

(UNAUDITED BUT REVIEWED)

KCE ELECTRONICS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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 Lumplataew, 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 Lumplataew, Lat Krabang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of prepreg and laminate products to the Company and two subsidiary companies (K.C.E. International Co., Ltd. and KCE Technology Co., Ltd).

KCE Technology Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law. The registered address is at No. 117 - 118 Moo 1, Hi-Tech Industrial Estate, Tambon Ban Lain, Amphur Bang Pa-In, Pranakornsriyuthaya Province. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of printed circuit board products.

KCE (Thailand) Co., Ltd., a subsidiary company, was incorporated as a limited company under Thai law. The registered address is at No. 100/61, 21st floor, Vongvanich Building, Rama 9 Road, Tambon Huaykwang, Amphur Huaykwang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is the domestic sale representative to the Company and its affiliates.

(UNAUDITED BUT REVIEWED)

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 “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 September 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 nine-month periods ended	
	30	31	30	31	30	30	30	30
	September 2007	December 2006	September 2007	December 2006	September 2007	September 2006	September 2007	September 2006
<u>Held by the Company</u>								
K.C.E. International Co., Ltd.	94.99	94.99	10	12	15	18	16	20
KCE Technology Co., Ltd.	100.00	100.00	55	57	53	51	51	48
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	3	1	2
KCE (Thailand) Co., Ltd.	60.00	-	1	-	2	-	1	-
<u>Held by the subsidiary</u>								
Konstant Pte. Ltd. (held by KCE Technology Co., Ltd. 100.00%)								
	-	100.00	-	-	-	-	-	-

During the third quarter of the current year, Konstant Pte. Ltd., a subsidiary company held by KCE Technology Co., Ltd., a subsidiary of the Company dissolved and liquidated under the Singapore Federal Bankruptcy Code as described in Note 7 to the financial statements.

1.4 Adoption of new accounting standards

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550 and 38/2550 regarding Thai Accounting Standards, and these have been published in the Royal Gazette. The Notifications mandate the use of the following Thai Accounting Standards (Revised 2007) in place of the previous versions, which are cancelled.

a) Thai Accounting Standards (revised version) which are effective for the current year

TAS 44	Consolidated Financial Statements and Separate Financial Statements
TAS 45	Investments in Associates
TAS 46	Interests in Joint Ventures

These accounting standards 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 (revised version) which are not effective for the current year

TAS 25	Cash Flow Statements
TAS 33	Borrowing Costs
TAS 35	Presentation of Financial Statements
TAS 39	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41	Interim Financial Reporting
TAS 49	Construction Contracts

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of

these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

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. In addition, during the period the Company has entered into financial lease agreement for machineries purchasing. The accounting policy for financial lease is summarised below :-

Financial lease agreements

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to the income statements over the lease period. The asset acquired under finance leases is depreciated over the useful life of the asset.

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.

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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 nine-month periods ended 30 September 2007 by Baht 50 million (Baht 0.11 per share) and Baht 146 million (Baht 0.40 per share), respectively (2006 : increasing net loss by Baht 43 million (Baht 0.13 per share) and Baht 104 million (Baht 0.33 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.

