

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Impact of severe flooding in Thailand
4	Related parties
5	Trade and other receivables
6	Investments in associates
7	Investments in subsidiaries
8	Property, plant and equipment
9	Bank overdrafts and short-term loans from financial institutions
10	Trade and other payables
11	Long-term loans
12	Share capital
13	Treasury shares
14	Segment information
15	Other income
16	Income tax expense
17	Earnings per share
18	Commitments and contingent liabilities
19	Event after the reporting period
20	Reclassification of accounts

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statement, and were approved and authorised for issue by the Board of Directors on 8 May 2012.

1 General information

KCE Electronics Public Company Limited (“the Company”) was incorporated as a limited company under Thai law and was transformed to be a public limited company under the Public Limited Companies Act on 21 December 1992. The Company has its registered office at No. 125-125/1, 1 Moo 4 Lat Krabang Industrial Estate, Kwang Lumplataew, Khet Lat Krabang, Bangkok.

The principal businesses of the Company is the manufacture and distribution of printed circuit board products. Details of the Company’s subsidiaries as at 31 March 2012 and 31 December 2011 were as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			31 March 2012	31 December 2011
<i>Direct subsidiaries</i>				
KCE Technology Co., Ltd.	The manufacture and distribution of printed circuit board products	Thailand	100.00	100.00
K.C.E. International Co., Ltd.	The manufacture and distribution of printed circuit board products	Thailand	99.99	99.99
Thai Laminate Manufacturer Co., Ltd.	The manufacture and distribution of prepreg and laminate products	Thailand	74.80	74.80
KCE (Thailand) Co., Ltd.	The domestic sale representative	Thailand	60.00	60.00
Thai Business Solution Co., Ltd.	A service provider for computer system implementation and support	Thailand	49.00	49.00

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2009) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2011. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiaries for the year ended 31 December 2011.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2011.

(b) Presentation currency

The interim financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

(c) Use of estimates and judgments

The preparation of interim financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2011.

3 Impact of severe flooding in Thailand

During the fourth quarter of the year 2011, there was severe flooding in Thailand. The location of KCE Technology Co., Ltd., a subsidiary's factory and offices, was inundated. The damages from the flood incident are estimated to be approximately Baht 1,712 million which consist of damages to fixed assets of Baht 1,115 million, damages to inventories of Baht 433 million and other damages of Baht 164 million. The loss from the incidents is covered by the subsidiary's insurance, which covers all risks and business interruption. The management of the Company and its subsidiary is virtually certain that there is insurance coverage for all of the losses. As at 31 December 2011, the subsidiary recognised insurance claim receivable from property damage of Baht 1,548 million and business interruption loss of Baht 70 million.

For the three-month period ended 31 March 2012, KCE Technology Co., Ltd. and KCE (Thailand) Co., Ltd. recognised compensation from insurance claim for business interruption of Baht 180 million and Baht 6 million, respectively.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

4 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
KCE Technology Co., Ltd.	Thailand	Subsidiary, 100% shareholding
K.C.E. International Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding
Thai Laminate Manufacturer Co., Ltd.	Thailand	Subsidiary, 74.80% direct shareholding, and 25.20% indirect shareholding
KCE (Thailand) Co., Ltd.	Thailand	Subsidiary, 60% shareholding
Thai Business Solution Co., Ltd.	Thailand	Subsidiary, 49% shareholding

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Subsidiaries	
Sales of goods	Market prices and prices per job order for each product which are agreed between the parties
Rendering of service	Market prices and prices per job order for each product which are agreed between the parties
Sales of property, plant and equipment	Net book value plus margin and prices agreed between the parties
Dividend income	As announced in the minute of shareholders' meeting
Other income	Prices agreed between the parties
Purchase of goods	Market prices and prices per job order for each product which are agreed between the parties
Purchase of property, plant and equipment	Prices agreed between the parties

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

Transactions

Pricing policies

Associates

Sales of goods	Market prices at which similar quality products are sold under same conditions
Purchase of raw materials	Market prices at which similar quality products are purchased under same conditions
Commission expense	At the rate agreed between the parties which is general rate for the same business

