

KCE Electronics Public Company Limited and its subsidiaries
Notes to interim financial statements
For the three-month periods ended 31 March 2011 and 2010

1. General information

1.1 Corporate information of the Company and its subsidiaries

KCE Electronics Public Company Limited (“the Company”) was incorporated as a limited company under Thai law and was transformed to be a public limited company under the Public Limited Companies Act on 21 December 1992. The Company operates in Thailand and its principal activity is the manufacture and distribution of printed circuit board products, with the registered address at No. 125-125/1, 1 Moo 4 Lat Krabang Industrial Estate, Kwang Lumplatew, Khet Lat Krabang, Bangkok.

The Company has the subsidiaries as follows:

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

K.C.E. International Co., Ltd. was incorporated as a limited company under Thai law, with the registered address at No. 677 Moo 4 Export Processing Zone, Bangpoo Industrial Estate, Sukhumvit Road, Tambon Phraksa, Amphur Muang, Samutprakarn Province. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of printed circuit board products.

Thai Laminate Manufacturer Co., Ltd. was incorporated as a limited company under Thai law, with the registered address at No. 115/2 Moo 4 Export Processing Zone, Lat Krabang Industrial Estate, Kwang Lumplatew, Khet Lat Krabang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of prepreg and laminate products to the Company and two subsidiary companies (K.C.E. International Co., Ltd. and KCE Technology Co., Ltd).

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

Thai Business Solution Co., Ltd. was incorporated as a limited company under Thai law, with the registered address at No. 100/61, 21st Floor, Vongvanich Building, Rama 9 Road, Tambon Huaykwang, Khet Huaykwang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is a service provider for computer system implementation and support.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards No. 34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language financial statements.

1.3 Basis of consolidation

These consolidated financial statements include the financial statements of KCE Electronics Public Company Limited (hereinafter called "the Company") and its subsidiaries (hereinafter called "the subsidiaries") and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2010, with no change in the group structure during the current period.

The group structure as at 31 March 2011 and 31 December 2010 was detailed below.

Company's name	Percentage of shareholding		Subsidiary's assets as a percentage to the consolidated total assets as at		Subsidiary's revenues as a percentage to the consolidated total revenues for the three-month periods ended	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010	31 March 2011	31 March 2010
	KCE Technology Co., Ltd.	100.00	100.00	52	53	45
K.C.E. International Co., Ltd.	99.99	99.99	8	8	8	8
Thai Laminate Manufacturer Co., Ltd. (74.80% held by the Company and 25.20% held by K.C.E. International Co., Ltd.)	100.00	100.00	10	9	2	1
KCE (Thailand) Co., Ltd.	60.00	60.00	1	1	4	3
Thai Business Solution Co., Ltd.	49.00	49.00	-	-	-	-

1.4 Application of new accounting standards during the period

During the current period, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share

TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements for the current period, except for the following accounting standard.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current period. The change has the effect of decreasing the profit of the Company and its subsidiaries for the three-month period ended 31 March 2011 by Baht 2.0 million, or Baht 0.004 per share (Separate financial statement: decreasing profit by Baht 0.9 million, or Baht 0.002 per share). The cumulative effect of the changes in the accounting policy has been presented in Note 2 to the financial statements.

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2010, except for the changes in the following accounting policies due to the adoption of revised and new accounting standards.

Employee benefits

Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the projected unit credit method. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current period.

2. Cumulative effect of changes in accounting policies due to the adoption of new accounting standards

During the current period, the Company made the changes to its significant accounting policies described in Note 1.5 to the financial statements, as a result of the adoption of revised and new accounting standards. The changes have the cumulative effect of decreasing the beginning balance of retained earnings of the Company and its subsidiaries by Baht 62.8 million (the Company only: Baht 36.7 million). The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

3. New accounting standards issued during the period not yet effective

During the current period, the Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

4. Trade accounts receivable

The balance of trade accounts receivable as at 31 March 2011 and 31 December 2010, aged on the basis of due date, was as follows:

Age of receivables	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
<u>Trade accounts receivable - related parties</u>				
Not yet due	300,341	268,446	208,033	158,143
Past due				
Up to 3 months	53,067	76,672	54,752	79,959
3 - 6 months	737	4	10	272
Total trade accounts receivable				
- related parties	354,145	345,122	262,795	238,374
<u>Trade accounts receivable - unrelated parties</u>				
Not yet due	1,271,854	1,031,236	549,417	421,017
Past due				
Up to 3 months	180,587	151,923	91,152	108,957
3 - 6 months	435	613	209	-
6 - 12 months	197	956	-	-
Over 12 months	1,400	1,285	-	-
Total trade accounts receivable -				
unrelated parties	1,454,473	1,186,013	640,778	529,974
Total trade accounts receivable	1,808,618	1,531,135	903,573	768,348
Less: Allowance for doubtful accounts	(254)	(165)	(224)	(136)
Trade accounts receivable - net	1,808,364	1,530,970	903,349	768,212

