

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2014 (Unaudited)

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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 6 May 2014.

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 Lumplatew, Khet Lat Krabang, Bangkok.

The Company’s major shareholders during the financial period were Ongkosit family (34% shareholding).

The principal activities of the Company are the manufacture and distribution of electric printed circuit board products. Details of the Company’s subsidiaries as at 31 March 2014 and 31 December 2013 are given in notes 4 and 7.

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 2012) *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 2013. 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 2013.

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 2013 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2014. The adoption of these new and revised TFRS did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group.

(b) Functional and presentation currency

The interim financial statements are presented in Thai Baht, which is the Company’s functional currency. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

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(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 2013.

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 were 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 covered 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 March 2014, the Group had outstanding insurance claim receivable of KCE Technology Co., Ltd. (subsidiary) of Baht 355 million and of KCE Electronics Public Company Limited of Baht 9.8 million.

For the three-month period ended 31 March 2014, the Group did not recognise compensation from insurance claim.

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 subsidiaries and associates entities are described in notes 6 and 7. Relationships with key management and other related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.
Thai Business Solution Co., Ltd.	Thai	As at 31 March 2013, 19% Shareholding and a director (31 March 2014: No relationship).

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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
Other incomes and other expenses	Prices agreed between the parties
Sales of property, plant and equipment	Net book value plus margin and 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	Net book value plus margin and prices agreed between the parties
Dividend income	As announced in the minute of shareholders' meeting
Associates	
Sales of goods	Market prices at which similar quality products are sold under same conditions
Other incomes and other expenses	Prices agreed between the parties.
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
Purchase of property, plant and equipment	Net book value plus margin and prices agreed between the parties
Other related party	
Purchase of intangible assets	Prices per job order for each product which are agreed between the parties

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Significant transactions for the three-month periods ended 31 March 2014 and 2013 with related parties were as follows:

<i>For the three-month periods ended 31 March</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in million Baht)</i>			
Subsidiaries				
Sales of goods	-	-	37	28
Rendering of service	-	-	2	16
Other income	-	-	8	4
Sales of property, plant and equipment	-	-	17	1
Purchases of goods	-	-	352	247
Purchases of property, plant and equipment	-	-	37	-
Other expenses	-	-	3	2
Associates				
Sales of goods	448	311	183	165
Purchases of raw material	107	72	54	29
Commission expense	22	19	8	7
Purchases of property, plant and equipment	1	4	1	2
Other related parties				
Purchase of intangible assets	-	1	-	1
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	26	17	10	8
Share-based payments	-	-	-	-
Total key management personnel compensation	<u>26</u>	<u>17</u>	<u>10</u>	<u>8</u>

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Balances as at 31 March 2014 and 31 December 2013 with related parties were as follows:

<i>Trade receivables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	30,317	9,324
K.C.E. International Co., Ltd.	-	-	8,773	8,368
KCE (Thailand) Co., Ltd.	-	-	9,551	8,123
Thai Laminate Manufacturer Co., Ltd.	-	-	735	837
Associates				
KCE America, Inc.	647,837	748,694	280,047	312,085
KCE Singapore Pte., Ltd.	35,032	69,087	9,743	24,192
Total	682,869	817,781	339,166	362,929

<i>Other receivables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	5,109	30,214
Chemtronic Technology (Thailand) Co., Ltd.	-	-	4,535	1,984
K.C.E. International Co., Ltd.	-	-	1,361	8,423
KCE (Thailand) Co., Ltd.	-	-	6	5
Thai Laminate Manufacturer Co., Ltd.	-	-	27	24
Associates				
KCE Singapore Pte., Ltd.	1,622	1,943	-	-
KCE America, Inc.	64	-	-	-
Total	1,686	1,943	11,038	40,650

<i>Trade payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	291,151	258,787
K.C.E. International Co., Ltd.	-	-	26,301	20,197
KCE Technology Co., Ltd.	-	-	148,945	121,594
Chemtronic Chemical Co., Ltd.	-	-	7,563	7,471
Associates				
KCE Taiwan Co., Ltd.	76,121	52,402	37,752	26,953
KCE Singapore Pte., Ltd.	27,056	26,000	20,827	21,184
Total	103,177	78,402	532,539	456,186

