

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2013 (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 12 November 2013.

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 September 2013 and 31 December 2012 are given in Notes 5 and 8.

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 2012. 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 2012.

The FAP has issued the following new and revised TFRS relevant to the Group’s operations and effective for accounting periods beginning on or after 1 January 2013.

TFRS	Topic
TAS 12	Income Taxes
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

The adoption of these new and revised TFRS has resulted in changes in the Group’s accounting policies. The effects of these changes are disclosed in note 4.

In addition to the above new and revised TFRS and Announcements, as at 30 September 2013 the FAP had issued a number of new and revised TFRS which are effective for financial statements beginning on or after 1 January 2014 and have not been adopted in the preparation of these interim financial statements. Those new and revised TFRS that are relevant to the Group’s operations are disclosed in Note 21.

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Except for the changes in accounting policy discussed in note 4, 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 2012.

(b) Functional and presentation currency

The interim financial statements are prepared and presented in Thai Baht, which is the Group's functional currency. 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 2012.

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 consisted 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 year ended 31 December 2012, KCE Electronics Public Company Limited, KCE Technology Co., Ltd. (subsidiary), Thai Laminate Manufacturer Co., Ltd. (subsidiary), and KCE (Thailand) Co., Ltd. (subsidiary) recognised compensation from insurance claim for business interruption of Baht 10 million, Baht 467 million, Baht 10 million, and Baht 10 million, respectively.

For the nine-month period ended 30 September 2013, the Group did not recognise compensation from insurance claim.

4 Changes in accounting policies

(a) Overview

From 1 January 2013, consequent to the adoption of new and revised TFRS and FAP Announcements as set out in note 2, the Group has changed its accounting policies in the following areas:

- Accounting for income tax
- Accounting for the effects of changes in foreign exchange rates
- Presentation of information on operating segments

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Details of the new accounting policies adopted by the Group are included in notes 4(b) to 4(d) below. Other new and revised TFRS did not have any impact on the accounting policies, financial position or performance of the Group.

(b) Accounting for income tax

The principal change introduced by TAS 12 is the requirement to account for deferred tax assets and liabilities in the financial statements.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group adopted TAS 12 with effect from 1 January 2013. The effects of the change are recognised retrospectively in the financial statements. The impact of the change on the financial statements is as follows:

	Consolidated financial statements			Separate financial statements		
	30 September 2013	31 December 2012	1 January 2012	30 September 2013	31 December 2012	1 January 2012
	<i>(in thousand Baht)</i>					
Statement of financial position						
Increase in deferred tax assets	54,403	16,774	74,771	-	-	55,064
Increase in deferred tax liabilities	(39,996)	(11,827)	-	(38,132)	(9,938)	-
Increase (decrease) in retained earnings	14,407	4,947	74,771	(38,132)	(9,938)	55,064
Increase (decrease) in shareholders' equity	15,134	5,684	74,739	(38,132)	(9,938)	55,064
Increase (decrease) in non-controlling interests	(727)	(737)	32	-	-	-
Increase (decrease) in total equity	14,407	4,947	74,771	(38,132)	(9,938)	55,064

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<i>Statement of comprehensive income for the three-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
(Increase) decrease in income tax expense	<u>(4,102)</u>	<u>(19,705)</u>	<u>1,828</u>	<u>(14,160)</u>
Increase (decrease) in profit for the period	<u>(4,102)</u>	<u>(19,705)</u>	<u>1,828</u>	<u>(14,160)</u>
Increase (decrease) in earnings per share				
- Basic earnings per share <i>(in Baht)</i>	<u>(0.009)</u>	<u>(0.043)</u>	<u>0.004</u>	<u>(0.031)</u>
- Diluted earnings per share <i>(in Baht)</i>	<u>(0.008)</u>	<u>(0.043)</u>	<u>0.003</u>	<u>(0.031)</u>

<i>Statement of comprehensive income for the nine-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
(Increase) decrease in income tax expense	<u>9,460</u>	<u>(50,595)</u>	<u>(28,194)</u>	<u>(45,575)</u>
Increase (decrease) in profit for the period	<u>9,460</u>	<u>(50,595)</u>	<u>(28,194)</u>	<u>(45,575)</u>
Increase (decrease) in earnings per share				
- Basic earnings per share <i>(in Baht)</i>	<u>0.021</u>	<u>(0.110)</u>	<u>(0.061)</u>	<u>(0.099)</u>
- Diluted earnings per share <i>(in Baht)</i>	<u>0.019</u>	<u>(0.110)</u>	<u>(0.057)</u>	<u>(0.099)</u>

(c) Accounting for the effects of changes in foreign exchange rates

From 1 January 2013, the Group has adopted TAS 21 Accounting for the effects of changes in foreign exchange rates.

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the entity's functional currency.

The management has considered that the functional currency of the Company is Thai Baht and that the adoption of TAS 21 from 1 January 2013 has not had a significant impact on the Group's reported assets, liabilities or retained earnings.