Significant transactions for the three-month periods ended 31 March 2012 and 2011 with related parties were as follows:

<i>Three-month periods ended 31 March</i>	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Subsidiaries				
Sale of goods	-	-	57.4	75.7
Rendering of service	-	-	4.8	3.7
Other income	-	-	2.3	2.0
Purchases of goods	-	-	244.7	256.8
Purchases of property, plant and equipment	-	-	2.5	1.4
Associates				
Sales of goods	224.1	268.6	140.9	140.5
Purchase of raw material	7.4	15.5	4.9	4.1
Commission expense	11.9	14.6	7.2	6.9
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	16.6	17.3	7.4	7.7
Share-based payments	5.0	-	3.3	-
Total key management personnel compensation	<u>21.6</u>	<u>17.3</u>	<u>10.7</u>	<u>7.7</u>

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

Balances as at 31 March 2012 and 31 December 2011 with related parties were as follows:

<i>Trade and other receivables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	38,213	97,112
K.C.E. International Co., Ltd.	-	-	29,247	42,357
KCE (Thailand) Co., Ltd.	-	-	16,483	3,513
Thai Laminate Manufacturer Co., Ltd.	-	-	1,112	864
Thai Business Solution Co., Ltd.	-	-	10	46
Associates				
KCE America, Inc.	248,514	297,822	175,847	163,011
KCE Singapore Pte., Ltd.	43,620	33,350	12,695	12,405
Total	292,134	331,172	273,607	319,308

<i>Trade and other payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	<i>(in thousand Baht)</i>			
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	318,168	349,453
K.C.E. International Co., Ltd.	-	-	47,066	43,483
KCE Technology Co., Ltd.	-	-	32,715	15,881
Thai Business Solution Co., Ltd.	-	-	3,693	455
Associates				
KCE Singapore Pte., Ltd.	33,984	26,217	21,510	15,115
Total	33,984	26,217	423,152	424,387

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 18 to the financial statements.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

5 Trade and other receivables

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	31	31	31	31
	March	December	March	December
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Trade receivable				
Related parties	292,134	331,172	267,891	314,647
Other parties	1,151,136	1,150,850	779,834	703,635
Total	1,443,270	1,482,022	1,047,725	1,018,282
<i>Less allowance for doubtful accounts</i>	<i>(353)</i>	<i>(353)</i>	<i>(322)</i>	<i>(322)</i>
Net	1,442,917	1,481,669	1,047,403	1,017,960
Other receivables				
Related parties	-	-	5,716	4,661
Other parties	119,698	64,751	9,867	10,772
Total	119,698	64,751	15,583	15,433
Total trade and other receivables	1,562,615	1,546,420	1,062,986	1,033,393
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Bad and doubtful debts expense for the three-month periods ended 31 March	-	-	-	-

Aging analyses for trade accounts receivable were as follows:

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	241,140	275,413	184,904	210,832
Overdue:				
Less than 3 months	46,443	54,915	80,804	75,310
3-6 months	4,548	677	2,024	28,342
6-12 months	3	167	159	163
Over 12 months	-	-	-	-
	292,134	331,172	267,891	314,647
<i>Less allowance for doubtful accounts</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
	292,134	331,172	267,891	314,647

Other parties

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Within credit terms	997,067	848,883	692,478	539,931
Overdue:				
Less than 3 months	142,094	281,651	84,107	145,861
3-6 months	7,464	18,789	3,133	16,412
6-12 months	4,415	1,456	116	1,360
Over 12 months	96	71	-	71
	1,151,136	1,150,850	779,834	703,635
<i>Less</i> allowance for doubtful accounts	(353)	(353)	(322)	(322)
	1,150,783	1,150,497	779,512	703,313
Net	1,442,917	1,481,669	1,047,403	1,017,960

The normal credit terms granted by the Group range from 30 days to 120 days.