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<i>Other payables for purchase of machineries and equipment - related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	54,914	18,013
K.C.E. International Co., Ltd.	-	-	1,904	1,904
Associates				
KCE Taiwan Co., Ltd.	326	977	185	614
KCE Singapore Pte., Ltd.	-	3	-	-
Total	326	980	57,003	20,531

<i>Other payables - related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	1,127	8
Thai Laminate Manufacturer Co., Ltd.	-	-	20	20
K.C.E. International Co., Ltd.	-	-	120	-
Associates				
KCE Singapore Pte., Ltd.	38,481	35,102	4,043	2,765
KCE America, Inc.	177	-	-	-
Total	38,658	35,102	5,310	2,793

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 16 to the financial statements.

5 Trade and other receivables

	<i>Notes</i>	Consolidated financial statements		Separate financial statements	
		31 March 2014	31 December 2013	31 March 2014	31 December 2013
		<i>(in thousand Baht)</i>			
Trade receivable					
Related parties	4	682,869	817,781	339,166	362,929
Other parties		2,562,520	2,365,339	1,078,945	954,615
Total		3,245,389	3,183,120	1,418,111	1,317,544
<i>Less allowance for doubtful accounts</i>		-	-	-	-
Net		3,245,389	3,183,120	1,418,111	1,317,544
Other receivables					
Related parties	4	1,686	1,943	11,038	40,650
Other parties		51,448	31,147	30,662	7,806
Total		53,134	33,090	41,700	48,456
Total trade and other receivables		3,298,523	3,216,210	1,459,811	1,366,000

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6 Investments in associates

	Consolidated financial statements Equity Method		Separate financial statements Cost Method	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<i>Three-month periods ended 31 March</i>				
	<i>(in thousand Baht)</i>			
Associates				
At 1 January	98,795	77,674	3,962	3,962
Share of profit from investment in associates using equity method	11,449	3,626	-	-
Foreign currency translation differences for foreign operations	(720)	(1,743)	-	-
At 31 March	<u>109,524</u>	<u>79,557</u>	<u>3,962</u>	<u>3,962</u>

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Investments in associates as at 31 March 2014 and 31 December 2013 were as follows:

Consolidated financial statements										
	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Equity	
			31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013
			(%)				(in thousand Baht)			
Associates										
KCE America, Inc.	(1)	America	50.00	50.00	USD 50,000	USD 50,000	644	644	59,994	58,012
KCE Singapore Pte., Ltd.	(1)	Singapore	49.00	49.00	SGD 500,000	SGD 500,000	4,201	4,201	33,947	29,871
KCE Taiwan Co., Ltd.	(2)	Taiwan	49.00	49.00	NTD 3,000,000	NTD 3,000,000	1,540	1,540	15,583	10,912
Total							6,385	6,385	109,524	98,795

- (1) The overseas sale representative sold to the Group
(2) The overseas supply raw materials and machineries representative sold to the Group

Share of profit from investments for the three-month period ended 31 March 2014 in the above three associates was calculated by using the unreviewed financial statements of those associates as the management of the Company considered that the share of profit from investments of the said associates has no material impact to the consolidated financial statements of the Company and its subsidiaries and the said associates 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.

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Separate financial statements

	Ownership interest		Paid-up capital		Cost		Impairment		Equity – net	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	(%)						<i>(in thousand Baht)</i>			
Associates										
KCE America, Inc.	25.0	25.0	USD 50,000	USD 50,000	322	322	-	-	322	322
KCE Singapore Pte., Ltd.	24.5	24.5	SGD 500,000	SGD 500,000	2,100	2,100	-	-	2,100	2,100
KCE Taiwan Co., Ltd.	49.0	49.0	NTD 3,000,000	NTD 3,000,000	1,540	1,540	-	-	1,540	1,540
Total					3,962	3,962	-	-	3,962	3,962

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7 Investments in subsidiaries

