

(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.

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 September 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 nine-month period ended	
	30	31	30	31	30	30	30	30
	September 2006	December 2005	September 2006	December 2005	September 2006	September 2005	September 2006	September 2005
<u>Held by the Company</u>								
K.C.E. International Co., Ltd.	94.99	94.99	13	15	18	21	20	21
KCE Technology Co., Ltd.	100.00	100.00	56	58	51	45	48	45
Thai Laminate Manufacturer Co., Ltd. (Held by the Company 52.00% and K.C.E. International Co., Ltd. 19.20%)	70.24	70.24	9	7	3	2	2	1
<u>Held by the subsidiary</u>								
Konstant Pte. Ltd. (held by KCE Technology Co., Ltd. 100.00%)	100.00	-	-	-	-	-	-	-

(UNAUDITED BUT REVIEWED)

- 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 nine-month period ended 30 September 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).

(UNAUDITED BUT REVIEWED)

2. ADDITIONAL INFORMATION OF CASH FLOWS STATEMENTS

Non-cash related transactions for investing activities for the nine-month periods ended 30 September 2006 and 2005 are as follows: -

	Consolidated		(Unit: Thousand Baht) The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Purchase of fixed assets	48,384	88,681	7,725	7,421
Add(less) :				
Other payable from purchases of fixed assets	(36,236)	(73,746)	(10,400)	(19,106)
Amounts due to related parties for purchases of fixed assets	-	(83)	(7,747)	(3,913)
Trust receipts	(14,431)	(14,003)	-	-
Accounts payable under hire purchase agreements	(826)	(844)	-	-
Accrued interest capitalised as costs of machinery and equipment	(5)	(5)	-	-
Other receivable from sales of fixed assets	3,114	-	2,853	-
Amounts due from related parties for sales of fixed assets	-	-	7,569	15,598
	<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 30 September 2006 and 31 December 2005 categorised by its aging is as follows:-

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
<u>Trade accounts receivable – related parties</u>				
Not yet due	548,232	567,201	177,146	200,803
Overdue				
Less than 3 months	106,258	161,228	40,142	79,247
3 – 6 months	590	2,431	186	853
6 – 12 months	40	62	40	1
Over 12 months	10	-	10	-
Total trade accounts receivable – related parties	655,130	730,922	217,524	280,904
<u>Trade accounts receivable – others</u>				
Not yet due	1,258,352	1,022,114	336,760	334,006
Overdue				
Less than 3 months	249,515	257,167	80,812	87,697
3 – 6 months	5,538	764	3,571	436
6 – 12 months	488	1,068	1	645
Over 12 months	-	324	-	200
Total trade accounts receivable – others	1,513,893	1,281,437	421,144	422,984
Total trade accounts receivable	2,169,023	2,012,359	638,668	703,888
Less : Allowance for doubtful accounts	(1,034)	(497)	(1,034)	(137)
Trade accounts receivable – net	2,167,989	2,011,862	637,634	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, dividend income and other expense. Such transactions, which have been concluded on the terms and basis as determined by the Company and those companies and in the ordinary course of business, are summarised below:-

(Unit: Million Baht)

	<u>Consolidated</u>		<u>The Company Only</u>		<u>Pricing policy</u>
	For the three-month		For the three-month		
	periods ended 30 September		periods ended 30 September		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
<i>Transactions with subsidiaries</i>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	46.7	52.6	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	7.6	0.4	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	125.7	-	At the declared rate
Purchase of goods	-	-	205.9	154.2	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	7.7	0.3	Prices agreed between the parties
<i>Transactions with associated and related companies</i>					
Sales of goods	513.4	485.9	156.2	159.8	Market prices at which equivalent quality product is sold with the same sales conditions
Interest income	7.6	7.6	7.6	7.6	Interest rate at 7.125 - 7.5 percent per annum
Purchases of raw materials	64.9	80.2	24.6	35.1	Market prices at which equivalent quality product is purchased with the same purchase conditions
Commission expense	11.0	6.0	8.0	4.2	Market prices and prices per job order for each product which are agreed between the parties