6 Investments in associates

	Consolidated		Separate	
	financial statements		financial statements	
	Equity Method		Cost Method	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Three-month periods ended 31 March				
Associates				
At 1 January	82,133	76,816	2,422	2,422
Share of losses from investment in associates using equity method	(3,306)	(588)	-	-
Foreign currency translation differences for foreign operations	(3,028)	2,230	-	-
Acquisitions	1,540	-	1,540	-
At 31 March	77,339	78,458	3,962	2,422

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

Investments in associates as at 31 March 2012 and 31 December 2011 were as follows:

Consolidated financial statements

	Ownership interest		Paid-up capital		Cost		Equity		Impairment		Equity – net of impairment	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	(%)											
	<i>(in thousand Baht)</i>											
Associates												
KCE America, Inc.	50.00	50.00	USD 50,000	USD 50,000	644	644	52,273	55,421	-	-	52,273	55,421
KCE Singapore Pte., Ltd.	49.00	49.00	SGD 500,000	SGD 500,000	4,201	4,201	23,834	26,712	-	-	23,834	26,712
KCE Taiwan Co., Ltd.	49.00	-	NTD 3,000,000	-	1,540	-	1,232	-	-	-	1,232	-
Total					6,385	4,845	77,339	82,133	-	-	77,339	82,133

Share of profit (loss) from investments for three-month period ended 31 March 2012 in the above three associates was calculated from the unreviewed financial statements of those 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 financial statements.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

Separate financial statements

	Ownership interest		Paid-up capital		Cost		Impairment		Equity – net of impairment	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	%				(in thousand Baht)					
Associates										
KCE America, Inc.	25.00	25.00	USD 50,000	USD 50,000	322	322	-	-	322	322
KCE Singapore Pte., Ltd.	24.50	24.50	SGD 500,000	SGD 500,000	2,100	2,100	-	-	2,100	2,100
KCE Taiwan Co., Ltd.	49.00	-	NTD 3,000,000	-	1,540	-	-	-	1,540	-
Total					3,962	2,422	-	-	3,962	2,422

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

7 Investments in subsidiaries

Investments in subsidiaries as at 31 March 2012 and 31 December 2011 were as follows:

Separate financial statements

	Ownership Interest		Paid-up capital		Cost		Warrant granted to subsidiaries' directors and employees		Total	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	(<i>%</i>)						<i>(in thousand Baht)</i>			
<i>Subsidiaries</i>										
KCE Technology Co., Ltd.	100.00	100.00	1,600,000	1,600,000	1,600,000	1,600,000	3,583	-	1,603,583	1,600,000
K.C.E. International Co., Ltd.	99.99	99.99	100,000	100,000	185,395	185,395	1,833	-	187,228	185,395
Thai Laminate Manufacturer Co., Ltd.	74.80	74.80	250,000	250,000	368,460	368,460	756	-	369,216	368,460
KCE (Thailand) Co., Ltd.	60.00	60.00	3,600	3,600	2,160	2,160	124	-	2,284	2,160
Thai Business Solution Co., Ltd.	49.00	49.00	3,000	3,000	1,470	1,470	-	-	1,470	1,470
Total					<u>2,157,485</u>	<u>2,157,485</u>	<u>6,296</u>	<u>-</u>	<u>2,163,781</u>	<u>2,157,485</u>

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

8 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the three-month period ended 31 March 2012 were as follows:

For the three-month ended 31 March 2012

	Consolidated financial statements <i>(in thousand Baht)</i>	Separate financial statements
Net book value at 1 January 2012	4,235,135	1,189,452
Acquisitions - cost	947,622	5,734
Disposals during the period - Net book values at the date	(1,810)	(409)
Depreciation for the period	(111,184)	(38,791)
Net book value at 31 March 2012	<u>5,069,763</u>	<u>1,155,986</u>

8.1 The Company's 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 subsidiaries are not allowed to dispose of, transfer, mortgage or provide any lien on their assets, as stipulated in such memorandums.

