

Nature of Business

KCE Electronics Public Company Limited (KCE) was established on Nov. 5, 1982 with an initial registered capital of Bt12 million. The Company's core business is the production and distribution of printed circuit boards (PCBs), under the "KCE" trademark.

The Company listed on the Stock Exchange of Thailand in August 1988, and converted its status from a limited company to a limited public company in December 1992. As of Dec. 30, 2016, the Company's registered capital was Bt587,426,511, with paid-up capital of Bt586,104,798.

PCB Products

Printed circuit boards are an essential part of a wide range of electronic products. PCBs are the foundation component of electronic circuits, and almost all electronic devices used in everyday life contain one or more of them. The boards have a copper track printed onto them that acts as a pathway for electrical signals. The boards' main function is to mechanically support electronic components and electrically connect the circuit, and are used instead of the more complicated wiring method.

PCBs consist of two main parts: the base, or substrate, and the conductor. The base is a thin layer of non-conductive board that acts as a platform for the components mounted onto it, while the copper conductor connects the different components on the PCB. The base material is made from epoxy fiberglass, which consists of a woven glass epoxy and a coat of epoxy resin, and can be used with many different types of products due to its good performance amid high humidity, its high temperature resistance, and its rigidity (it doesn't bend easily). The base is usually made in a green or blue color.

PCBs can be single or double sided, and in cases where the circuit is thick and very complex, a multilayer PCB can be configured depending on the board designer's requirements.

The main types are:

- 1) Single-sided PCBs: The circuit line for the electrical signal connection is printed on one side of the copper layer.

2) Double-sided plated-through-hole PCBs: the circuit line that carries the electrical signal is printed on both sides of the copper layer. The board is drilled to make holes for leaded components; copper is then plated through holes called vias, so that the electrical signal on both sides of the board can be connected.

3) Multilayer PCBs: the circuit lines are on different copper layers: the inner and the outer layers, which are connected with plated-through holes.

The PCB products that the Company produces are as follows:

1) Double-sided plated-through hole PCBs

2) Multilayer PCBs (4-24 layers), which are more complex, higher technology board.

Both types of PCBs are used in many industries, i.e. the automotive industry, industrial equipment industry, telecommunications industry, as well as for medical equipment, mobile phones and computer equipment. Due to the fact that the production of PCBs requires modern technology, special techniques and must comply with accepted industry standards, the Company has continuously focused on improving quality control, the production technology and the skill level of operators. The Company has repeatedly expanded its production capacity and appointed several sales representatives in overseas countries in order to tap the growing demand for PCBs in the global electronics industry.

Manufacturing facilities

The Company and its subsidiaries have factories and offices for manufacturing as follows:

	<u>Raw material/ Product</u>
Thai Laminate Manufacturer Co., Ltd. (subsidiary) Located at 70-70/1 Lat Krabang Industrial Estate Soi Chalongkrung 31, Kwang Lumplatew, Lat Krabang, Bangkok	Laminate, Prepreg
KCE Electronics Public Company Limited Located at 72-72/1-3 Lat Krabang Industrial Estate Soi Chalongkrung 31, Kwang Lumplatew, Lat Krabang, Bangkok	PCB
K.C.E. International Co., Ltd. (subsidiary)	PCB

Located at 677 Moo 4 Sukhumvit Road
Bangpoo Industrial Estate, Tambol Prangasa
Ampur Muang, Samutprakarn province

KCE Technology Co., Ltd (subsidiary) PCB
Located at 117, 118 Moo 1 Hi-Tech Industrial Estate
Asia Road, Banlain, Bang Pa-In, Ayutthaya province

Chemtronic Technology (Thailand) Co., Ltd (subsidiary) Chemical solutions
Located at 1/28 Moo 5 Tambol karnharm
Amphur Uthai, Ayutthaya province

Chemtronic Products Co., Ltd (subsidiary) Chemical solutions
Located at 1/82 Moo 5 Tambol karnharm
Amphur Uthai, Ayutthaya province

Major changes and developments in the past 5 years

2012

January 2012 The Company entered a joint venture to establish KCE Taiwan Co., Ltd., with fully paid-up capital of NTD3,000,000. KCE Taiwan is an overseas sourcing representative for raw materials and machinery for the KCE group. The Company holds 49% of the total issued and fully paid-up shares.

October 2012 The Group obtained a controlling interest in Chemtronic Technology (Thailand) Co., Ltd. (“Chemtronic”), which is engaged in the business of operating a factory manufacturing ink for printed circuit boards as well as chemical solutions used in the production of PCBs, by acquiring 97.25% of its total issued and fully paid-up ordinary shares. Taking control of Chemtronic has enabled the Group to increase profitability in the production process and to ensure it has access to a sufficient supply of chemicals during times of shortage.