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 nine-month periods ended 30 September 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	189,336	48,384	107,984	7,725
Add(less) :				
Other payable from purchases of fixed assets	(91,438)	(36,236)	(39,798)	(10,400)
Amounts due to related parties for purchases of fixed assets	(199)	-	(26,506)	(7,747)
Trust receipts	(55,228)	(14,431)	-	-
Accounts payable under hire purchase agreements	(42,420)	(826)	(41,980)	-
Accrued interest capitalised as costs of machinery and equipment	(51)	(5)	-	-
Other receivable from sales of fixed assets	-	3,114	-	2,853
Amounts due from related parties for sales of fixed assets	-	-	300	7,569
	<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 September 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 September 2007	31 December 2006	30 September 2007	31 December 2006
<u>Trade accounts receivable – related parties</u>				
Not yet due	530,173	456,261	224,115	170,151
Overdue				
Less than 3 months	97,800	94,144	21,750	45,792
3 – 6 months	1,127	309	1,202	85
6 – 12 months	847	145	804	21
Over 12 months	34	48	34	48
Total trade accounts receivable – related parties	629,981	550,907	247,905	216,097
<u>Trade accounts receivable – others</u>				
Not yet due	1,257,487	1,264,238	375,380	323,879
Overdue				
Less than 3 months	157,273	190,366	53,298	69,014
3 – 6 months	24,460	4,818	2,756	3,052
6 – 12 months	6,072	1,800	2,773	1,738
Over 12 months	854	457	854	457
Total trade accounts receivable – others	1,446,146	1,461,679	435,061	398,140
Total trade accounts receivable	2,076,127	2,012,586	682,966	614,237
Less : Allowance for doubtful accounts	(2,158)	(1,033)	(2,158)	(1,033)
Trade accounts receivable – net	2,073,969	2,011,553	680,808	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		For the three-month		
	periods ended 30 September		periods ended 30 September		
	<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	-	-	73.6	46.7	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	0.1	7.6	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	-	125.7	At the declared rate
Purchase of goods	-	-	238.8	205.9	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	10.0	7.7	Prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	508.3	513.4	170.2	156.2	Market prices at which similar quality products are sold under same sales conditions
Purchases of raw materials	67.0	64.9	24.1	24.6	Market prices at which similar quality products are sold under same purchase conditions
Purchase of fixed assets	0.7	-	0.2	-	Prices agreed between the parties
Commission expense	10.0	11.0	4.2	8.0	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	7.5	7.6	7.5	7.6	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 nine-month		For the nine-month		
	periods ended 30 September		periods ended 30 September		
	<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	-	-	173.0	189.5	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	0.3	8.8	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	-	125.7	At the declared rate
Purchase of goods	-	-	688.6	605.7	Market prices and prices per job order for each product which are agreed between the parties
Purchase of fixed assets	-	-	36.9	24.3	Prices agreed between the parties
<i>Transactions with associated companies</i>					
Sales of goods	1,437.3	1,370.7	454.4	410.3	Market prices at which similar quality products are purchased under same conditions
Sales of fixed assets	20.4	-	-	-	Net book value plus margin and prices agreed between the parties
Purchases of raw materials	181.4	195.6	65.3	80.9	Market prices at which similar quality products are purchased under same conditions
Purchase of fixed assets	23.6	-	2.4	-	Prices agreed between the parties
Commission expense	37.1	28.2	18.9	16.3	At the agreed rates between the parties which is general rate for the same business
<i>Transactions with related company</i>					
Interest income	22.5	22.4	22.5	22.4	Interest rate at 7.5 percent per annum

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	36,650	65,764
KCE (Thailand) Co., Ltd.	-	-	14,932	-
K.C.E. International Co., Ltd.	-	-	10,300	6,791
Thai Laminate Manufacturer Co., Ltd.	-	-	512	738
Total trade accounts receivable - subsidiaries	-	-	62,394	73,293
Associated companies				
KCE America, Inc.	522,860	487,655	154,985	104,505
KCE Singapore Pte., Ltd.	107,121	63,252	30,526	38,299
Total trade accounts receivable - associated companies	629,981	550,907	185,511	142,804
Total trade accounts receivable - related parties	629,981	550,907	247,905	216,097
<u>Amounts due from and short-term loans to related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	313	5,621
KCE (Thailand) Co., Ltd.	-	-	8	-
K.C.E. International Co., Ltd.	-	-	-	331
Total amounts due from and short-term loans to subsidiaries	-	-	321	5,952
Associated companies				
KCE Singapore Pte., Ltd.	2,226	2	-	-
KCE America, Inc.	58	-	-	-
Total amounts due from and short-term loans to associated companies	2,284	2	-	-