8.2 The subsidiaries of the Company have mortgaged and pledged the following property, plant and equipment.

8.2.1 Thai Laminate Manufacturer Co., Ltd. has mortgaged its construction and pledged its machinery with total net book value as at 31 March 2012 of Baht 194 million (*31 December 2011: Baht 202 million*), as collateral for loans from banks, as described in Note 11.

8.2.2 KCE Technology Co., Ltd. has mortgaged its land and construction thereon and pledged its machinery with a total net book value as at 31 March 2012 of Baht 1,145 million (*31 December 2011: Baht 1,164 million*), as collateral for bank overdrafts and loans from banks, as described in Note 9 and 11.

9 Bank overdrafts and short-term loans from financial institutions

	Interest rate (% per annum)	Consolidated financial statements		Separate financial statements	
		31 March 2012	31 December 2011	31 March 2012	31 December 2011
		<i>(in thousand Baht)</i>			
Bank overdrafts	7.37 - 7.50	7	-	-	-
Short-term loans	3.19 - 4.60	1,160,400	918,950	220,000	240,000
Packing credits	1.40 - 4.26	1,540,673	2,042,462	840,979	920,149
Trust receipts	0.98 - 2.42	899,938	589,655	57,057	53,728
Total		<u>3,601,018</u>	<u>3,551,067</u>	<u>1,118,036</u>	<u>1,213,877</u>

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

9.1 Bank overdrafts and partial loans from financial institutions of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.

9.2 Bank overdrafts and loans from financial institutions of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.

9.3 Bank overdrafts and loans from financial institutions of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of land and construction thereon and the pledge of most of machinery of such subsidiary.

10 Trade and other payables

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Trade payables - related parties	24,298	15,112	415,373	416,613
Trade payables - other parties	813,711	835,410	296,166	335,957
Other payables for purchase of machineries and equipment - related parties	394	-	3,413	430
Other payables for purchase of machineries and equipment - other parties	618,428	359,346	23,008	20,075
Other payables - related parties	9,292	11,105	4,366	7,344
Other payables - other parties	53,610	69,585	20,272	24,440
Accrued expenses	255,103	176,119	78,536	69,559
Total trade and other payables	<u>1,774,836</u>	<u>1,466,677</u>	<u>841,134</u>	<u>874,418</u>

11 Long-term loans

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
USD portion (Consolidated financial statements 2012: USD 56.82 million (2011: USD 48.93 million) and separate financial statements 2012: USD 9.22 million (2011: USD 9.71 million))	1,760,956	1,557,606	285,810	309,155
Baht portion	34,983	55,133	34,983	44,734
Total	<u>1,795,939</u>	<u>1,612,739</u>	<u>320,793</u>	<u>353,889</u>
Less: Current portion	<u>(396,148)</u>	<u>(352,564)</u>	<u>(124,106)</u>	<u>(124,727)</u>
Long-term loans - net of current portion	<u>1,399,791</u>	<u>1,260,175</u>	<u>196,687</u>	<u>229,162</u>

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

Movements during the three-month period ended 31 March 2012 of long-term loans were as follows:

	Consolidated financial statements	Separate financial statements
	2012	2012
	<i>(in thousand Baht)</i>	
At 1 January	1,612,739	353,889
Increase	300,000	-
Decrease	(76,515)	(25,316)
Unrealised gain on exchange rate	(40,285)	(7,780)
At 31 March	<u>1,795,939</u>	<u>320,793</u>

11.1 Long-term loans from financial institutions of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company. Under the loan agreement, the subsidiary company has to comply with certain conditions, including maintaining interest bearing debt to equity ratio of not more than 2:1 and debt service coverage ratio (DSCR) of not less than 1.2:1.

11.2 At 31 March 2012, long-term loans from financial institutions of Thai Laminate Manufacturer Co., Ltd., a subsidiary, are secured by mortgage and pledge of subsidiary's construction and machinery.

11.3 At 31 March 2012, long-term loans from financial institutions of KCE Technology Co., Ltd., a subsidiary, are in US Dollar, with a SIBOR (Singapore Interbank Offered Rate) plus 1.75% - 2%. The loans 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.