2013

April 2013 The Shareholders’ Meeting No. 30/2013 approved the following:

- The Company's financial statements for the year ended Dec. 31, 2012
- A dividend payment in respect of the Company's operating results in 2012
- A reduction in the Company's registered capital from Bt491,829,500 to Bt476,853,769, based on 476,853,769 shares at a par value of Bt1 per share.
- The issue and offering of a second set of warrants to purchase the Company's ordinary shares ("Warrant No. 2") in a number not exceeding 115,248,942 units, to existing shareholders in proportion to their shareholdings at a ratio of one warrant for every four ordinary shares held at no charge and an exercise price of Bt5 per share.
- An increase in the Company's registered capital from Bt476,853,769 to Bt592,421,582, by issuing 115,567,813 new ordinary shares at a par value of Bt1 per share.
- An allocation of not more than 115,567,813 new ordinary shares to accommodate the exercise of Warrant No. 2 to be allocated to existing shareholders and an adjustment of the rights of ESOP Warrant-W3 and ESOP Warrant-W4.

May 2013	Payment of a dividend in respect of the Company's operating results for 2012 of Bt0.35 per share for 460,976,969 shares totaling Bt161,341,939.
May 2013	The Board approved the sale of 14 million repurchased ordinary shares during June 11-19, 2013.
June 2013	The Company reduced its authorized and issued and paid-up share capital by writing off all repurchased shares that remained unsold. This resulted in a decrease in its authorized share capital from Bt592,421,582 to Bt578,421,582 and in issued and paid-up share capital from Bt474,995,769 to Bt460,995,769.
June 2013	The Company entered into an acquisition-of-asset transaction for an investment in a new factory with a capacity of 2 million sq ft. per month, to expand its production capability to accommodate increased demand. The project's total value is Bt4,675 million.
July 2013	Subsequent to the reorganization, the Board appointed a new Executive Committee, and named Mr. Pitharn Ongkosit to be the President and Chief Executive Officer.

- September 2013 Payment of an interim dividend in respect of the Company's operating results for the first half of 2013 at Bt0.25 per share for 461,595,269 shares totaling Bt115,398,817.
- September 2013 Appointed the Corporate Governance Committee.
- November 2013 The Company signed a mutual agreement with the Private Sector Collective Action Coalition Against Corruption.
- December 2013 The Company signed a financial support contract with a financial institution for a facility of Bt4,150 million, which reflects the trust in KCE's financial strength.

2014

- March 2014 Appointed the Risk Management Committee.
- April 2014 The Shareholders' Meeting No. 31/2014 approved the following:
- The Company's financial statements for the year ended Dec. 31, 2013
 - A dividend payment in respect of the Company's operating results of 2013
 - Appointment of Mr. Pitharn Ongkosit as a company director
 - A reduction in its registered capital from Bt578,421,582 to Bt557,426,511 based on 557,426,511 shares with a par value of Bt1 each
 - The issuance and offering of warrants (ESOP-W5) to purchase ordinary shares of the Company to directors, management and employees of the Company and/or its subsidiaries in an amount not exceeding 10,000,000 units.
 - An increase in its registered capital from Bt577,426,511 to Bt587,426,511 by issuing 10,000,000 new ordinary shares at a par value of Bt1 per share to accommodate the exercise of ESOP-W5.
 - An allocation not exceeding 10,000,000 new ordinary shares at a par value of Bt1 per share to accommodate the exercise of ESOP-W5
- May 2014 Payment of a dividend in respect of the Company's operating results for 2013 at Bt0.50 per share for 549,017,741 shares totaling Bt274,508,871.
- September 2014 Payment of an interim dividend in respect of the Company's operating results for the first half of 2014 at Bt0.40 per share for 557,911,031 shares totaling Bt223,164,412.

- November 2014 The Company acquired a further 51% of the shares of KCE Singapore PTE. LTD., resulting in its shareholding increasing from 24.5% to 75.5% and the Group's total shareholding rising to 100%. As a result, KCE Singapore's status changed to that of Company subsidiary.
- November 2014 The Company scored a "Very Good" rating on the Corporate Governance survey for Thai listed companies in 2014.