<i>Three-month periods ended 31 March</i>	Separate financial statements	
	2014	2013
	<i>(in thousand Baht)</i>	
At 1 January	2,397,008	2,396,121
Disposals	(6,000)	-
At 31 March	<u>2,391,008</u>	<u>2,396,121</u>

As the Board of Directors meeting's resolution on 18 February 2014 approved the sale of 12,000 shares or 2.5% interest in the issued and paid up capital in Chemtronics Technology (Thailand) Company Limited, a subsidiary, to a management of the subsidiary in order to promote business alliance and support long term operation at Baht 550 per share, totaling Baht 6.6 million (the offered price is higher than the subsidiary's net book value as of 31 December 2013 and 31 March 2014). The Company sold the said investment in March 2014, reducing the Company's total interest in the said subsidiary to 94.75% of the issued and paid up capital.

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Investments in subsidiaries as at 31 March 2014 and 31 December 2013, and dividend income from those investments for the three-month periods ended 31 March 2014 and 2013 were as follows:

	Type of business	Ownership interest		Paid-up capital		Cost		Warrant granted to subsidiaries' directors and employees		Total		Dividend Income	
		31	31	31	31	31	31	31	31	31	31	31	31
		March	December	March	December	March	December	March	December	March	December	March	March
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
		(%)						(in thousand Baht)					
Subsidiaries													
KCE Technology Co., Ltd.	(1)	100.00	100.00	1,600,000	1,600,000	1,600,000	1,600,000	4,265	4,265	1,604,265	1,604,265	-	-
K.C.E.International Co., Ltd.	(1)	99.99	99.99	100,000	100,000	185,395	185,395	1,979	1,979	187,374	187,374	-	-
Chemtronic Technology (Thailand) Co., Ltd.	(2)	94.75	97.25	48,000	48,000	227,810	233,810	-	-	227,810	233,810	-	-
Thai Laminate Manufacturer Co., Ltd.	(3)	74.80	74.80	250,000	250,000	368,460	368,460	815	815	369,275	369,275	-	-
KCE (Thailand) Co., Ltd.	(4)	60.00	60.00	3,600	3,600	2,160	2,160	124	124	2,284	2,284	-	-
Total						2,383,825	2,389,825	7,183	7,183	2,391,008	2,397,008	-	-
Indirect Subsidiaries													
Chemtronic Chemical Co., Ltd.	(2)	93.57	96.03	4,800	4,800	-	-	-	-	-	-	-	-

- (1) The manufacture and distribution of electric printed circuit board products
- (2) The manufacture and distribution of chemicals products
- (3) The manufacture and distribution of prepreg and laminate products
- (4) The domestic sale representative

All subsidiaries entities were incorporated in Thailand.

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8 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the three-month period ended 31 March 2014 were as follows:

For the three-month period ended 31 March 2014

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
Net book value at 1 January 2014	5,342,747	1,214,187
Acquisitions during the period - cost	264,491	157,768
Disposals during the period - Net book values at the date	(83,969)	(19,506)
Depreciation for the period	(133,120)	(30,427)
Loss on decline in values	(38,985)	(6,451)
Net book value at 31 March 2014	5,351,164	1,315,571

- 8.1 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 The subsidiaries of the Company have mortgaged and pledged the following property, plant and equipment.
- 8.2.1 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 2014 of Baht 628 million (*31 December 2013: Baht 638 million*), as collateral for bank overdrafts and loans from banks, as described in Note 9.
- 8.2.2 Chemtronics Technology (Thailand) Co., Ltd. has mortgaged its land with a total net book value as at 31 March 2014 of Baht 68.6 million (*31 December 2013: Baht 68.6 million*), as collateral for loans from banks, as described in Note 9.