12 Share capital

<i>Three-month periods ended</i>		2012		2011	
<i>31 March</i>	Par value per share <i>(in Baht)</i>	Number	Baht	Number	Baht
		<i>(thousand shares / thousand Baht)</i>			
Authorised					
At 1 January					
- ordinary shares	1	500,000	500,000	500,000	500,000
Reduction of shares	1	<u>(8,170)</u>	<u>(8,170)</u>	<u>-</u>	<u>-</u>
At 31 March					
- ordinary shares	1	<u>491,830</u>	<u>491,830</u>	<u>500,000</u>	<u>500,000</u>
Issued and paid-up					
At 1 January					
- ordinary shares	1	472,224	472,224	471,067	471,067
Reduction of shares	1	(8,170)	(8,170)	-	-
Issue of new shares	1	<u>-</u>	<u>-</u>	<u>712</u>	<u>712</u>
At 31 March					
- ordinary shares	1	<u>464,054</u>	<u>464,054</u>	<u>471,779</u>	<u>471,779</u>

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

Share warrants

During 2007, the Company issued and allotted 3,000,000 registered and nontransferable (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 31 March 2012, there was no outstanding balance of aforesaid warrants.

Subsequently on 29 April 2010, the Annual General Meeting of the Company's shareholders passed a resolution approving the issuance and offering 10,000,000 registered and nontransferable (except for transferring as stipulated in the prospectus for ESOP-W3) warrants free of charge to the directors and employees of the Company and/or its subsidiaries, and allocation of shares to reserve for the exercise of the warrants. These warrants are exercisable at a price of Baht 6.86 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 3 years from the issue date, starting from 15 to 18 June 2010 and with a final exercise date of 18 June 2013.

Subsequently on 28 April 2011, the Annual General Meeting of the Company's shareholders passed a resolution approving the issuance and offering of 10,000,000 registered and nontransferable (except for transferring as stipulated in the prospectus for ESOP-W4) warrants free of charge to the directors and employees of the Company and/or its subsidiaries, and allocation of shares to reserve for the exercise of the warrants. These warrants are exercisable at a price of Baht 7.81 per share at a ratio of 1 warrant to 1 new ordinary share, every quarter from 1 to 10 of March, June, September and December, for a period of 5 years from the issue date. The Company granted the said warrants to the directors and employees of the Company and/or its subsidiaries on 12 March 2012, which is the date of notification of conditions and arrangements in exercising the warrants to the directors and employees. The first exercise period is 1 to 10 June 2012 and the final exercise date is 10 March 2017.

As the Thai Financial Reporting Standards 2 (TFRS2): Share-based Payment was effective for the share-based payment awards granted on or after 1 January 2011. Therefore, according to TFRS2, ESOP-W4 has to be measured by using the fair value of the warrants on the grant date.

Measurement of fair value

The fair value of the warrants granted "ESOP-W4" was measured based on Binomial option pricing model. Expected volatility is estimated by considering historic average share price volatility during the period 13 March 2007 to 12 March 2012.

The inputs used in the measurement of the fair values at grant date of warrants "ESOP-W4" were as follows:

Fair value at grant date (Baht)	1.238
Share price at grant date (Baht)	5.15
Exercise price (Baht)	7.81

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

Expected volatility (%)	45.62
Expected dividends (%)	2.67
Risk-free interest rate (%)	3.42
Termination rate (%)	0.26

The expense recognised from share-based payment transaction for the three-month period ended 31 March 2012 was Baht 12.4 million for the consolidated financial statements and Baht 6.1 million for the separate financial statements.