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Consolidated		The Company Only		Pricing policy
	For the nine-month		For the nine-month		
	periods ended 30 September		periods ended 30 September		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
<i>Transactions with subsidiaries</i>					
<i>(eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	189.5	125.8	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	8.8	19.7	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	125.7	-	At the declared rate
Purchase of goods	-	-	605.7	476.1	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	24.3	4.3	Prices agreed between the parties
<i>Transactions with associated and related companies</i>					
Sales of goods	1,370.7	1,178.2	410.3	425.0	Market prices at which equivalent quality product is sold with the same sales conditions
Interest income	22.4	22.4	22.4	22.4	Interest rate at 7.125 - 7.5 percent per annum
Purchases of raw materials	195.6	252.5	80.9	122.1	Market prices at which equivalent quality product is purchased with the same purchase conditions
Commission expense	28.2	21.9	16.3	17.7	Market prices and prices per job order for each product which are agreed between the parties

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The outstanding balances of the above transactions as at 30 September 2006 and 31 December 2005 have been separately shown in the balance sheets as follows:-

	(Unit: Thousand Baht)			
	Consolidated		The Company Only	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
<u>Trade accounts receivable - related parties</u>				
KCE Technology Co., Ltd.	-	-	33,786	70,793
K.C.E. International Co., Ltd.	-	-	3,757	3,980
Thai Laminate Manufacturer Co., Ltd.	-	-	1,477	1,054
KCE America, Inc.	578,363	645,607	145,294	152,497
KCE Singapore Pte. Ltd.	76,767	85,315	33,210	52,580
Total trade accounts receivable - related parties	<u>655,130</u>	<u>730,922</u>	<u>217,524</u>	<u>280,904</u>
<u>Amounts due from and short-term loans to related parties</u>				
KCE Technology Co., Ltd.	-	-	7,569	3,721
K.C.E. International Co., Ltd.	-	-	6,421	418
KCE Singapore Pte. Ltd.	13,663	37	-	-
KCE America, Inc.	153	318	-	-
	<u>13,816</u>	<u>355</u>	<u>13,990</u>	<u>4,139</u>
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	233,737	211,342	233,737	211,342
	<u>632,972</u>	<u>610,577</u>	<u>632,972</u>	<u>610,577</u>
Less : Allowance for doubtful accounts	<u>(632,972)</u>	<u>(610,577)</u>	<u>(632,972)</u>	<u>(610,577)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total amounts due from and short-term loans to related parties, net	<u>13,816</u>	<u>355</u>	<u>13,990</u>	<u>4,139</u>

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	30 September	31 December	30 September	31 December
	2006	2005	2006	2005
<u>Trade accounts payable - related parties</u>				
Thai Laminate Manufacturer Co., Ltd.	-	-	177,382	129,426
KCE Technology Co., Ltd.	-	-	99,274	75,040
K.C.E. International Co., Ltd.	-	-	9,867	1,634
KCE Singapore Pte. Ltd.	75,236	98,284	30,744	35,490
Total trade accounts payable - related parties	<u>75,236</u>	<u>98,284</u>	<u>317,267</u>	<u>241,590</u>
 <u>Amounts due to and advances from related parties</u>				
KCE Technology Co., Ltd.	-	-	5,939	3,641
Thai Laminate Manufacturer Co., Ltd.	-	-	1,660	-
K.C.E. International Co., Ltd.	-	-	-	193
KCE Singapore Pte. Ltd.	4,586	8,313	861	1,521
Total amounts due to and advances from related parties	<u>4,586</u>	<u>8,313</u>	<u>8,460</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 nine-month period ended 30 September 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	11,162	10,020
Balance as at 30 September 2006	<u>24,574</u>	<u>14,323</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 September 2006 (Thousand Baht)	31 December 2005 (Thousand Baht)	30 September 2006 (Thousand Baht)	31 December 2005 (Thousand Baht)	30 September 2006 (Thousand Baht)	31 December 2005 (Thousand Baht)
<u>Subsidiaries</u>										
K.C.E. International Co., Ltd.	Manufacturing of Printed Circuit Board	Baht 100,000	94.993	94.993	-	-	172,499	172,499	532,324	592,117
Thai Laminate Manufacturer Co., Ltd.	Manufacturing of Prepreg and laminate	Baht 250,000	70.239	52.000	-	-	157,710	157,710	392,419	350,685
KCE Technology Co., Ltd.	Manufacturing of Printed Circuit Board	Baht 1,150,000	100.000	100.000	-	-	1,150,000	900,000	571,600	511,163
Total investments in subsidiaries					-	-	1,480,209	1,230,209	1,496,343	1,453,965
<u>Associates</u>										
KCE America, Inc.	Trading of Printed Circuit Board	US\$ 50	48.750	25.000	50,342	45,437	322	322	40,948	38,432
KCE Singapore Pte., Ltd.	Trading of Printed Circuit Board	S\$ 500	47.770	24.500	21,796	22,480	2,101	2,101	12,631	12,982
Total investments in associates					72,138	67,917	2,423	2,423	53,579	51,414
Total investments in subsidiary and associated companies					72,138	67,917	1,482,632	1,232,632	1,549,922	1,505,379