5. Related party transactions

During the periods, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of businesses and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the three-month periods ended 31 March		For the three-month periods ended 31 March		
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
<i><u>Transactions with subsidiaries</u></i> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	75.7	115.2	Market prices and prices per job order for each product which are agreed between the parties
Service income	-	-	3.7	6.7	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	-	0.2	Net book value plus margin and prices agreed between the parties
Other income	-	-	2.0	1.4	Price agreed between the parties
Purchases of goods	-	-	256.8	199.1	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	1.4	1.2	Prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	268.6	341.5	140.5	137.4	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	15.5	23.2	4.1	6.6	Market prices at which similar quality products are purchased under same conditions
Commission expense	14.6	13.3	6.9	5.6	At the agreed rates between the parties which is general rate for the same business
Purchases of fixed assets	-	-	-	0.3	Prices agreed between the parties

As at 31 March 2011 and 31 December 2010, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2011	2010	2011	2010
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	80,023	67,915
K.C.E. International Co., Ltd.	-	-	6,612	5,603
KCE (Thailand) Co., Ltd.	-	-	2,547	4,175
Thai Laminate Manufacturer Co., Ltd.	-	-	819	917
Total trade accounts receivable - subsidiaries	-	-	90,001	78,610
Associated companies				
KCE America, Inc.	291,618	304,108	132,134	131,605
KCE Singapore Pte., Ltd.	62,527	41,014	40,660	28,159
Total trade accounts receivable - associated companies	354,145	345,122	172,794	159,764
Total trade accounts receivable - related parties	354,145	345,122	262,795	238,374
<u>Amounts due from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	593	35
K.C.E. International Co., Ltd.	-	-	398	-
Thai Laminate Manufactures Co., Ltd.	-	-	262	7
Thai Business Solution Co., Ltd.	-	-	163	-
KCE (Thailand) Co., Ltd.	-	-	5	-
Total amounts due from subsidiaries	-	-	1,421	42
Associated company				
KCE Singapore Pte., Ltd.	-	75	-	-
Total amounts due from associated company	-	75	-	-
Total amounts due from related parties	-	75	1,421	42
<u>Dividend receivable from related party</u>				
Subsidiary				
K.C.E. International Co., Ltd.	-	-	66,496	66,496
Total dividend receivable from related party	-	-	66,496	66,496

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2011	2010	2011	2010
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	244,781	242,866
K.C.E. International Co., Ltd.	-	-	54,998	36,587
KCE Technology Co., Ltd.	-	-	36,094	40,135
Total trade accounts payable - subsidiaries	-	-	335,873	319,588
Associated company				
KCE Singapore Pte., Ltd.	23,676	14,081	13,449	11,084
Total trade accounts payable - associated company	23,676	14,081	13,449	11,084
Total trade accounts payable - related parties	23,676	14,081	349,322	330,672
<u>Amounts due to and advances from related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	761	-
Thai Business Solution Co., Ltd.	-	-	655	3,875
K.C.E. International Co., Ltd.	-	-	228	-
Total amounts due to and advances from subsidiaries	-	-	1,644	3,875
Associated company				
KCE Singapore Pte., Ltd.	12,048	12,140	2,132	1,524
Total amounts due to and advances from associated company	12,048	12,140	2,132	1,524
Total amounts due to and advances from related parties	12,048	12,140	3,776	5,399

Directors' and management's remuneration

During the three-month periods ended 31 March 2011 and 2010, the Company and its subsidiaries had salaries, bonus, meeting allowances and other remuneration of their directors and management recognised as expenses totaling Baht 17.3 million and Baht 14.8 million, respectively (the Company only: Baht 7.7 million and Baht 7.1 million, respectively).

(Unaudited but reviewed)

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 16.4 to the financial statements.