Movements of share warrants during the three-month periods ended 31 March 2012 and 2011 are summarised below:

	2012	2011
	<i>(Units)</i>	
Warrants issued at beginning of the period	2,800,000	4,430,000
Add: Warrants issued during the period	10,000,000	-
Less: Exercised during the period	-	(712,000)
Warrants issued at end of the period	<u>12,800,000</u>	<u>3,718,000</u>

13 Treasury shares

As at 31 March 2012 and 31 December 2011, details of treasury shares are as follows:

	Consolidated/ separate financial statements	
	2012	2011
Cost of treasury shares (Thousand Baht)	-	70,050
Number of treasury shares (Thousand shares)	-	8,170
Average price per share (Baht)	-	8.57
Percentage of treasury shares to the Company's shares in issue	-	1.73

On 20 July 2010, the meeting of the Board of Directors of the Company No. 7/2553 passed the resolutions approving the Company's share repurchase program for financial management, with value not exceeding Baht 90 million, and not exceeding the Company's retained earnings. The number of shares repurchased will be 10 million shares at the par value of Baht 1 each, or equal to 2.14 percent of the total paid-up share capital. The repurchase period will be from 9 August 2010 to 8 February 2011.

Any shares bought back are to be resold on the Stock Exchange of Thailand during the period from 9 August 2011 to 8 February 2012. Resale of shares, cancellations of the repurchased shares and reductions of share capital are to conform with the 2001 Ministerial Regulations on the principles and procedures for the repurchase and resale of shares. The determination of the resale price will be taken into account the prevailing market price at the time of sale.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

During the first quarter of 2012, the Company reduced its authorised and issued and paid-up share capital by way of writing off all 8,710,500 repurchased shares with a par value of Baht 1 each which remain unsold, as empowered by the resolution of the Company's Board of Directors' meeting No. 7/2553. This resulted in a decrease in its authorised and issued and paid-up share capital from authorised share capital of 500 million ordinary shares (Baht 1 each) and issued and paid-up share capital of 472,224,269 ordinary shares (Baht 1 each) to authorised share capital of 491,829,500 ordinary shares (Baht 1 each) and issued and paid-up share capital of 464,053,769 ordinary shares (Baht 1 each). The Company registered the reduction of its registered share capital with the Ministry of Commerce on 15 February 2012.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

14 Segment information

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 for the three-month periods ended 31 March 2012 and 2011 is as follows:

Consolidated financial statements																
For the three-month periods ended 31 March 2012 and 2011																
	Printed Circuit Board business										Service provider		Eliminating entries		Total	
	Prepreg and Laminate business		America		Europe		Asia		Total		business					
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues from external customers	14,431	24,199	190,613	271,505	870,646	1,151,726	253,507	412,433	1,314,766	1,835,664	15,991	5,687	-	-	1,345,188	1,865,550
Inter-segment revenues	271,055	392,087	-	-	-	-	195,818	309,017	195,818	309,017	1,486	(9,661)	(468,359)	(691,443)	-	-
Total revenues	285,486	416,286	190,613	271,505	870,646	1,151,726	449,325	721,450	1,510,584	2,144,681	17,477	(3,974)	(468,359)	(691,443)	1,345,188	1,865,550
Segment operating profit	38,762	23,607							215,888	318,085	2,488	(10,903)	(1,028)	8,663	256,110	339,452
Unallocated profit and expenses:																
Compensation from insurance claim															186,000	17,000
Other income															108,006	98,585
Selling expenses															(99,423)	(135,491)
Administrative expenses															(225,059)	(125,250)
Finance cost															(40,165)	(41,314)
Share of loss from investments in associates															(3,306)	(588)
Corporate income tax															(1,224)	(1,549)
Profit for the period															181,039	150,845

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

15 Other income

Other income for the three-month period ended 31 March 2012 included net foreign exchange gain totaling Baht 100 million for the consolidated financial statements and Baht 28 million for the separate financial statements (2011: Baht 34 million for consolidated financial statement and Baht 20 million for separate financial statement)

16 Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate in respect of continuing operations for the three-month period ended 31 March 2012 was 0.6% (31 March 2011: 1.0%). This change in effective tax rate was caused mainly by the following factors:

- Reduction in the corporate income tax rate for 2012 and subsequent years pursuant to the Cabinet announcement on 11 October 2011.
- Unutilised tax losses brought forward from the previous periods have been utilised during the period to set-off against the current period's tax charge.
- A portion of a subsidiary's profit was derived from promoted activities for which are not subject to tax.

