

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2012 (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 7 August 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 Lumplatew, 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 30 June 2012 and 31 December 2011 were as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			30 June 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

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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 six-month period ended 30 June 2012, KCE Electronics Public Co., Ltd., KCE Technology Co., Ltd. and KCE (Thailand) Co., Ltd. recognised compensation from insurance claim for business interruption of Baht 10 million, Baht 316 million, and Baht 6 million, respectively.

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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
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

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

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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 and six-month periods ended 30 June 2012 and 2011 with related parties were as follows:

<i>Three-month periods ended 30 June</i>	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Subsidiaries				
Sale of goods	-	-	43.4	74.4
Rendering of service	-	-	5.0	4.4
Other income	-	-	2.4	1.8
Purchases of goods	-	-	275.9	274.2
Purchases of property, plant and equipment	-	-	5.0	1.7
Dividend income	-	-	4.4	-
Associates				
Sales of goods	259.9	339.9	151.0	157.7
Purchase of raw material	13.5	16.1	5.1	3.8
Commission expense	9.3	9.6	6.3	6.4
Purchases of property, plant and equipment	0.2	0.1	-	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	41.6	22.4	13.5	13.2
Share-based payments	-	-	-	-
Total key management personnel compensation	<u>41.6</u>	<u>22.4</u>	<u>13.5</u>	<u>13.2</u>

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<i>Six-month periods ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Subsidiaries				
Sale of goods	-	-	100.8	150.1
Rendering of service	-	-	9.8	8.1
Other income	-	-	4.7	3.8
Purchases of goods	-	-	520.6	531.0
Purchases of property, plant and equipment	-	-	7.5	3.1
Dividend income	-	-	4.4	-
Associates				
Sales of goods	484.0	608.5	291.9	298.0
Purchase of raw material	20.9	31.6	10.0	7.9
Commission expense	21.2	24.2	13.5	13.3
Purchases of property, plant and equipment	0.4	0.1	-	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	58.2	39.7	20.9	20.9
Share-based payments	5.0	-	3.3	-
Total key management personnel compensation	<u>63.2</u>	<u>39.7</u>	<u>24.2</u>	<u>20.9</u>

Balances as at 30 June 2012 and 31 December 2011 with related parties were as follows:

<i>Trade receivables - related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	16,441	93,489
K.C.E. International Co., Ltd.	-	-	12,438	41,546
KCE (Thailand) Co., Ltd.	-	-	18,842	3,508
Thai Laminate Manufacturer Co., Ltd.	-	-	902	688
Associates				
KCE America, Inc.	286,974	297,822	179,983	163,011
KCE Singapore Pte., Ltd.	47,694	33,350	13,371	12,405
Total	<u>334,668</u>	<u>331,172</u>	<u>241,977</u>	<u>314,647</u>

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<i>Other receivables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	4,748	3,623
K.C.E. International Co., Ltd.	-	-	767	811
KCE (Thailand) Co., Ltd.	-	-	5	5
Thai Laminate Manufacturer Co., Ltd.	-	-	127	176
Thai Business Solution Co., Ltd.	-	-	4,420	46
Total	-	-	10,067	4,661

<i>Trade payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	<i>(in thousand Baht)</i>			

Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	297,734	349,433
K.C.E. International Co., Ltd.	-	-	74,950	39,856
KCE Technology Co., Ltd.	-	-	34,918	14,864
Associates				
KCE Taiwan Co., Ltd	67	-	67	-
KCE Singapore Pte., Ltd.	25,323	15,112	16,904	12,460
Total	25,390	15,112	424,573	416,613

<i>Other payables for purchase of</i> <i>machineries and equipment</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	<i>(in thousand Baht)</i>			

Subsidiaries				
K.C.E. International Co., Ltd.	-	-	565	-
KCE Technology Co., Ltd.	-	-	4,398	-
Thai Business Solution Co., Ltd.	-	-	390	430
Associates				
KCE Singapore Pte., Ltd.	229	-	-	-
Total	229	-	5,353	430

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<i>Other payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	<i>(in thousand Baht)</i>			
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	-	20
K.C.E. International Co., Ltd.	-	-	-	3,627
KCE Technology Co., Ltd.	-	-	625	1,017
Thai Business Solution Co., Ltd.	-	-	-	25
Associates				
KCE Singapore Pte., Ltd.	9,997	11,105	1,418	2,655
Total	9,997	11,105	2,043	7,344

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 19 to the financial statements.