6. Allowance for diminution in value of inventories and inventory obsolescence

Movements in the allowance for diminution in value of inventories and inventory obsolescence account during the three-month period ended 31 March 2011 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2011	44,205	17,607
Add: Allowance for diminution in value of inventories and inventory obsolescence made during the period	<u>6,092</u>	<u>1,744</u>
Balance as at 31 March 2011	<u>50,297</u>	<u>19,351</u>

7. Investments in subsidiaries

Investments in subsidiaries as shown in the separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Separate financial statements					
	Paid-up capital		Shareholding percentage		Carrying amounts based on cost method	
	31 March 2011	31 December 2010	31 March 2011 (%)	31 December 2010 (%)	31 March 2011	31 December 2010
KCE Technology Co., Ltd.	1,400,000	1,400,000	100.00	100.00	1,400,000	1,400,000
K.C.E. International Co., Ltd.	100,000	100,000	99.99	99.99	185,396	185,396
Thai Laminate Manufacturer Co., Ltd.	250,000	250,000	74.80	74.80	368,460	368,460
KCE (Thailand) Co., Ltd.	3,600	3,600	60.00	60.00	2,160	2,160
Thai Business Solution Co., Ltd.	3,000	3,000	49.00	49.00	<u>1,470</u>	<u>1,470</u>
Total					<u>1,957,486</u>	<u>1,957,486</u>

During the three-month periods ended 31 March 2011 and 2010, there was no dividend received from the subsidiaries.

8. Investments in associates

(Unit: Thousand Baht)

		Consolidated financial statements						
Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Carrying amounts based on equity method	
			31 March 2011	31 December 2010	31 March 2011	31 December 2010	31 March 2011	31 December 2010
			(%)	(%)				
KCE America, Inc.	Foreign sale representative of the Company and its affiliates	United States of America	50.00	50.00	644	644	51,574	50,660
KCE Singapore Pte., Ltd.	Foreign sale representative of the Company and its affiliates	Singapore	49.00	49.00	4,201	4,201	26,884	26,156
Total					4,845	4,845	78,458	76,816

(Unit: Thousand Baht)

Company's name	Separate financial statements			
	Shareholding percentage		Cost	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
	(%)	(%)		
KCE America, Inc.	25.00	25.00	322	322
KCE Singapore Pte., Ltd.	24.50	24.50	2,100	2,100
Total			2,422	2,422

During the three-month periods ended 31 March 2011 and 2010, there was no dividend received from the associated companies.

For the three-month periods ended 31 March 2011 and 2010, share of income (loss) from investments in the above two associated companies was calculated from the interim financial statements which had not been reviewed by the auditors 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.

9. Property, plant and equipment

Movements in the property, plant and equipment account during the three-month period ended 31 March 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Net book value as at 1 January 2011	5,308,170	1,261,886
Acquisitions during the period - at cost	41,754	16,880
Disposals/write-off during the period - net book value at disposal/write-off date	(8,083)	(118)
Depreciation for the period	(143,589)	(40,287)
Reversal of allowance for impairment of fixed assets	8,128	-
Net book value as at 31 March 2011	<u>5,206,380</u>	<u>1,238,361</u>

9.1 The Company and its two subsidiaries, which are K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into the negative pledge memorandums as 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.

9.2 The subsidiaries have mortgaged and pledged the following property, plant and equipment.

9.2.1 Thai Laminate Manufacturer Co., Ltd. has mortgaged its construction and pledged its machinery with a total net book value as at 31 March 2011 of Baht 267.8 million as collateral for loans from banks, as described in Note 12.

9.2.2 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 2011 of Baht 1,808.0 million as collateral for bank overdrafts and loans from banks, as described in Note 11 and 12.

(Unaudited but reviewed)

- 9.3 During the period, subsidiaries had capitalised interest expenses as part of costs of machinery and equipment under installation with the capitalisation rate as follows:

	Consolidated financial statements	
	For the three-month periods ended 31 March	
	2011	2010
Interest expenses capitalised as cost (Thousand Baht)	49	-
Capitalisation rate (percent)	1.64 - 1.96	-

10. Intangible assets

Movements in intangible assets, which are computer software, during the three-month period ended 31 March 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2011	75,359	53,656
Acquisitions during the period - at cost	6,266	1,425
Amortisation for the period	(1,983)	(942)
Net book value as at 31 March 2011	79,642	54,139

11. Bank overdrafts and short-term loans from financial institutions

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Bank overdrafts	49,334	6,545	-	6,545
Short-term loans	200,000	212,875	150,000	100,625
Packing credits	2,694,494	2,584,913	890,652	886,913
Trust receipts	263,651	364,709	44,828	66,758
Total	3,207,479	3,169,042	1,085,480	1,060,841

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

(Unaudited but reviewed)

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

11.3 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 most of land and construction thereon and the pledge of most of machinery of the subsidiary.