17 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the three-month periods ended 31 March 2012 and 2011 were based on the profit for the periods attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods as follows:

<i>Three-month periods ended 31 March</i>	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>179,282</u>	<u>152,169</u>	<u>84,283</u>	<u>109,315</u>
Number of ordinary shares outstanding at 1 January	472,224	471,067	472,224	471,067
<i>Less</i> Treasury shares/ Reduction of shares	<u>(8,170)</u>	<u>(4,150)</u>	<u>(8,170)</u>	<u>(4,150)</u>
Number of ordinary shares outstanding net of treasury shares/ reduction of shares	464,054	466,917	464,054	466,917
Effect from treasury shares repurchases during the period	-	(2,659)	-	(2,659)
Effect from ordinary shares issued during the period	-	134	-	134
Weighted average number of ordinary shares outstanding (basic)	<u>464,054</u>	<u>464,392</u>	<u>464,054</u>	<u>464,392</u>
Earnings per share (basic) <i>(in Baht)</i>	<u>0.39</u>	<u>0.33</u>	<u>0.18</u>	<u>0.24</u>

Diluted earnings per share

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

The calculation of diluted earnings per share for the three-month periods ended 31 March 2012 and 2011 were based on the profit for the period attributable to equity holders of the Company and the number of ordinary shares outstanding during the periods after adjusting for the effects of all diluted potential ordinary shares as follows:

<i>Three-month periods ended 31 March</i>	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	<u>179,282</u>	<u>152,169</u>	<u>84,283</u>	<u>109,315</u>
Weighted average number of ordinary shares outstanding (basic)	464,054	464,392	464,054	464,392
Effect of share warrants	-	625	-	625
Weighted average number of ordinary shares outstanding (diluted)	<u>464,054</u>	<u>465,017</u>	<u>464,054</u>	<u>465,017</u>
Earnings per share (diluted) (in Baht)	<u>0.39</u>	<u>0.33</u>	<u>0.18</u>	<u>0.24</u>

The company did not calculate the effect of share warrants for the three-month period ended 31 March 2012 because the exercise price of the Company's warrants was higher than the market value of ordinary shares.

18 Commitments and contingent liabilities

Commitments

	Consolidated financial statements		Separate financial statements	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
Unrecognised purchase orders for machinery and equipment	<u>71,951</u>	<u>25,393</u>	<u>26,540</u>	<u>14,470</u>
Total	<u>71,951</u>	<u>25,393</u>	<u>26,540</u>	<u>14,470</u>

On 26 October 2005, KCE America, Inc., an associated company, entered into an operating lease agreement for its office premises with a subsidiary of an associated company for a period of 15 years. As at 31 March 2012, the associated company had a commitment to pay the rental fee in the future under this agreement of approximately USD 1.5 million or equivalent to approximately Baht 46 million (31 December 2011: USD 1.5 million, Baht 48 million).

Consolidated financial statements	Separate financial statements
--	--

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	<i>(in thousand Baht)</i>			
<i>Non-cancellable operating lease and long-term service commitments</i>				
Within one year	32,985	31,596	14,618	17,313
After one year but within five years	1,922	2,608	1,051	1,520
Total	34,907	34,204	15,669	18,833

As of 31 March 2012, the Company and two subsidiaries had commitments in respect of installment and implementation of computer software with a subsidiary company amounting to Baht 7 million (the Company only: Baht 1 million)

Forward exchange contracts

	Consolidated financial statements		Separate financial statements	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	<i>(in thousand)</i>			
<i>Other commitments</i>				
<i>Forward exchange contracts</i>				
<i>Buy</i>				
US dollar	15,981	1,219	-	-
Yen	100,586	-	-	-
Euro	-	84	-	-
<i>Sell</i>				
US dollar	1,054	11,865	1,054	4,432
Euro	1,304	3,609	-	2,800

Cross currency and interest rate swap

As at 31 March 2012, the Company had a cross currency and interest rate swap agreement with a local financial institution for the period from 29 April 2011 to 30 January 2013 by which the Company agreed to swap the currency and interest rate of Baht 64 million using exchange rate of Baht 30.10 per 1 USD and swap a floating interest rate of THB MLR minus 1.50 to 2.00 percent per annum to US fixed interest rate of 3.47 percent per annum.

