD 899,946. The forward exchange rate under the contract is between Baht 34.3900 - 36.6575 per USD 1, which maturity date is between 18 July 2007 and 28 September 2007. The exchange rate as at 30 June 2007 is Baht 34.6679 per USD 1.

As at 30 June 2007, the Company and its subsidiaries had outstanding commodity swap agreement for copper of 180 Ton. The price under the contract is USD 7,300 per Ton, which maturity date is between 15 August 2007 and 15 January 2008. The market price of copper at 30 June 2007 is USD 7,650 per Ton.

17. RECLASSIFICATION

Certain amounts in the revenue account for consolidated financial statements for the three-month and six-month periods ended 30 June 2006 have been reclassified to conform to the current period's classifications, with no effect on previously reported net loss.

18. SUBSEQUENT EVENTS

On 24 July 2007, the meeting of the Company's Board of Directors passed a resolution approving the detail for issuing and offering the warrants of ordinary shares for the amount of 3,000,000 units to the employees of the Company and/or its subsidiaries in accordance with the approval from the Annual General Meeting of the Company's shareholders on 27 April 2006. The Company has been permitted by the Securities and Exchange Commission for issuing and offering those warrants provided that the Company comply with the conditions as stipulated by the Commission. Presently, the Company is in process to comply with such conditions.

19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the authorised directors of the Company on 7 August 2007.