12. Long-term loans

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Euro portion (Consolidated: 31 December 2010: Euro 0.18 million)	-	7,405	-	-
Baht portion	1,382,402	1,479,890	120,374	133,494
Total	1,382,402	1,487,295	120,374	133,494
Less: Current portion	(387,052)	(397,407)	(46,980)	(47,230)
Long-term loans - net of current portion	<u>995,350</u>	<u>1,089,888</u>	<u>73,394</u>	<u>86,264</u>

Movements in the long-term loan account during the three-month period ended 31 March 2011 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2011	1,487,295	133,494
Less: Repayment during the period	<u>(104,893)</u>	<u>(13,120)</u>
Balance as at 31 March 2011	<u>1,382,402</u>	<u>120,374</u>

12.1 Long-term loans from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, are secured by mortgage and negative pledge of the subsidiary's construction and machinery.

12.2 Long-term loans from banks of KCE Technology Co., Ltd., a subsidiary company, are Baht loans which carry interest at the rates of MLR (Minimum Loan Rate) less 1.0 to 2.0 percent. These 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.

13. Share capital

13.1 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.

Subsequently on 29 April 2010, 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-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's Board of Directors has the authority to determine the first exercise date to purchase the newly-issued shares as proper after the sale of repurchased shares has completed or in case of a cancellation of repurchased shares by virtue of Section 3, the sale and cancellation of repurchased shares, of the 2001 Ministerial Regulations regarding rules and regulation concerning the share repurchase, the sale of repurchased shares and the cancellation of repurchased shares.

(Unaudited but reviewed)

Movements of share warrants during the three-month periods ended 31 March 2011 and 2010 are summarised below.

	Number of units (units)	
	For the three-month periods ended 31 March	
	2011	2010
Warrants issued at beginning of the period	4,430,000	2,435,500
Less: Exercised during the period	(712,000)	(1,482,500)
Warrants issued at end of the period	<u>3,718,000</u>	<u>953,000</u>

13.2 Treasury shares

As at 31 March 2011 and 31 December 2010, details of treasury shares are as follows:

	Consolidated and separate financial statements	
	31 March	31 December
	2011	2010
Cost of treasury shares (Thousand Baht)	70,050.49	39,836.69
Number of treasury shares (Thousand shares)	8,170.50	4,149.80
Average price per share (Baht)	8.57	9.60
Percentage of treasury shares to the Company's shares in issue	1.73	0.88

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 was 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 was 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 to 16 August 2011. 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 share repurchase, the sale of repurchased shares and the cancellation of repurchased shares. The determination of the resale price will be taken into account the prevailing market price at the time of sale.

During the first quarter of the year 2011, the Company repurchased 4.02 million ordinary shares with total cost of Baht 30.21 million and set aside Baht 30.21 million of its retained earnings as reserve for treasury shares. As at 31 March 2011, total shares repurchased by the Company were 8.17 million ordinary shares with total cost of Baht 70.05 million, and reserve for treasury shares amounted to Baht 70.05 million.

13.3 Reserve for treasury shares

Under the notification of the Office of the Securities and Exchange Commission No. Gor Lor Tor. Chor Sor. (Wor) 2/2548 and the notification of the Federation of Accounting Professions No. Sor. Sor Wor Bor Chor. 016/2548, public companies have to set aside retained earnings in an amount equal to the amount paid for treasury shares until they either dispose of such shares or reduce paid-up capital to cancel any remaining shares, as the case may be.

13.4 Weighted average number of ordinary shares

The weighted average number of ordinary shares used in calculating earnings per share for the three-month periods ended 31 March 2011 and 2010 is calculated as follows:

	(Unit: Shares)	
	Consolidated and separate financial statements	
	For the three-month periods ended 31 March	
	2011	2010
Balance brought forward (net of treasury shares)	466,917,469	455,717,569
Less: Treasury shares repurchased during the period	(2,659,940)	-
Add: Weighted average number of ordinary shares issued during the period	134,489	844,528
Treasury shares sold during the period	-	188,333
Weighted average number of ordinary shares	464,392,018	456,750,430
Add: Potential ordinary shares - share warrants (2011: 3,718,000 shares, 2010: 953,000 shares)	624,751	620,870
Diluted weighted average number of ordinary shares	<u>465,016,769</u>	<u>457,371,300</u>

In March 2011, the Company received share subscription of Baht 6.86 per share for 712,000 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 4,884,320. The Company registered the resulting increase of Baht 712,000 in its capital with the Ministry of Commerce on 17 March 2011.