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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, Baht 250 million of which had already been paid-up. The subsidiary company registered the share capital increase with the Ministry of Commerce on 25 August 2006.

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 was paid to the subsidiary company's shareholders on 23 August 2006 and 13 September 2006.

On 7 August 2006, the Board of Director Meeting of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, passed a resolution approving the payment of a dividend in respect of prior year's earnings at Baht 2 per share, or a total sum of Baht 50 million. The dividend was paid to the subsidiary company's shareholders on 30 August 2006.

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.

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As at 30 September 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 nine-month period ended 30 September 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	422,922	198,973
Disposals during period - net book value at disposal date	(951)	(4,622)
Depreciation for period	(398,812)	(86,289)
Net book value as at 30 September 2006	<u>5,297,491</u>	<u>975,248</u>

7.1 As at 30 September 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 September 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.

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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 September 2006 of Baht 205.4 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.

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

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Bank overdrafts	28,279	18,227	8,262	-
Short-term loans	1,067,000	996,300	240,000	255,000
Packing credits	1,813,000	1,530,000	503,000	386,000
Trust receipts	417,457	256,100	22,037	22,252
Total	<u>3,325,736</u>	<u>2,800,627</u>	<u>773,299</u>	<u>663,252</u>

8.1 As at 30 September 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 September 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 September 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.

(UNAUDITED BUT REVIEWED)

9. LONG-TERM LOANS

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
EURO portion	269,918	233,144	116,858	38,705
Baht portion	1,702,916	2,034,443	10,227	44,907
	1,972,834	2,267,587	127,085	83,612
Less: Current portion of long-term loans	(815,916)	(736,744)	(82,248)	(58,505)
Long-term loans, net of current portion	1,156,918	1,530,843	44,837	25,107

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

(Unit: Thousand Baht)

	Consolidated	The Company Only
Balance as at 1 January 2006	2,267,587	83,612
Add (Less) : Additional borrowing during period	158,449	90,449
Repayment during period	(450,062)	(47,132)
Unrealised loss (gain) on exchange	(3,140)	156
Balance as at 30 September 2006	1,972,834	127,085

During the nine-month period ended 30 September 2006, the Company and its subsidiary has entered into new loan agreements and withdrawn loan facility which have been received from commercial banks as follows :-

- a) The Company entered into a loan agreement with a local commercial bank for a new loan facility of EURO 3.5 million. The Company has withdrawn the loan with the outstanding balance as at 30 September 2006 of EURO 1.9 million or equivalent to Baht 90.4 million. Interest is charged at rate of LIBOR plus 1.5 percent per annum. Under the conditions of such loan agreement loan principal is to be monthly repaid in totally 36 installments, commencing in October 2006.