5 Trade and other receivables

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
		<i>(in thousand Baht)</i>			
Trade receivable					
Related parties	4	334,668	331,172	241,977	314,647
Other parties		1,357,242	1,150,850	740,343	703,635
Total		1,691,910	1,482,022	982,320	1,018,282
<i>Less allowance for doubtful accounts</i>		(353)	(353)	(322)	(322)
Net		1,691,557	1,481,669	981,998	1,017,960
Other receivables					
Related parties	4	-	-	10,067	4,661
Other parties		188,495	64,751	12,090	10,772
Total		188,495	64,751	22,157	15,433
Total trade and other receivables		1,880,052	1,546,420	1,004,155	1,033,393
		2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
Bad and doubtful debts expense for the					
- three-month periods ended 30 June		-	102	-	97
- six-month periods ended 30 June		-	191	-	186

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Aging analyses for trade accounts receivable were as follows:

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	30	31	30	31
	June	December	June	December
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	271,828	275,413	192,447	210,832
Overdue:				
Less than 3 months	60,392	54,915	47,981	75,310
3-6 months	2,284	677	1,385	28,342
6-12 months	-	167	-	163
Over 12 months	164	-	164	-
	334,668	331,172	241,977	314,647
<i>Less allowance for doubtful accounts</i>	-	-	-	-
	334,668	331,172	241,977	314,647
Other parties				
Within credit terms	1,110,372	848,883	602,286	539,931
Overdue:				
Less than 3 months	243,663	281,651	137,966	145,861
3-6 months	1,378	18,789	91	16,412
6-12 months	1,733	1,456	-	1,360
Over 12 months	96	71	-	71
	1,357,242	1,150,850	740,343	703,635
<i>Less allowance for doubtful accounts</i>	(353)	(353)	(322)	(322)
	1,356,889	1,150,497	740,021	703,313
Net	1,691,557	1,481,669	981,998	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	financial statements	financial statements
	Equity Method	Equity Method	Cost Method	Cost Method
<i>Six-month periods ended 30 June</i>	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Associates				
At 1 January	82,133	76,816	2,422	2,422
Share of losses from investment in associates using equity method	(5,233)	(267)	-	-
Foreign currency translation differences for foreign operations	233	3,340	-	-
Acquisitions	1,540	-	1,540	-
At 30 June	78,673	79,889	3,962	2,422

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Investments in associates as at 30 June 2012 and 31 December 2011 were as follows:

Consolidated financial statements

	Ownership interest		Paid-up capital		Cost		Equity		Impairment		Equity - net of impairment	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 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	54,995	55,421	-	-	54,995	55,421
KCE Singapore Pte., Ltd.	49.00	49.00	SGD 500,000	SGD 500,000	4,201	4,201	22,951	26,712	-	-	22,951	26,712
KCE Taiwan Co., Ltd.	49.00	-	NTD 3,000,000	-	1,540	-	727	-	-	-	727	-
Total					6,385	4,845	78,673	82,133	-	-	78,673	82,133

Share of profit (loss) from investments for six-month period ended 30 June 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.

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Separate financial statements

	Ownership interest		Paid-up capital		Cost		Impairment		Equity – net of impairment	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	%									
	<i>(in thousand Baht)</i>									
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

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7 Investments in subsidiaries

Investments in subsidiaries as at 30 June 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		Dividend income	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	(%)				(in thousand Baht)							
Subsidiaries												
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	4,410	-
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>	<u>4,410</u>	<u>-</u>

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8 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the six-month period ended 30 June 2012 were as follows:

For the six-month period ended 30 June 2012

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
Net book value at 1 January 2012	4,235,135	1,189,452
Acquisitions - cost	1,059,987	17,107
Disposals during the period - Net book values at the date	(14,742)	(8,364)
Depreciation for the period	(224,768)	(77,643)
Net book value at 30 June 2012	<u>5,055,612</u>	<u>1,120,552</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 30 June 2012 of Baht 187 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 30 June 2012 of Baht 1,006 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	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
<i>(in thousand Baht)</i>					
Bank overdrafts	-	-	-	-	-
Short-term loans	3.45 - 6.88	948,400	918,950	215,000	240,000
Packing credits	1.27 - 3.75	1,767,550	2,042,462	787,640	920,149
Trust receipts	1.26 - 2.70	1,154,878	589,655	44,348	53,728
Total		<u>3,870,828</u>	<u>3,551,067</u>	<u>1,046,988</u>	<u>1,213,877</u>