2015

- April 2015 KCE was certified the member of the Private Sector Collective Action Coalition Against Corruption (CAC Member # 103).
- April 2015 The Shareholders' Meeting No. 32/2015 approved the following:
- The Company's financial statements for the year ended Dec. 31, 2014
 - A dividend payment in respect of the Company's operating results of 2014
- May 2015 Payment of a dividend in respect of the Company's operating results for 2014 at Bt0.70 per share for 568,693,319 shares totaling Bt398,085,323.
- September 2015 Payment of an interim dividend in respect of the Company's operating results for the first half of 2015 at Bt0.50 per share for 570,144,941 shares totaling Bt285,072,470.
- October 2015 The Company attained the CG scoring of "Excellent" for 2015 in the annual surveys of CG of Thai Listed Companies. In addition, the Company is categorized the Top Quartile in the Market Capitalize of greater than Bt10,000 million.
- November 2015 2015 SET Awards jointly organized by the Stock Exchange of Thailand and the Money and Banking magazine, awarded KCE in 2 categories; the Outstanding CEO Award and the Outstanding Company's Performance Award, under the group of companies with the Market Capitalization of Bt10,000 - 30,000 million.

2016

- April 2016 The Shareholders' Meeting No. 33/2016 approved the following:
- The Company's financial statements for the year ended Dec. 31, 2015
 - A dividend payment in respect of the Company's operating results of 2015

May 2016	Payment of a dividend in respect of the Company's operating results for 2015 at Bt1.00 per share for 576,244,203 shares totaling Bt576,244,203
May 2016	The Board approved the Employee Joint Investment Program "KCE EJIP No.1" for the employees and management executives of KCE Electronics PCL and its subsidiaries.
June 2016	The office of the Securities and Exchange Commission (SEC) endorsed the Company's Employee Joint Investment Program.
June 2016	Announced June 17, 2016, being the last exercise date of the Warrant KCE-W2
July 2016	KCE was listed in SET50 for the period of July 1 - 31 December 2016
July 2016	The Board approved the acquisition of asset transactions: <ul style="list-style-type: none"> - Established a new subsidiary company (Chemtronic Products Co., Ltd.) - Investment in capacity expansion in a subsidiary (KCE Technology Co., Ltd.)
September 2016	Payment of an interim dividend in respect of the Company's operating results for the first half of 2016 at Bt1.00 per share for 586,010,798 shares totaling Bt586,010,798
October 2016	The Company achieved an "Excellent" corporate governance in the 2016 Annual survey for the second consecutive year.
October 2016	The Board passed a resolution approving the purchase of asset, which is the Land and an Office Building in Japan to support the future business expansion in Japan.
October 2016	The Board approved an establishment of the Enterprise Risk Policy Committee. The Committee's responsibilities are to stipulate the risk management policy at corporate level and provide support to the Risk Management Committee.
Announced Feb. 2, 2017	SET Awards 2016 jointly organized by the Stock Exchange of Thailand and the Money and Banking magazine, awarded KCE; the "Best Company Performance", under the group of companies with the Market Capitalization of Bt30,000 - 100,000 million, and awarded KCE's CEO the "Outstanding CEO" and the "Young Rising Star CEO" in 2016.

Policy and Overview of the Company

KCE Electronics PCL and its subsidiaries are involved in the manufacturing and distributing of printed circuit boards (PCBs), which are the foundation component for a wide range of electronic devices. Its key

customer base includes manufacturers of automotive electronic equipment, telecommunication devices, computer networks, industrial equipment, medical equipment and consumer product. Almost all of the Company's production is for exporting worldwide; Europe, United states of America and Asia.

The Group's operational policy is mainly committed to achieving the excellent in manufacturing capability, by initiating various strategies to obtain a better quality product, at a lower cost. The Company continues to seek opportunity to increase profit, by introducing new technologies in production and fully utilize current assets to its utmost benefits, which will be resulted in reaching the maximum efficiency level. Another important policy is the commitment in keeping a long term relationship with its customers by providing the most valuable service- the reputation of quality product, that gain trust from customers ever since. In addition, the Company place an importance on stakeholders and social responsibility by developing "Green technology".

Regarding the management of operations, the Board is responsible for the determination of strategies and key policies. In the early of January 2016, a meeting was organized for CEO and Management, for the purpose of communicating such strategies and setting up the operational objectives (KPI) for the factory as well as for each section of operation. Management of each section then continued to arrange separate meetings to further communicate the strategies and targets down to employee level. During the year, the targets were seriously monitored by comparing actual results with the planned KPI. Managements also regularly reported the KCE operation results to the CEO in the monthly Management meeting. CEO then summarized the operation results for the strategies and reported to the Board in each quarter.

Shareholding Structure of KCE Electronics PCL and Subsidiaries / Associates