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- b) Thai Laminate Manufacturer Co., Ltd., a subsidiary company, entered into a loan agreement with a local commercial bank for purchasing machinery and equipment and improving building factory with total loan facility of Baht 135 million. This loan is to be quarterly repaid in totally 8 installments with the first of these due within 27 months after first drawdown date. Interest is charged at rate of MLR (Minimum Loan Rate) less 1.0 percent per annum for principal denominated in Baht and SIBOR plus 1.5 percent per annum for principal denominated in foreign currency and interest is to be quarterly repaid. As at 30 September 2006, the subsidiary company has not yet withdrawn this loan.
- c) KCE Technology Co., Ltd., a subsidiary company, had additional borrowing of Baht 68.0 million from loan facility of Baht 200 million, of which the outstanding balance as at 30 September 2006 was Baht 119.0 million. Interest is charged at rate of MLR (Minimum Loan Rate) less 1.25 percent per annum. Loan principal is quarterly repaid in totally 20 installments, commencing in November 2007.

KCE Technology Co., Ltd., a subsidiary company, negotiated with a local commercial bank for changing the principal repayment condition of loan facility of Baht 1,070 million, and in September 2006 received a letter from the bank approving the change of the principal repayment condition that all loan principal repayment of Baht 267.5 million will be made within 22 December 2006.

As at 30 September 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 5.6 million in consolidated financial statements and Euro 2.4 million in the Company's financial statement (31 December 2005 : Euro 4.8 million in consolidated financial statements and Euro 0.8 million in the Company's financial statements).

- 9.1 As at 30 September 2006 and 31 December 2005, partial of 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 September 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 September 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 September 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.
- 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.

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On 26 September 2006, the Company submitted a letter to withdraw a request for permission for offering of warrants to purchase the Company's ordinary shares to the employees of the Company to the Securities and Exchange Commission (SEC) because the exercise price of the Company's warrants was higher than the current market price of the Company's shares, hence, there was no benefit of such offering as intended to employees. SEC has acknowledged this withdrawal on 2 October 2006.

As at 30 September 2006, the Company has not yet offered convertible debenture as described above.

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 September 2006 and 31 December 2005 are as follows :-

	30 September 2006	31 December 2005
Number of shares held by its subsidiaries (shares)	1,540,100	4,515,000
Cost of shares (Thousand Baht)	8,161	24,742
Share premium (Thousand Baht)	2,437	(4,148)
Shares held by its subsidiaries (Thousand Baht)	10,598	20,594

(UNAUDITED BUT REVIEWED)

10.3 Weighted average number of ordinary shares

As at 30 September 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		For the nine-month periods	
	ended 30 September		ended 30 September	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	314,930,00	314,930,00	314,930,00	314,930,00
Balance brought forward	0	0	0	0
Less : The Company's shares held by subsidiaries	(1,540,100)	(4,515,000)	(1,540,100)	(4,515,000)
	<u>313,389,90</u>	<u>310,415,00</u>	<u>313,389,90</u>	<u>310,415,00</u>
Weighted average number of ordinary shares	0	0	0	0
Add : Potential ordinary share - share warrants				
(2006 : no balances, 2005 : 0.07 million shares)	-	37,290	-	36,346
	<u>313,389,90</u>	<u>310,452,29</u>	<u>313,389,90</u>	<u>310,451,34</u>
Diluted weighted average number of ordinary shares	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</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.

(UNAUDITED BUT REVIEWED)

13. COMMITMENTS AND CONTINGENT LIABILITIES

13.1 As at 30 September 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	33,507	18,091
US dollar	119	63

13.2 As at 30 September 2006, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 50.1 million (the Company Only : Baht 16.8 million).