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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

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
<i>(in thousand Baht)</i>					
Trade payables - related parties	4	25,390	15,112	424,573	416,613
Trade payables - other parties		959,041	835,410	285,048	335,957
Other payables for purchase of machineries and equipment - related parties	4	229	-	5,353	430
Other payables for purchase of machineries and equipment - other parties		212,927	359,346	14,128	20,075
Other payables - related parties	4	9,997	11,105	2,043	7,344
Other payables - other parties		49,436	69,585	30,146	24,440
Accrued expenses		226,310	176,119	51,883	69,559
Total trade and other payables		1,483,330	1,466,677	813,174	874,418

11 Long-term loans

	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<i>(in thousand Baht)</i>				
USD portion (Consolidated financial statements 2012: USD 52.81 million (2011: USD 48.93 million) and separate financial statements 2012: USD 8.61 million (2011: USD 9.71 million))	1,687,993	1,557,606	275,350	309,155
Baht portion	25,234	55,133	25,234	44,734
Total	1,713,227	1,612,739	300,584	353,889
Less: Current portion	(487,187)	(352,564)	(122,439)	(124,727)
Long-term loans - net of current portion	1,226,040	1,260,175	178,145	229,162

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Movements during the six-month period ended 30 June 2012 of long-term loans were as follows:

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
At 1 January 2012	1,612,739	353,889
Increase	300,000	-
Decrease	(214,188)	(54,451)
Unrealised loss on exchange rate	14,676	1,146
At 30 June 2012	<u>1,713,227</u>	<u>300,584</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 30 June 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 30 June 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 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.

12 Share capital

Six-month periods ended 30 June

	Par value per share <i>(in Baht)</i>	2012		2011	
		Number	Baht	Number	Baht
		<i>(thousand shares / thousand Baht)</i>			
Authorised					
At 1 January					
- ordinary shares	<i>1</i>	500,000	500,000	500,000	500,000
Reduction of shares	<i>1</i>	<u>(8,170)</u>	<u>(8,170)</u>	-	-
At 30 June					
- ordinary shares	<i>1</i>	<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	<i>1</i>	472,224	472,224	471,067	471,067
Reduction of shares	<i>1</i>	(8,170)	(8,170)	-	-
Issue of new shares	<i>1</i>	<u>-</u>	<u>-</u>	<u>1,157</u>	<u>1,157</u>
At 30 June					
- ordinary shares	<i>1</i>	<u>464,054</u>	<u>464,054</u>	<u>472,224</u>	<u>472,224</u>

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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 30 June 2012, these warrants have been fully exercised.

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.

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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
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 and six-month periods ended 30 June 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 30 June 2012 and 2011 are summarised below:

	2012	2011
	<i>(Units)</i>	
Warrants issued at 1 April	12,800,000	3,718,000
Add: Warrants issued during the period	-	-
Less: Exercised during the period	-	(445,000)
Cancelled during the year	-	(473,000)
Warrants issued at 30 June	<u>12,800,000</u>	<u>2,800,000</u>

Movements of share warrants during the six-month periods ended 30 June 2012 and 2011 are summarised below:

	2012	2011
	<i>(Units)</i>	
Warrants issued at 1 January	2,800,000	4,430,000
Add: Warrants issued during the period	10,000,000	-
Less: Exercised during the period	-	(1,157,000)
Cancelled during the year	-	(473,000)
Warrants issued at 30 June	<u>12,800,000</u>	<u>2,800,000</u>

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13 Treasury shares

As at 30 June 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% 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.

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.

On 22 May 2012, the meeting of the Board of Directors of the Company No. 6/2555 passed the resolutions approving the Company's share repurchase program for financial management, with value not exceeding Baht 280 million, and not exceeding the Company's retained earnings. The number of shares repurchased will be 46.4 million shares at the par value of Baht 1 each, or equal to 10.00% of the total paid-up share capital. The repurchase period will be from 11 June 2012 to 10 December 2012. The period for the resale of shares bought back will be considered by the Board of Directors after 6 months from the completion date of share repurchase program and not later than 3 years from the time. Any shares bought back are to be resold on the Stock Exchange of Thailand. 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.