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(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2007	2006	2007	2006
Related company				
Avatar Systems Corporation				
Loans	399,235	399,235	399,235	399,235
Accrued interest income	263,680	241,284	263,680	241,284
	<u>662,915</u>	<u>640,519</u>	<u>662,915</u>	<u>640,519</u>
Less : Allowance for doubtful accounts	(662,915)	(640,519)	(662,915)	(640,519)
Total amounts due from and short-term loans to related company - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total amounts due from and short-term loans to related parties - net	<u>2,284</u>	<u>2</u>	<u>321</u>	<u>5,952</u>
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	250,489	60,800
KCE Technology Co., Ltd.	-	-	73,977	185,010
K.C.E. International Co., Ltd.	-	-	4,982	14,168
Total trade accounts payable - subsidiaries	<u>-</u>	<u>-</u>	<u>329,448</u>	<u>259,978</u>
Associated company				
KCE Singapore Pte., Ltd.	79,611	67,794	28,075	24,488
Total trade accounts payable - associated company	<u>79,611</u>	<u>67,794</u>	<u>28,075</u>	<u>24,488</u>
Total trade accounts payable - related parties	<u>79,611</u>	<u>67,794</u>	<u>357,523</u>	<u>284,466</u>
<u>Amounts due to and advances from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	26,431	10,053
KCE International Co., Ltd.	-	-	77	-
Thai Laminate Manufacturer Co., Ltd.	-	-	-	1,658
Total amounts due to and advances from subsidiaries	<u>-</u>	<u>-</u>	<u>26,508</u>	<u>11,711</u>

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(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
Associated companies				
KCE Singapore Pte., Ltd.	7,531	10,734	2,566	1,413
KCE America, Inc.	-	78	-	-
Total amounts due to and advances from associated companies	7,531	10,812	2,566	1,413
Total amounts due to and advances from related parties	7,531	10,812	29,074	13,124

Directors and management's remuneration

The Company and its subsidiaries recorded salaries, bonuses, provident fund and meeting allowances to their directors and management during the three-month and nine-month periods ended 30 September 2007 totaling Baht 13.7 million and Baht 43.0 million, respectively (The separate financial statements : Baht 6.7 million and Baht 24.3 million, respectively) and during the three-month and nine-month periods ended 30 September 2006 totaling Baht 11.8 million and Baht 42.5 million, respectively (The separate financial statements : Baht 6.4 million and Baht 23.2 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 nine-month period ended 30 September 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	17,355	3,252
Balance as at 30 September 2007	<u>38,208</u>	<u>15,983</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 September	31 December	Consolidated	Separate	Investment		Investment	
	2007	2006	financial	financial	equity method		cost method	
	(Unit : Thousand)	(Unit : Thousand)	statements	statements	30 September	31 December	30 September	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	56,597	58,558	322	322
KCE Singapore Pte., Ltd.	S\$ 500	S\$ 500	47.770	24.500	25,763	22,558	2,101	2,101
Total investments in associates					82,360	81,116	2,423	2,423

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During the nine-month periods ended 30 September 2007, there is no dividend received from subsidiaries.

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.

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 September 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. On 20 August 2007, that company finished the process of liquidation under the Singapore Federal Bankruptcy Code.

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8. PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment account during the nine-month period ended 30 September 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	495,975	229,830
Disposals during period - net book value at disposal date	(513)	(211)
Depreciation for period	(406,610)	(89,220)
Net book value as at 30 September 2007	<u>5,558,552</u>	<u>1,162,691</u>

8.1 As at 30 September 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 September 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 September 2007 of Baht 180 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 September 2007	31 December 2006	30 September 2007	31 December 2006
Bank overdrafts	41,553	32,806	-	6,907
Short-term loans	981,000	1,072,000	220,000	235,000
Packing credits	2,001,000	1,910,200	493,000	563,500
Trust receipts	611,772	405,508	13,165	16,240
Total	<u>3,635,325</u>	<u>3,420,514</u>	<u>726,165</u>	<u>821,647</u>

- 9.1 As at 30 September 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 September 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 September 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 September	31 December	30 September	31 December
	2007	2006	2007	2006
EURO portion	229,137	260,242	123,819	120,044
Baht portion	1,215,630	1,465,625	-	2,850
	<u>1,444,767</u>	<u>1,725,867</u>	<u>123,819</u>	<u>122,894</u>
Less: Current portion of long-term loans	<u>(591,797)</u>	<u>(696,813)</u>	<u>(66,883)</u>	<u>(74,649)</u>
Long-term loans, net of current portion	<u>852,970</u>	<u>1,029,054</u>	<u>56,936</u>	<u>48,245</u>