As at 31 March 2012, a subsidiary company had an interest rate swap agreement with a local financial institution for the period from 7 July 2011 to 7 July 2014 by which the subsidiary company agreed to swap the interest rate of its USD 6 million facilities from a floating interest rate of US LIBOR (3 months) plus fixed percent per annum to US fixed interest rate of 3.06 percent per annum.

Guarantees

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

As at 31 March 2012 and 31 December 2011, the Company and its subsidiaries had contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

Guarantee company	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	<i>(in thousand Baht)</i>			
KCE Electronics Plc.				
- Baht	-	-	175	288
K.C.E. International Co., Ltd.				
- Baht	96	107	-	-
- US dollar	4	4	-	-
KCE Technology Co., Ltd.				
- Baht	2,611	2,697	-	-
- US dollar	34	24	-	-

As at 31 March 2012, the Company and its subsidiaries had contingent liabilities in respect of bank guarantees issued on their behalf amounting to Baht 102 million (the Company only: Baht 31 million) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electricity payment.

Contingent liabilities

As at 31 March 2012, the Company had contingent liabilities in respect of specific business tax assessment from the Revenue Department's officer of Baht 4 million because the Company provided guarantee to a related party without fee. On 9 July 2009, the Central Tax Court announced a judgment which was in favour of the Company and overturned the assessment of officer and the Tax Appeal Board's judgment from the Revenue Department. Later on 7 September 2009, the Revenue Department lodged an appeal against the Central Tax Court's judgment and the Central Tax Court had issued a court receipt for such appeal. At present, the lawsuit is being considered by the Supreme Court. The Company's management believes that the Company will eventually win the case and has therefore not recorded any provision in the accounts.

19 Event after the reporting period

On 27 April 2012, the Annual General Meeting of the Company's shareholders approved the payment of dividend in respect of the Company's operating results for the period from 1 July 2011 to 31 December 2011 at Baht 0.10 per share to the ordinary shareholders, totaling approximately Baht 46.4 million. The Company will pay the dividend on 10 May 2012 and will record this transaction in the second quarter of the current year.

20 Reclassification of accounts

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2012 (Unaudited)

Certain accounts in the statement of financial position as at 31 December 2011 and the statement of comprehensive income for the three-month period ended 31 March 2011, which are included in the 2012 interim financial statements for comparative purposes, have been reclassified to conform to the presentation in the 2012 interim financial statements as follows:

	2011					
	Consolidated financial statements			Separate financial statements		
	Before Reclassi- fication	Reclassi- fication	After Reclassi- fication <i>(in million Baht)</i>	Before Reclassi- fication	Reclassi- fication	After Reclassi- fication
<i>Statement of financial position as at 31 December 2011</i>						
Other non-current assets	83	(80)	3	82	(80)	2
Liabilities under hire-purchase and finance lease agreements	(104)	<u>80</u>	(24)	(99)	<u>80</u>	(19)
		<u>-</u>			<u>-</u>	
<i>Statement of comprehensive income for the three-month period ended 31 March 2011</i>						
Revenue from sale of goods and rendering of service	-	(1,866)	(1,866)	-	(870)	(870)
Compensation from insurance claim	-	(17)	(17)	-	-	-
Other income	(125)	26	(99)	(33)	2	(31)
Revenue from sale of goods	(1,854)	1,854	-	(865)	865	-
Revenue from rendering of service	(6)	6	-	(4)	4	-
Cost of sale of goods and rendering of services	1,521	5	1,526	671	1	672
Selling expenses	143	(7)	136	63	(1)	62
Administrative expenses	123	2	125	-	-	-
Finance costs	45	<u>(3)</u>	42	11	<u>(1)</u>	10
		<u>-</u>			<u>-</u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Group's business.