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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 and six-month periods ended 30 June 2012 and 2011 is as follows:

Consolidated financial statements																
For the three-month periods ended 30 June 2012 and 2011																
Printed Circuit Board business																
	Prepreg and Laminate business		America		Europe		Asia		Total		Service provider business		Eliminating entries		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues from external customers	13,387	19,542	234,382	325,265	917,107	1,163,543	330,532	471,325	1,482,021	1,960,133	12,153	9,330	-	-	1,507,561	1,989,005
Inter-segment revenues	365,247	419,801	-	-	-	-	225,545	393,154	225,545	393,154	3,053	1,798	(593,845)	(814,753)	-	-
Total revenues	378,634	439,343	234,382	325,265	917,107	1,163,543	556,077	864,479	1,707,566	2,353,287	15,206	11,128	(593,845)	(814,753)	1,507,561	1,989,005
Segment operating profit	53,092	25,644							233,116	314,220	5,833	3,381	(790)	(29,073)	291,251	314,172
Unallocated profit and expenses:																
Compensation from insurance claim															146,202	-
Other income															45,388	29,207
Selling expenses															(103,082)	(118,367)
Administrative expenses															(256,073)	(160,948)
Finance cost															(38,861)	(36,334)
Share of profit (loss) from investments in associates															(1,927)	321
Corporate income tax															(4,145)	(388)
Profit for the period															78,753	27,663

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Consolidated financial statements

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	Printed Circuit Board business															
	Prepreg and Laminate business		America		Europe		Asia		Total		Service provider business		Eliminating entries		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues from external customers	27,818	43,741	424,995	596,770	1,787,753	2,315,269	584,039	883,758	2,796,787	3,795,797	28,144	15,017	-	-	2,852,749	3,854,555
Inter-segment revenues	636,302	811,888	-	-	-	-	421,363	702,171	421,363	702,171	4,539	(7,863)	(1,062,204)	(1,506,196)	-	-
Total revenues	664,120	855,629	424,995	596,770	1,787,753	2,315,269	1,005,402	1,585,929	3,218,150	4,497,968	32,683	7,154	(1,062,204)	(1,506,196)	2,852,749	3,854,555
Segment operating profit	91,854	49,251							449,004	626,831	8,321	(7,522)	(1,818)	(14,936)	547,361	653,624
Unallocated profit and expenses:																
Compensation from insurance claim															332,202	17,000
Other income															56,768	103,071
Selling expenses															(202,505)	(253,858)
Administrative expenses															(384,506)	(261,477)
Finance cost															(79,026)	(77,648)
Share of loss from investments in associates															(5,233)	(267)
Corporate income tax															(5,269)	(1,937)
Profit for the period															259,792	178,508

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15 Gain (loss) on exchange rate and from hedging activities

	Consolidated		Separate	
	financial statements		financial statements	
<i>For the three-month periods ended 30 June</i>	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Included in other income				
- Gain on exchange rate	-	-	-	2,213
- Gain from hedging activities	27,035	-	-	-
Included in administrative expenses				
- Loss on exchange rate	(93,956)	(25,835)	(12,167)	-
- Loss from hedging activities	-	(17,943)	(971)	(11,418)

	Consolidated		Separate	
	financial statements		financial statements	
<i>For the six-month periods ended 30 June</i>	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Included in other income				
- Gain on exchange rate	5,658	8,496	16,119	22,076
- Gain from hedging activities	24,364	-	865	-
Included in administrative expenses				
- Loss on exchange rate	-	-	-	-
- Loss from hedging activities	-	(18,615)	-	(23,080)

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 and six-month periods ended 30 June 2012 was 5.0% and 2.0% (30 June 2011: 1.4% and 1.1%, respectively). This change in effective tax rate was caused mainly by the following factors:

- 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 and six-month periods ended 30 June 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:

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<i>Three-month periods ended 30 June</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>77,866</u>	<u>27,655</u>	<u>41,463</u>	<u>79,793</u>
Number of ordinary shares outstanding at 1 April	464,054	471,779	464,054	471,779
<i>Less</i> Treasury shares/ Reduction of shares	<u>-</u>	<u>(8,170)</u>	<u>-</u>	<u>(8,170)</u>
Number of ordinary shares outstanding net of treasury shares/ reduction of shares	464,054	463,609	464,054	463,609
Effect from ordinary shares issued during the period	<u>-</u>	<u>78</u>	<u>-</u>	<u>78</u>
Weighted average number of ordinary shares outstanding (basic)	<u>464,054</u>	<u>463,687</u>	<u>464,054</u>	<u>463,687</u>
Earnings per share (basic) (<i>in Baht</i>)	<u>0.17</u>	<u>0.06</u>	<u>0.09</u>	<u>0.17</u>
<i>Six-month periods ended 30 June</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>257,148</u>	<u>179,824</u>	<u>125,746</u>	<u>189,108</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	<u>-</u>	<u>(3,344)</u>	<u>-</u>	<u>(3,344)</u>
Effect from ordinary shares issued during the period	<u>-</u>	<u>464</u>	<u>-</u>	<u>464</u>
Weighted average number of ordinary shares outstanding (basic)	<u>464,054</u>	<u>464,037</u>	<u>464,054</u>	<u>464,037</u>
Earnings per share (basic) (<i>in Baht</i>)	<u>0.55</u>	<u>0.39</u>	<u>0.27</u>	<u>0.41</u>

Diluted earnings per share

The calculation of diluted earnings per share for the three-month and six-month periods ended 30 June 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:

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<i>Three-month periods ended 30 June</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	77,866	27,655	41,463	79,793
Weighted average number of ordinary shares outstanding (basic)	464,054	464,687	464,054	463,687
Effect of share warrants	-	444	-	444
Weighted average number of ordinary shares outstanding (diluted)	464,054	464,131	464,054	464,131
Earnings per share (diluted) (in Baht)	0.17	0.06	0.09	0.17
<i>Six-month periods ended 30 June</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	257,148	179,824	125,746	189,108
Weighted average number of ordinary shares outstanding (basic)	464,054	464,037	464,054	464,037
Effect of share warrants	-	535	-	535
Weighted average number of ordinary shares outstanding (diluted)	464,054	464,572	464,054	464,572
Earnings per share (diluted) (in Baht)	0.55	0.39	0.27	0.41

The Company did not calculate the effect of share warrants for the three-month and six-month periods ended 30 June 2012 because the exercise price of the Company's warrants was higher than the market value of ordinary shares.

18 Dividend

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 payment of dividend has been made on 10 May 2012.

19 Commitments and contingent liabilities

Commitments

	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	<i>(in thousand Baht)</i>			
Capital commitments				
Unrecognised purchase orders for machinery and equipment	142,401	25,393	45,170	14,470
Total	142,401	25,393	45,170	14,470

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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 30 June 2012, the associated company had a commitment to pay the rental fee in the future under this agreement of approximately USD 1.4 million or equivalent to approximately Baht 46 million (31 December 2011: USD 1.5 million, Baht 48 million).

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	June	December	June	December
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<i>Non-cancellable operating lease and long-term service commitments</i>				
Within one year	25,610	31,596	11,925	17,313
After one year but within five years	980	2,608	741	1,520
Total	26,590	34,204	12,666	18,833

As of 30 June 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		Separate	
	financial statements		financial statements	
	30	31	30	31
	June	December	June	December
	2012	2011	2012	2011
	<i>(in thousand)</i>			
<i>Other commitments</i>				
Forward exchange contracts				
Buy				
US dollar	25,092	1,219	405	-
Euro	125	84	-	-
Sell				
US dollar	6,626	11,865	1,542	4,432
Euro	3,000	3,609	3,000	2,800

Currency call option agreements

	Currency	Bought amount (Thousand)	Strike rate (Baht per unit of foreign currency)	Delivery date
Call option	US dollar	18,000	31.00	3 - 5 July 2012

When exchange rate on delivery date is higher than call option strike rate, the Company will buy US dollar at strike rate. As at 30 June 2012, fair value of currency call option agreements was Baht 15 million.

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Cross currency and interest rate swap

As at 30 June 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% per annum to US fixed interest rate of 3.47% per annum.

As at 30 June 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% per annum.