(d) Presentation of information on operating segments

From 1 January 2013, the Group has adopted TFRS 8 Operating Segments. The new policy for presentation of information on operating segments, together with information on the previous policy, is given below. The new policy has been applied retrospectively and segment information included in the 2012 financial statements, which are included in the Group's 2013 interim financial statements for comparative purposes, has been re-presented accordingly. The change in policy only impacts presentational aspects and has no impact on the Group's reported assets, liabilities, results or earnings per share.

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TFRS 8 introduces the “management approach” to segment reporting. It requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to those segments. Previously the Group presented segment information in respect of its business and geographical segments in accordance with TAS 14 Segment Reporting.

The change in basis of presentation and disclosure of segment information has had no significant effect on the segment information reported in the Group’s financial statements.

5 Related parties

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

Relationships with subsidiaries, associates and jointly-controlled entities are described in notes 7 and 8. Relationship with key management and other related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thailand	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.
Thai Business Solution Co.,Ltd.	Thailand	10% Shareholding and a director.

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
Other related party	
Purchase of intangible assets	Prices per job order for each product which are agreed between the parties

Significant transactions for the three-month and nine-month periods ended 30 September 2013 and 2012 with related parties were as follows:

<i>Three-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in million Baht)</i>			
Subsidiaries				
Sale of goods	-	-	29	29
Rendering of service	-	-	8	3
Other income	-	-	4	3
Purchases of goods	-	-	298	273
Purchases of property, plant and equipment	-	-	-	3
Purchases of intangible assets	-	-	-	1
Sales of property, plant and equipment	-	-	-	1
Dividend income	-	-	64	68
Associates				
Sales of goods	535	251	222	140
Purchase of raw material	102	15	41	7
Commission expense	21	12	9	5
Purchases of property, plant and equipment	2	6	-	4
Other related party				
Purchase of intangible assets	1	-	-	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	19	19	9	9
Share-based payments	1	-	-	-
Total key management personnel compensation	<u>20</u>	<u>19</u>	<u>9</u>	<u>9</u>

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<i>Nine-month periods ended 30 September</i>	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2013	2012	2013	2012
	<i>(in million Baht)</i>			
Subsidiaries				
Sale of goods	-	-	86	129
Rendering of service	-	-	38	13
Other income	-	-	12	8
Purchases of goods	-	-	827	793
Purchases of property, plant and equipment	-	-	-	8
Purchases of intangible assets	-	-	-	4
Sales of property, plant and equipment	-	-	5	1
Dividend income	-	-	127	72
Associates				
Sales of goods	1,255	735	586	432
Purchase of raw material	259	36	111	17
Commission expense	56	33	23	18
Purchases of property, plant and equipment	8	6	2	4
Other related party				
Purchase of intangible assets	2	-	1	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	54	61	27	30
Share-based payments	1	5	-	3
Total key management personnel Compensation	<u>55</u>	<u>66</u>	<u>27</u>	<u>33</u>

Balances as at 30 September 2013 and 31 December 2012 with related parties were as follows:

<i>Trade receivables</i> <i>- related parties</i>	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	14,362	29,298
K.C.E. International Co., Ltd.	-	-	14,262	5,825
KCE (Thailand) Co., Ltd.	-	-	2,945	8,342
Thai Laminate Manufacturer Co., Ltd.	-	-	833	1,358
Associates				
KCE America, Inc.	660,309	337,548	303,405	205,073
KCE Singapore Pte., Ltd.	80,865	40,177	25,534	8,257
KCE Taiwan Co., Ltd.	-	69	-	-
Total	<u>741,174</u>	<u>377,794</u>	<u>361,341</u>	<u>258,153</u>

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<i>Other receivables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	1,553	2,980
Chemtronic Technology (Thailand) Co., Ltd.	-	-	2,268	2,911
K.C.E. International Co., Ltd.	-	-	1,634	1,506
KCE (Thailand) Co., Ltd.	-	-	5	5
Thai Laminate Manufacturer Co., Ltd.	-	-	31	-
Associates				
KCE Singapore Pte., Ltd.	690	1,342	-	1,342
Other related party				
Thai Business Solution Co., Ltd.	15	10	15	10
Total	705	1,352	5,506	8,754

<i>Trade payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	<i>(in thousand Baht)</i>			
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	281,071	266,133
K.C.E. International Co., Ltd.	-	-	19,859	39,448
KCE Technology Co., Ltd.	-	-	136,645	27,109
Chemtronic Chemical Co., Ltd	-	-	7,868	6,737
Associates				
KCE Taiwan Co., Ltd.	60,776	31,248	28,494	17,259
KCE Singapore Pte., Ltd.	29,418	19,524	20,497	16,086
Total	90,194	50,772	494,434	372,772

<i>Other payables for purchase of machineries and equipment</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	313	8,470
Associates				
KCE Singapore Pte., Ltd.	11	-	-	-
KCE Taiwan Co., Ltd.	777	396	-	-
Other related party				
Thai Business Solution Co., Ltd.	615	891	546	700
Total	1,403	1,287	859	9,170

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<i>Other payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	488	-
K.C.E. International Co., Ltd.	-	-	120	-
Associates				
KCE Singapore Pte., Ltd.	28,654	18,364	2,345	1,730
Other related party				
Thai Business Solution Co., Ltd.	-	3,113	-	930
Total	28,654	21,477	2,953	2,660

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 20 to the financial statements.