14. Corporate income tax

Interim corporate income tax has been calculated on net income (loss) of the non-BOI promoted operations (if any), after adding back non-tax deductible expenses and deducting tax loss carried forward from prior years, using the estimated effective tax rate for the year.

15. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

The following table sets forth the computation of basic and diluted earnings per share:

Consolidated financial statements					
For the three-month periods ended 31 March					
Profit		Weighted average number of ordinary shares		Earnings per share	
<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share					
Profit attributable to equity holders of the Company					
152,169	180,981	464,392	456,750	0.328	0.396
Effect of dilutive potential ordinary shares					
Warrants					
		625	621		
Diluted earnings per share					
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares					
152,169	180,981	465,017	457,371	0.327	0.396
Separate financial statements					
For the three-month periods ended 31 March					
Profit		Weighted average number of ordinary shares		Earnings per share	
<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share					
Profit attributable to equity holders of the Company					
109,315	75,005	464,392	456,750	0.235	0.164
Effect of dilutive potential ordinary shares					
Warrants					
		625	621		
Diluted earnings per share					
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares					
109,315	75,005	465,017	457,371	0.235	0.164

16. Commitments and contingent liabilities

16.1 Capital commitments

As at 31 March 2011, the Company and its subsidiaries had capital commitments related to purchases of machinery amounting to approximately Baht 19.1 million and Euro 0.1 million or equivalent to a total of approximately Baht 26.8 million (the Company only: Baht 18.8 million and Euro 0.1 million or equivalent to a total of approximately Baht 25.6 million).

16.2 Operating lease commitments

16.2.1 The Company and its subsidiaries have entered into several lease agreements in respect of the lease of motor vehicles and equipment. The terms of the agreements are generally between 1 and 4 years. Operating lease agreements are non-cancelable.

As at 31 March 2011, future minimum lease payments required under these non-cancellable operating lease contracts were as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Payable within:		
Less than 1 year	94.0	84.7
2 to 4 years	139.3	132.1

16.2.2 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 2011, the associated company had a commitment to pay the rental fee in the future under this agreement of approximately USD 1.6 million or equivalent to approximately Baht 48.1 million.

16.3 Long-term service commitments

16.3.1 The Company and its subsidiaries had commitments under service contracts, the terms of which are between 1 and 3 years. As at 31 March 2011, the future minimum charges until the end of these agreements are as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Payable within:		
Less than 1 year	37.5	20.2
2 to 3 years	3.5	1.8

16.3.2 As at 31 March 2011, the Company and its two subsidiaries had commitments in respect of installment and implementation of computer software, with a subsidiary company, amounting to Baht 32.6 million (the Company only: Baht 6.6 million).

16.4 Guarantees

16.4.1 As at 31 March 2011 and 31 December 2010, the Company and its subsidiaries had contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

(Unit: Million Baht)

Guarantee company	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
KCE Electronics Plc.	-	-	147	141
K.C.E. International Co., Ltd.	137	123	-	-
KCE Technology Co., Ltd.	2,995	3,104	-	-

16.4.2 As at 31 March 2011, the Company and its subsidiaries had contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 68.7 million (the Company only: Baht 28.5 million) in respect of certain performance bonds as required in the normal course of businesses, mainly for guarantee of electric payment.

16.5 Litigation

As at 31 March 2011, the Company had contingent liabilities in respect of specific business tax assessment from the Revenue Department's officer of Baht 4.2 million because the Company provided guarantee to a related party with free-of-charge. On 9 July 2009, the Central Tax Court announced a judgement which was in favour of the Company and overran the assessment of the officer and the Tax Appeal Board's judgement from the Revenue Department. Later on 7 September 2009, the Revenue Department lodged an appeal against the Central Tax Court's judgement 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 set aside any contingent liabilities in the accounts.

17. Insurance claim

During the second quarter of the year 2010, the electrical distribution control room of KCE Technology Co., Ltd., a subsidiary, was fired. The loss from the fire incident is covered by the subsidiary's insurance, which covers all risks and business interruption. As at 31 March 2011, the subsidiary estimated and recognised insurance claim receivable from property damage and business interruption of Baht 95.4 million based on the memorandum received from the insurance broker and recognised the net compensation from insurance claim of Baht 17.0 million as revenue in profit or loss for the three-month period then ended. However, the actual amount recoverable is dependent upon the actual damage and the terms and conditions of policies. The subsidiary is now in the process of claiming compensation from the insurers.