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9 Interest bearing liabilities

	Interest rate (% per annum)	Consolidated financial statements		Separate financial statements	
		31 March 2014	31 December 2013	31 March 2014	31 December 2013
		<i>(in thousand Baht)</i>			
Current					
Bank overdrafts - secured	(1)	-	-	-	-
Short-term loans from financial institutions - secured	(2)	80,000	183,445	30,000	30,000
Packing credit - secured	(3)	2,288,683	2,506,312	650,363	810,028
Trust Receipt - secured	(3)	565,613	529,983	33,970	58,932
Total bank overdraft and short-term loans from financial institutions		<u>2,934,296</u>	<u>3,219,740</u>	<u>714,333</u>	<u>898,960</u>
Current portion of liabilities under hire-purchase and finance lease liabilities		8,217	5,720	4,967	3,484
Current portion of long-term loans - secured		734,683	843,513	240,635	282,081
Total current interest-bearing liabilities		<u>3,677,196</u>	<u>4,068,973</u>	<u>959,935</u>	<u>1,184,525</u>
Non-current					
Liabilities under hire-purchase and finance lease agreements		11,089	4,223	5,155	1,959
Long-term loans - secured		798,951	778,632	513,573	366,198
Total non-current interest-bearing liabilities		<u>810,040</u>	<u>782,855</u>	<u>518,728</u>	<u>368,157</u>
Total		<u>4,487,236</u>	<u>4,851,828</u>	<u>1,478,663</u>	<u>1,552,682</u>

(1) “Minimum Loan Rate” and “Minimum Overdraft Rate”

(2) “Money Market Rate”

(3) “SIBOR plus rates as mutually agreed in each period” and “Money Market Rate”

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

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

9.3 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 land and construction thereon and the pledge of most of machinery of such subsidiary company.

9.4 Under the long-term loans agreement from financial institutions of KCE Electronics Public Company Limited, the Company has to comply with certain conditions, including maintaining interest bearing debt to equity ratio of not more than 3:1 and debt service coverage ratio (DSCR) of not less than 1.1 :1.

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- 9.5 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 rates as specified in agreements. 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.
- 9.6 Long-term loans from financial institutions of Chemtronic Technology (Thailand) Co., Ltd., a subsidiary, are secured by mortgage of the subsidiary's land. 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 1.

Movements during the three-month period ended 31 March 2014 of long-term loans were as follows:

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
At 1 January 2014	1,622,145	648,279
Increase	200,130	200,130
Decrease	(275,443)	(89,354)
Unrealised gain on exchange rate	(13,198)	(4,847)
At 31 March 2014	<u>1,533,634</u>	<u>754,208</u>

10 Trade and other payables

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	31 March 2014	31 December 2013	31 March 2014	31 December 2013
		<i>(in thousand Baht)</i>			
Trade payables					
- related parties	4	103,177	78,402	532,539	456,186
- other parties		1,264,291	1,162,944	257,801	246,009
Other payables for purchase of machineries and equipment					
- related parties	4	326	980	57,003	20,531
- other parties		221,313	418,485	116,979	199,181
Other payables					
- related parties	4	38,658	35,102	5,310	2,793
- other parties		81,605	82,746	21,930	27,968
Accrued expenses		531,467	394,138	172,174	112,137
Total trade and other payables		<u>2,240,837</u>	<u>2,172,797</u>	<u>1,163,736</u>	<u>1,064,805</u>

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11 Share capital

Three-month periods ended
31 March

	Par value per share (in Baht)	2014		2013	
		Number	Baht	Number	Baht
<i>Authorised</i>					
At 1 January					
- ordinary shares	1	578,422	578,422	491,830	491,830
At 31 March					
- ordinary shares	1	578,422	578,422	491,830	491,830
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	1	480,495	480,495	472,601	472,601
Issue of new shares	1	68,543	68,543	2,395	2,395
At 31 March					
- ordinary shares	1	549,038	549,038	474,996	474,996

12 Share warrants

Share warrants ESOP-W3 and ESOP-W4

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. All these warrants had been exercised and cancelled in 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. The fair value of the warrants granted "ESOP-W4" was Baht 1.238.