13.3 As at 30 September 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 company	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
K.C.E. International Co., Ltd.				
- Baht	443	396	-	-
KCE Technology Co., Ltd.				
- Baht	3,896	2,400	-	-
- EURO	2	3	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	206	206	-	-
- USD	-	5	-	-
KCE Electronics Plc.				
- Baht	-	-	428	352

13.4 As at 30 September 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.

(UNAUDITED BUT REVIEWED)

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 September														
Printed Circuit Board business														
	Prepreg and Laminate business		America		Europe		Asia		Total		Eliminating entries		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers	36,686	37,482	423,274	432,563	1,017,371	940,010	562,952	458,524	2,003,597	1,831,097	-	-	2,040,283	1,868,579
Inter-segment revenues	304,976	296,625	-	-	-	-	198,769	144,045	198,769	144,045	(503,745)	(440,670)	-	-
Total revenues	341,662	334,107	423,274	432,563	1,017,371	940,010	761,721	602,569	2,202,366	1,975,142	(503,745)	(440,670)	2,040,283	1,868,579
Segment operating profit (loss)	34,307	50,461							250,365	376,885	(425)	(20,286)	284,247	407,060
Unallocated income													47,345	22,818
Interest income													8,199	7,550
Unallocated expenses													(261,348)	(266,710)
Interest expenses													(78,234)	(54,596)
Corporate income tax													(7,053)	(49)
Minority interest in earnings of subsidiaries													(7,475)	(12,241)
Net earnings (loss)													(14,319)	103,832

(UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

Consolidated

For the nine-month period ended 30 September

	Printed Circuit Board business													
	Prepreg and Laminate business		America		Europe		Asia		Total		Eliminating entries		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers	109,572	59,620	1,188,768	1,006,289	2,710,645	2,530,218	1,518,305	1,302,416	5,417,718	4,838,923	-	-	5,527,290	4,898,543
Inter-segment revenues	900,145	864,339	-	-	-	-	606,260	369,022	606,260	369,022	(1,506,405)	(1,233,361)	-	-
Total revenues	<u>1,009,717</u>	<u>923,959</u>	<u>1,188,768</u>	<u>1,006,289</u>	<u>2,710,645</u>	<u>2,530,218</u>	<u>2,124,565</u>	<u>1,671,438</u>	<u>6,023,978</u>	<u>5,207,945</u>	<u>(1,506,405)</u>	<u>(1,233,361)</u>	<u>5,527,290</u>	<u>4,898,543</u>
Segment operating profit (loss)	<u>149,884</u>	<u>107,322</u>							<u>606,997</u>	<u>651,266</u>	<u>(1,023)</u>	<u>(10,501)</u>	<u>755,858</u>	<u>748,087</u>
Unallocated income													101,191	56,265
Interest income													23,893	22,493
Unallocated expenses													(794,085)	(746,897)
Interest expenses													(215,880)	(150,664)
Corporate income tax													(13,173)	(764)
Minority interest in earnings of subsidiaries													(28,491)	(20,322)
Net loss													<u>(170,687)</u>	<u>(91,802)</u>

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

15. FINANCIAL INSTRUMENTS

As at 30 September 2006, the Company and its subsidiaries had outstanding forward exchange contracts, of which details are presented below :-

Currency	Amount (Thousand)	Maturity date	Contract exchange rate (Baht per unit of foreign currency)
Buy			
US dollar	6,267	2 October 2006 - 28 March 2007	37.3000 - 37.9875
Yen	70,000	30 October 2006	0.3296
EURO	316	6 November 2006 - 5 February 2007	48.7100 - 48.8700
Sell			
US dollar	291	4 October 2006 - 3 January 2007	37.3830 - 37.7500
EURO	900	15 November 2006 - 28 December 2006	47.8300 - 49.0883

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 11 October 2006, the Federation of Accounting Professions (“FAP”) issued the Notification No. 26/2006 regarding Accounting Standard No. 44 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in separate financial statements under the cost method rather than the equity method. Entities that are not ready to adopt the cost method in 2006, can

continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

(UNAUDITED BUT REVIEWED)

This Notification of the FAP was announced in the Royal Gazette and is effective from 30 October 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 STATEMENTS

These interim financial statements were authorised for issue by the authorised directors of the Company on 7 November 2006.