Movements in the long-term loans account during the nine-month period ended 30 September 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 withdrawal of loans during period	259,762	52,862
Repayment during period	(550,030)	(57,727)
Unrealised gain on exchange	9,168	5,790
Balance as at 30 September 2007	<u>1,444,767</u>	<u>123,819</u>

As at 30 September 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 4.7 million in consolidated financial statements and EURO 2.5 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 September 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 September 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 September 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 September 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 Share warrant

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 already permitted by the Securities and Exchange Commission for issuing and offering those warrants on 6 August 2007.

(UNAUDITED BUT REVIEWED)

The movements of warrants during the period are as follows:-

	Number of units (unit)	
	30 September 2007	31 December 2006
Warrants issued as at beginning of the period	-	-
Add : warrants issued during the period	365,000	-
Warrants issued as at end of the period	365,000	-

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

As at 30 September 2007, 365,000 units of issued warrant remained. No warrants were exercised because the exercise date started from 15 to 18 September 2008.

11.3 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.

(UNAUDITED BUT REVIEWED)

- 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.

11.4 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. However, during the current period, Thai Laminate Manufacturer Co., Ltd. disposed all its shares of the Company, therefore as at 30 September 2007, only subsidiary company which holds shares of the Company is K.C.E. International Co., Ltd.

This shareholding is presented as a deduction item in the shareholders' equity in order to present the net Company's shareholders' equity in the consolidated financial statements. The details as at 30 September 2007 and 31 December 2006 are as follows :-

	30 September 2007	31 December 2006
Number of shares held by its subsidiaries (shares)	4,671,850	4,905,000
Cost of shares (Thousand Baht)	13,246	18,209
Share discount (Thousand Baht)	1,973	4,535
Shares held by its subsidiaries (Thousand Baht)	15,219	22,744

(UNAUDITED BUT REVIEWED)

11.5 Weighted average number of ordinary shares

As at 30 September 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 September		For the nine-month periods ended 30 September	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Balance brought forward	462,497,26	314,930,00	314,930,00	314,930,00
Add : Shares issued during the period	9	0	0	0
Less : The Company's shares held by subsidiaries	-	-	54,594,484	-
	(4,671,850)	(1,540,100)	(4,671,850)	(1,540,100)
	<u>457,825,41</u>	<u>313,389,90</u>	<u>364,852,63</u>	<u>313,389,90</u>
Weighted average number of ordinary shares	9	0	4	0
Add : Potential ordinary share - share warrant (2007 : 365,000 shares, 2006 : no balances)	-	-	-	-
	<u>457,825,41</u>	<u>313,389,90</u>	<u>364,852,63</u>	<u>313,389,90</u>
Diluted weighted average number of ordinary shares	<u>9</u>	<u>0</u>	<u>4</u>	<u>0</u>

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the period ended 30 September 2007, the Company expected no exercise of the warrant and excluded the warrants for the calculation of potential diluted ordinary shares for diluted earnings per share calculation.

(Unit : Share)

	Separate financial statements			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Balance brought forward	462,497,26	314,930,00	314,930,00	314,930,00

	9	0	0	0
Add : Shares issued during the period	-	-	54,594,484	-
	<u>462,497,26</u>	<u>314,930,00</u>	<u>369,524,48</u>	<u>314,930,00</u>
Weighted average number of ordinary shares	<u>9</u>	<u>0</u>	<u>4</u>	<u>0</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 September 2007, the Company and its subsidiaries have rental and service contract commitments with a period of 1-3 years and the future minimum charge according to the agreements until the end of the agreement are as follows :-

	(Unit: Thousand)	
Currency	Consolidated financial statements	Separate financial statements
Baht	37,227	16,657
US dollar	178	64

14.2 As at 30 September 2007, the Company and its subsidiaries have contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 59.2 million (The separate financial statements : Baht 24.5 million).