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On 29 April 2013, the Annual General Meeting of the Company's shareholders passed a resolution approving the adjusted the exercise price and exercise ratio of ESOP-W3 and ESOP-W4 as follows:

ESOP-W3

	Prior to the Adjustment	Following the Adjustment
Exercise Price	6.860	5.904
Exercise Ratio	1 unit : 1 share	1 unit : 1.16199 shares

ESOP-W4

	Prior to the Adjustment	Following the Adjustment
Exercise Price	7.810	6.721
Exercise Ratio	1 unit : 1 share	1 unit : 1.16199 shares

The said adjustment was effective since 7 May 2013 onward. The adjustment resulted to the incremental fair value of ESOP-W4 of Baht 1.4 million.

Movements of share warrants ESOP-W3 and ESOP-W4 during the three-month periods ended 31 March 2014 and 2013 are summarised below:

	2014		2013	
	Number	Baht	Number	Baht
	<i>(in thousand shares/thousand Baht)</i>			
Warrants issued at 1 January	380	683	4,253	4,009
Less: Exercised during the period	(15)	(34)	(2,395)	(2,297)
Canceled during period	(365)	(649)	-	-
Warrants issued at 31 March	-	-	1,858	1,712

In March 2013, the Company received share subscription from ESOP-W3 for 540,000 additional ordinary shares of Baht 6.86 each share and from ESOP-W4 for 1,855,000 additional ordinary shares of Baht 7.81 each share supporting the exercise of the warrants, totaling of Baht 18.2 million. The Company registered the said increase of new shares with the Ministry of Commerce on 22 March 2013.

In March 2014, the Company received share subscription from ESOP-W4 for 15,000 warrants or equivalent to 17,400 additional ordinary shares of Baht 6.721 each share supporting the exercise of the warrants, totaling of Baht 0.1 million. The Company registered the said increase of new shares with the Ministry of Commerce on 17 March 2014.

On 18 March 2014, the Board of Director of the Company passed a resolution revising the final exercise date of share warrants ESOP-W4, which were issued and allocated to directors and employees, from 10 March 2017 to 31 March 2014 resulted in canceling share warrants 365,000 warrants.

As at 31 December 2013, share warrants outstanding consists of share warrants of ESOP-W4 project of 380,000 units (*31 March 2014: nil*).

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Share warrants KCE-W2

On 29 April 2013, the Company's shareholders at the Annual General Meeting approved the issue and offering of warrants to purchase ordinary shares of the Company (KCE-W2) in the amount not exceeding 115,248,942 units to its existing shareholders in proportion to their shareholdings (Rights Offering) at the ratio of 4 ordinary shares to 1 unit of warrant without any charge and at the exercise price of Baht 5 per share.

On 17 June 2013, the Company allocated the Company's warrants (KCE-W2). The warrants are exercisable within 3 years from the issuing date at the exercise price of Baht 5 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, starting from 1 to 10 September 2013 and with a final exercise date at 10 June 2016.

Movements of share warrants KCE-W2 during the period ended 31 March 2014 are summarised below:

	Number (in thousand unit)
Warrants issued at 1 January 2014	96,910
Less: Exercised during the period	<u>(68,525)</u>
Warrants issued at 31 March 2014	<u><u>28,385</u></u>

In March 2014, the Company received share subscription from KCE-W2 for 68,525,052 additional ordinary shares of Baht 5.00 each share supporting the exercise of the warrant, totaling of Baht 342.6 million. The Company registered the said increase of new shares with the Ministry of Commerce on 17 March 2014.

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13 Segment information

The Company and its subsidiaries' operations mainly involve business segments in prepreg and laminate products, printed circuit board products and chemical products with production facilities in Thailand and operate in both local and overseas markets. Financial information of the Company and its subsidiaries by business for the three-month periods ended 31 March 2014 and 2013 are as follows:

	Consolidated financial statements															
	For the three-month periods ended 31 March 2014 and 2013															
	Prepreg and Laminate business		Printed Circuit Board business								Chemical business		Eliminating entries		Total	
	2014	2013	America		Europe		Asia		Total		2014	2013	2014	2013	2014	2013
			2014	2013	2014	2013	2014	2013	2014	2013						
	<i>(in thousand Baht)</i>															
Revenues from external customers	17,831	12,873	420,443	271,316	1,502,385	1,044,835	753,578	628,847	2,676,406	1,944,998	70,878	41,728	-	-	2,765,115	1,999,599
Inter-segment revenues	494,721	378,837	-	-	-	-	331,651	238,077	331,651	238,077	18,788	15,655	(845,160)	(632,569)	-	-
Total revenues	512,552	391,710	420,443	271,316	1,502,385	1,044,835	1,085,229	866,924	3,008,057	2,183,075	89,666	57,383	(845,160)	(632,569)	2,765,115	1,999,599
Segment operating profit	97,424	49,217							757,382	374,052	35,008	15,084	(17,536)	6,330	872,278	444,683
Unallocated profit and expenses:																
Other income															41,237	133,060
Selling expenses															(152,630)	(126,335)
Administrative expenses															(290,328)	(141,079)
Finance cost															(32,223)	(38,574)
Share of profit from investments in associates															11,449	3,626
Corporate income tax															(7,235)	(2,109)
Profit for the period															442,548	273,272
Segment assets as at 31 March																
2014/31 December 2013	<u>1,380,425</u>	<u>1,239,709</u>							<u>15,014,755</u>	<u>14,203,311</u>	<u>295,417</u>	<u>275,910</u>	<u>(4,911,716)</u>	<u>(4,434,688)</u>	<u>11,778,881</u>	<u>11,284,242</u>

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14 Gain on exchange rate and from hedging activities

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Included in other income				
- Gain on exchange rate and from hedging activities - net	28,566	118,363	9,413	16,199

15 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the three-month periods ended 31 March 2014 and 2013 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	
	2014	2013	2014	2013
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>439,427</u>	<u>271,848</u>	<u>104,981</u>	<u>56,278</u>
Number of ordinary shares outstanding at 1 January	480,495	472,601	480,495	472,601
<i>Less</i> Treasury shares/ Reduction of shares	-	(14,000)	-	(14,000)
Number of ordinary shares outstanding net of treasury shares/ reduction of shares	480,495	458,601	480,495	458,601
Effect from ordinary shares issued during the period	11,424	266	11,424	266
Weighted average number of ordinary shares outstanding (basic)	<u>491,919</u>	<u>458,867</u>	<u>491,919</u>	<u>458,867</u>
Earnings per share (basic) (in Baht)	<u>0.89</u>	<u>0.59</u>	<u>0.21</u>	<u>0.12</u>

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Diluted earnings per share

The calculations of diluted earnings per share for the three-month periods ended 31 March 2014 and 2013 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 after adjusting for the effects of all dilutive potential ordinary shares as follows:

<i>Three-month periods ended</i> <i>31 March</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	439,427	271,848	104,981	56,278
Weighted average number of ordinary shares outstanding (basic)	491,919	458,867	491,919	458,867
Effect of share warrants	68,416	1,658	68,416	1,658
Weighted average number of ordinary shares outstanding (diluted)	560,335	460,525	560,335	460,525
Earnings per share (diluted) (in Baht)	0.78	0.59	0.19	0.12

16 Commitments

Commitments

	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
Contracted but not provided				
Buildings and other constructions	1,251,847	737,316	1,251,847	737,316
Unrecognised purchase orders for machinery and equipment	536,480	406,714	373,477	292,834
Total	1,788,327	1,144,030	1,625,324	1,030,150

	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	<i>(in thousand Baht)</i>			
<i>Non-cancellable operating lease and long-term service commitments</i>				
Within one year	52,808	38,486	18,998	1,871
After one year but within five years	20,483	25,648	2,367	2,766
Total	73,291	64,134	21,365	4,637

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Forward exchange contracts

As at 31 March 2014, the Group had outstanding forward exchange contracts as follows:

Consolidated financial statements			
Currency	Amount (<i>Thousand</i>)	Maturity date	Contract exchange rate (<i>Per unit of foreign currency</i>)
Buying contract			
US dollar	11,663	18 April 2014 – 11 September 2014	32.3399 – 33.2839 Baht
US dollar	257	28 April 2014	0.7245 Euro
Selling contract			
US dollar	2,288	22 May 2014 – 28 August 2014	31.9600 – 33.2730 Baht
Euro	245	17 June 2014	44.4336 Baht

Separate financial statements			
Currency	Amount (<i>Thousand</i>)	Maturity date	Contract exchange rate (<i>Per unit of foreign currency</i>)
Buying contract			
US dollar	257	28 April 2014	0.7245 Euro
US dollar	2,765	4 August 2014	33.2839 Baht

Commodity hedge agreements

As at 31 March 2014, the Company and its subsidiaries had outstanding copper swap agreements, of which details are presented below.