As at 30 June 2012, the Company had cross currency swap agreements with a local financial institution for the period from 19 June 2012 to 20 September 2012 by which the Company agreed to swap the currency of Euro 0.8 million using exchange rates of USD 1.26 - 1.27 per 1 Euro.

Commodity hedge agreements

As at 30 June 2012, the Company and its subsidiaries had outstanding copper swap agreements, of which details are presented below.

Type of goods	Quantity (Ton)	Contract price (US dollar per ton)	Commodity's market price as at 30 June 2012	Maturity date
Copper	195	7,550 – 8,100	7,604.50	31 August – 31 October 2012

Guarantees

As at 30 June 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. 30 June 2012	K.C.E. International Co., Ltd. 31 December 2011	K.C.E. International Co., Ltd. 30 June 2012	K.C.E. International Co., Ltd. 31 December 2011
	<i>(in thousand Baht)</i>			
KCE Electronics Plc.				
- Baht	-	-	193	288
K.C.E. International Co., Ltd.				
- Baht	94	107	-	-
- US dollar	3	4	-	-
KCE Technology Co., Ltd.				
- Baht	2,782	2,697	-	-
- US dollar	34	24	-	-

As at 30 June 2012, the Company and its subsidiaries had contingent liabilities in respect of bank guarantees issued on their behalf amounting to Baht 72 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.

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Contingent liabilities

As at 30 June 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.

20 Events after the reporting period

Payment of interim dividend

On 7 August 2012, the meeting of the Board of Directors of the Company approved the payment of interim dividend in respect of the Company's operating results for the period from 1 January 2012 to 30 June 2012 at Baht 0.20 per share to the ordinary shareholders. The record date of eligible shareholders will be on 20 August 2012. The Company will pay the interim dividend on 7 September 2012 and will record this transaction in the third quarter of the current year.

Acquisition of assets

On 7 August 2012, the meeting of the Board of Directors has approved the Company and/or the Company's subsidiary to enter into an agreement to buy and sell to invest in the ordinary shares of Chemtronics Technology (Thailand) Co., Ltd. (CT) which engaged in the business of running factory manufacturing ink for printed circuit board and chemical solution using in a production of printed circuit board. The Company and/or the Company's subsidiary shall acquire CT's ordinary shares at the proportion of 95 percent of the total issued and fully paid up shares from the current shareholders in the amount of 456,000 shares, at Baht 500 per share, totaling of Baht 228 million. All the sellers are not connected person. The said transaction will be done within October 2012 and the Due diligence process is currently being conducted.

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21 Reclassification of accounts

Certain accounts in the statement of financial position as at 31 December 2011 and the statement of comprehensive income for the three-month and six-month periods ended 30 June 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	Before Reclassi- fication	Reclassi- fication	After Reclassi- fication
			<i>(in million Baht)</i>			
<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 30 June 2011</i>						
Revenue from sale of goods and rendering of service	-	(1,989)	(1,989)	-	(891)	(891)
Revenue from sale of goods	(1,980)	1,980	-	(887)	887	-
Revenue from rendering of service	(9)	9	-	(4)	4	-
Cost of goods sold	1,667	8	1,675	693	1	694
Selling expenses	127	(9)	118	59	(1)	58
Administrative expenses	117	44	161	52	11	63
Loss on exchange rate	25	(25)	-	-	-	-
Loss from hedging activities	18	<u>(18)</u>	-	11	<u>(11)</u>	-
		<u>-</u>			<u>-</u>	
<i>Statement of comprehensive income for the six-month period ended 30 June 2011</i>						
Revenue from sale of goods and rendering of service	-	(3,855)	(3,855)	-	(1,761)	(1,761)
Compensation from insurance claim	-	(17)	(17)	-	-	-
Other income	(120)	17	(103)	(56)	-	(56)
Revenue from sale of goods	(3,840)	3,840	-	(1,753)	1,753	-
Revenue from rendering of service	(15)	15	-	(8)	8	-
Cost of goods sold	3,187	14	3,201	1,364	3	1,367
Selling expenses	270	(16)	254	122	(3)	119
Administrative expenses	240	21	261	99	23	122
Loss from hedging activities	19	<u>(19)</u>	-	23	<u>(23)</u>	-
		<u>-</u>			<u>-</u>	

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2012 (Unaudited)

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