(UNAUDITED BUT REVIEWED)

14.3 The Company had commitment for purchase machine amounting approximately USD 3.8 million and YEN 99.3 million or totally equivalent to Baht 162.1 million.

14.4 As at 30 September 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 September 2007	31 December 2006	30 September 2007	31 December 2006
K.C.E. International Co., Ltd.				
- Baht	218	319	-	-
KCE Technology Co., Ltd.				
- Baht	3,872	3,871	-	-
- EURO	2	2	-	-
Thai Laminate Manufacturer Co., Ltd.				
- Baht	172	81	-	-
KCE Electronics Plc.				
- Baht	-	-	440	439

14.5 As at 30 September 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 67.4 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 September														
Printed Circuit Board business														
	Prepreg and Laminate business		America		Europe		Asia		Total		Eliminating entries		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue from external customers	27,495	42,295	449,122	500,778	1,212,379	1,045,162	426,929	456,274	2,088,430	2,002,214	-	-	2,115,925	2,044,509
Inter-segment revenues	351,683	303,593	-	-	-	-	230,730	200,152	230,730	200,152	(582,413)	(503,745)	-	-
Total revenues	379,178	345,888	449,122	500,778	1,212,379	1,045,162	657,659	656,426	2,319,160	2,202,366	(582,413)	(503,745)	2,115,925	2,044,509
Segment operating income	40,628	38,533							289,300	250,365	(122)	(425)	329,806	288,473
Unallocated income													80,446	43,119
Interest income													7,961	8,199
Unallocated expenses													(275,160)	(261,348)
Interest expenses													(69,770)	(78,234)
Corporate income tax													-	(7,053)
Minority interest in income of subsidiaries													(7,645)	(7,475)
Net income (loss)													65,638	(14,319)

(UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

Separate financial statements

For the nine-month period ended 30 September

	Printed Circuit Board business													
	Prepreg and Laminate business		America		Europe		Asia		Total		Eliminating entries		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue from external customers	86,191	123,146	1,270,527	1,266,276	3,542,973	2,888,048	1,321,174	1,263,394	6,134,674	5,417,718	-	-	6,220,865	5,540,864
Inter-segment revenues	1,112,881	900,145	-	-	-	-	532,243	606,260	532,243	606,260	(1,645,124)	(1,506,405)	-	-
Total revenues	1,199,072	1,023,291	1,270,527	1,266,276	3,542,973	2,888,048	1,853,417	1,869,654	6,666,917	6,023,978	(1,645,124)	(1,506,405)	6,220,865	5,540,864
Segment operating income	114,448	163,458							974,287	606,997	5,841	(1,023)	1,094,576	769,432
Unallocated income													144,548	87,617
Interest income													23,789	23,893
Unallocated expenses													(838,841)	(794,085)
Interest expenses													(216,676)	(215,880)
Corporate income tax													(8,638)	(13,173)
Minority interest in income of subsidiaries													(18,129)	(28,491)
Net income (loss)													180,629	(170,687)

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

(UNAUDITED BUT REVIEWED)

16. FORWARD EXCHANGE CONTRACTS AND COMMODITY SWAP AGREEMENT

As at 30 September 2007, its subsidiaries had outstanding forward exchange contracts, of which details are presented below:-

Currency	Amount	Maturity date	Contract exchange rate	Exchange rate as at 30 September 2007
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	2,246	31 October 2007 - 15 February 2008	33.5300 - 34.2800	34.3851
Yen	250,000	15 January 2008 - 28 January 2008	0.2722	0.2999
Sell				
US dollar	100	22 October 2007	34.5200	34.0435
Euro	1,565	12 March 2008-12 April 2008	46.7200 - 48.1300	48.1114

As at 30 September 2007, the Company and its subsidiaries had outstanding commodity swap agreement for copper of 210 Ton. The price under the contract is USD 7,100 - 7,500 per Ton, which maturity date is between October 2007 and December 2007. The market price of copper at 30 September 2007 is USD 8,165 per Ton.

17. RECLASSIFICATION

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

18. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the authorised directors of the Company on 6 November 2007.