(Unaudited but reviewed)

18. Financial information by segment

The Company and its subsidiaries' operations mainly involve business segments in printed circuit board, prepreg and laminate products with production facilities in Thailand and operate in both local and overseas markets. Financial information of the Company and its subsidiaries by business segment is as follows:

(Unit: Thousand Baht)

Consolidated financial statements																
For the three-month periods ended 31 March 2011 and 2010																
	Prepreg and laminate business		Printed circuit board business						Service provider business		Eliminating entries		Total			
	2011	2010	America		Europe		Asia		Total		2011	2010	2011	2010	2011	2010
Revenue from external customers	24,199	23,658	271,505	329,418	1,151,726	1,040,927	406,566	463,657	1,829,797	1,834,002	5,687	364	-	-	1,859,683	1,858,024
Inter-segment revenues	392,087	307,115	-	-	-	-	309,017	355,979	309,017	355,979	(9,661)	15,860	(691,443)	(678,954)	-	-
Total revenues	416,286	330,773	271,505	329,418	1,151,726	1,040,927	715,583	819,636	2,138,814	2,189,981	(3,974)	16,224	(691,443)	(678,954)	1,859,683	1,858,024
Segment operating income	23,607	40,461							312,218	411,644	(10,903)	7,068	14,137	(5,725)	339,059	453,448
Unallocated income															124,849	39,620
Unallocated expenses															(266,803)	(252,515)
Finance cost															(44,711)	(56,104)
Corporate income tax															(1,549)	(791)
Non-controlling interests of the subsidiaries															1,324	(2,677)
Profit															152,169	180,981

The Company and its subsidiaries have transfer pricing policy as described in Note 5 to the financial statements.

19. Foreign currency and raw material price risk

As at 31 March 2011, the Company and its subsidiaries had outstanding forward exchange contracts, cross currency swap agreements, currency option agreements and commodity hedge agreements, of which details are presented below.

19.1 Forward exchange contracts

Currency	Amount	Maturity date	Contract exchange rate	Exchange rate as at 31 March 2011
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	47	23 September 2011	30.6000	30.4348
Yen	1,658	31 May 2011	0.3617	0.3694
Sell				
US dollar	31,419	23 May 2011 - 3 October 2011	30.1677 - 31.2398	30.0610
Euro	11,979	19 July 2011 - 4 October 2011	40.8400 - 43.2200	42.4083

19.2 Cross currency swap agreements

	Notional amount	Contract exchange rate
US dollar and Euro	1,394,500:1,000,000	1.3945

19.3 Currency option agreements

	Currency	Sold amount	Strike rate	Delivery date
		(Thousand)	(Baht per unit of foreign currency)	
Put option	US dollar	19,000	30.0000 - 31.0300	8 April 2011 - 27 July 2011

When exchange rate on delivery date is lower than strike rate, the Company will sell US dollar at strike rate.

As at 31 March 2011, fair value of currency option agreements was Baht 7.3 million.

19.4 Commodity hedge agreements

As at 31 March 2011, the Company and its subsidiaries had outstanding copper call option agreements, of which details are presented below.

Type of goods	Quantity (Ton)	Maturity date	Contract price (US dollar per ton)	Commodity's market price as at
				31 March 2011 (US dollar per ton)
Copper	270	31 May 2011 - 30 June 2011	9,140 - 9,415	9,400

20. Reclassification

Certain amounts in the income statements for the three-month period ended 31 March 2010 have been reclassified to conform to the current period's classification but with no effect to previously reported profit or shareholders' equity. The reclassifications are as follows:

(Unit: Thousand Baht)

Income statements for the three-month period ended 31 March 2010

(Only reclassification items)

	Consolidated financial statement		Separate financial statement	
	As reclassified	As previously reported	As reclassified	As previously reported
Income from scrap sales	26,894	-	8,906	-
Interest income	-	25	-	26
Rental income and others	5,574	-	5,041	-
Other income	-	32,443	-	13,921
Administrative expenses	123,836	109,043	46,095	38,972
Management benefit expenses	-	14,793	-	7,123

21. Subsequent events

On 28 April 2011, 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 2010 to 31 December 2010 at Baht 0.30 per share to the ordinary shareholders, totaling approximately Baht 139.1 million. The Company will pay the dividend on 27 May 2011 and will record this transaction in the second quarter of the current year.

22. Approval of interim financial statements

These interim financial statements were authorised for issue by the authorised directors of the Company on 10 May 2011.