Type of goods	Quantity (<i>Ton</i>)	Contract price (<i>US dollar per ton</i>)	Commodity's market price as at 31 March 2014	Maturity date
Copper	210	6,460 - 6,750	6,636	31 July – 31 December 2014

Cross interest rate swap

Thai Laminate Manufacturer Co., Ltd., 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 % per annum. As at 31 March 2014, the outstanding balance of such agreement was USD 1 million (31 December 2013: the outstanding balance was USD 1.5 million).

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Guarantees

As at 31 March 2014 and 31 December 2013, 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 2014	31 December 2013	31 March 2014	31 December 2013
	<i>(in million Baht)</i>			
KCE Electronics Plc.				
- Baht	-	-	74	62
K.C.E. International Co., Ltd.				
- Baht	93	115	-	-
- US dollar	2	2	-	-
KCE Technology Co., Ltd.				
- Baht	2,139	2,097	-	-
- US dollar	21	27	-	-

As at 31 March 2014, the Company and its subsidiaries had contingent liabilities in respect of bank guarantees issued on their behalf amounting to Baht 74 million (the Company only: Baht 32 million) (31 December 2013: Consolidated financial statements: Baht 73 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.

17 Events after the reporting period

17.1 Approval of dividend payment

On 29 April 2014, the Company's shareholders at the Annual General Meeting approved the payment of dividend in respect of the Company's operating results for the period from 1 July 2013 to 31 December 2013 at Baht 0.50 per share to the ordinary shareholders. The Company will pay the dividend on 15 May 2014 and will record this transaction in the second quarter of the current year.

17.2 Approval of reduction of the Company's authorised share capital

On 29 April 2014, the Company's shareholders at the Annual General Meeting approved the reduction of the Company's authorised share capital in the amount of Baht 995,071 from the authorised share capital of Baht 578,421,582 to Baht 577,426,511 by cancelling 995,071 unissued ordinary shares with Baht 1 par value per share.

17.3 Approval of issue and allocation of warrants

On 29 April 2014, the Company's shareholders at the Annual General Meeting approved the issuance and allocation of warrants to purchase ordinary shares of the Company in the amount not exceeding 10,000,000 units to the directors, managements and employees of the Company and its subsidiaries (ESOP-W5). The warrant's offering price is zero per unit and the exercise price is set at the weighted average of Company's share price trading in stock exchange of Thailand, during 15 consecutive business days before the 2014 Annual General Meeting, with no discount.

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On 29 April 2014, the meeting of the Board of Directors of the Company approved to set the date or the issuance of the ESOP-W5 in the amount 10,000,000 units on 30 April 2014. ESOP-W5 Holders will be able to exercise their rights to purchase the Company's ordinary shares every quarter during the date of 1-5 of March, June, September and December. The first exercise date shall be on 1-5 June 2014 and the last exercise date shall be on the 3 years maturity date of ESOP-W5, on 29 April 2017.

17.4 Approval of increase of the Company's authorised share capital

On 29 April 2014, the Company's shareholders at the Annual General Meeting approved the increase of the Company's authorised share capital in the amount of Baht 10,000,000 from the authorised share capital of Baht 577,426,511 to Baht 587,426,511 by issuing 10,000,000 new ordinary shares at Baht 1 par value per share.

17.5 Approval of the allocation of new ordinary shares

On 29 April 2014, the Company's shareholders at the Annual General Meeting approved the allocation of not exceeding 10,000,000 new ordinary shares at Baht 1 par value per share to reserve for the exercise of Warrants to purchase ordinary shares of the Company (ESOP-W5).