6 Trade and other receivables

	<i>Notes</i>	Consolidated financial statements		Separate financial statements	
		30 September 2013	31 December 2012	30 September 2013	31 December 2012
		<i>(in thousand Baht)</i>			
Trade receivable					
Related parties	5	741,174	377,794	361,341	258,153
Other parties		2,312,611	1,581,479	994,954	756,598
Total		3,053,785	1,959,273	1,356,295	1,014,751
<i>Less allowance for doubtful accounts</i>		(322)	(353)	(322)	(322)
Net		3,053,463	1,958,920	1,355,973	1,014,429
Other receivables					
Related parties	5	705	1,352	5,506	8,754
Other parties		367,085	254,555	13,363	9,227
Total		367,790	255,907	18,869	17,981
Total trade and other receivables		3,421,253	2,214,827	1,374,842	1,032,410
		2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
Bad and doubtful debts expense (reversal) for					
- three-month periods ended 30 September		-	-	-	-
- nine-month periods ended 30 September		(31)	-	-	-

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Aging analyses for trade accounts receivable were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	548,463	309,850	264,682	204,305
Overdue:				
Less than 3 months	175,976	67,766	87,711	53,528
3-6 months	16,413	129	8,767	123
6-12 months	149	33	17	39
Over 12 months	173	16	164	158
	741,174	377,794	361,341	258,153
Less allowance for doubtful accounts	-	-	-	-
	741,174	377,794	361,341	258,153
Other parties				
Within credit terms	1,615,850	1,241,118	708,687	591,016
Overdue:				
Less than 3 months	626,460	333,728	275,282	165,582
3-6 months	47,653	4,652	4,573	-
6-12 months	21,790	1,632	6,412	-
Over 12 months	858	349	-	-
	2,312,611	1,581,479	994,954	756,598
Less allowance for doubtful accounts	(322)	(353)	(322)	(322)
	2,312,289	1,581,126	994,632	756,276
Net	3,053,463	1,958,920	1,355,973	1,014,429

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

7 Investments in associates

	Consolidated		Separate	
	financial statements		financial statements	
	Equity Method		Cost Method	
<i>Nine-month periods ended 30 September</i>	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Associates				
At 1 January	77,674	82,133	3,962	2,422
Share of profit (loss) from investment in associates using equity method	14,181	(4,668)	-	-
Foreign currency translation differences for foreign operations	3,862	(3,298)	-	-
Acquisitions	-	1,540	-	1,540
At 30 September	95,717	75,707	3,962	3,962

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Investments in associates as at 30 September 2013 and 31 December 2012 were as follows:

Consolidated financial statements

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Equity	
			30	31	30	31	30	31	30	31
			September 2013	December 2012	September 2013	December 2012	September 2013	December 2012	September 2013	December 2012
			(%)						(in thousand Baht)	
Associates										
KCE America, Inc.	(1)	America	50.00	50.00	USD 50,000	USD 50,000	644	644	59,623	55,198
KCE Singapore Pte., Ltd.	(1)	Singapore	49.00	49.00	SGD 500,000	SGD 500,000	4,201	4,201	25,846	20,890
KCE Taiwan Co., Ltd.	(2)	Taiwan	49.00	49.00	NTD 3,000,000	NTD 3,000,000	1,540	1,540	10,248	1,586
Total							6,385	6,385	95,717	77,674

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

Share of profit (loss) from investments for nine-month period ended 30 September 2013 in the above three associates was calculated from the unreviewed financial statements of those associates as the management of the Company considered that the share of profit (loss) from investments of the said associates have no material impact to the consolidated financial statements of the Company and its subsidiaries and the said associates are located overseas and the Company has no power to direct the financial and operating policies of those companies, including the review of their financial statements.

Separate financial statements

	Ownership interest		Paid-up capital		Cost		Impairment		Equity – net	
	30	31	30	31	30	31	30	31	30	31
	September 2013	December 2012	September 2013	December 2012	September 2013	December 2012	September 2013	December 2012	September 2013	December 2012
			(%)						(in thousand Baht)	
Associates										
KCE America, Inc.	25.0	25.0	USD 50,000	USD 50,000	322	322	-	-	322	322
KCE Singapore Pte., Ltd.	24.5	24.5	SGD 500,000	SGD 500,000	2,100	2,100	-	-	2,100	2,100
KCE Taiwan Co., Ltd.	49.0	49.0	NTD 3,000,000	NTD 3,000,000	1,540	1,540	-	-	1,540	1,540
Total					3,962	3,962	-	-	3,962	3,962

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8 Investments in subsidiaries

Investments in subsidiaries as at 30 September 2013 and 31 December 2012, and dividend income from those investments for the nine-month periods ended 30 September 2013 and 2012 were as follows:

	Type of business	Ownership interest		Paid-up capital		Cost		Warrant granted to subsidiaries' directors and employees		Total		Dividend income for the nine-month Period ended	
		30	31	30	31	30	31	30	31	30	31	30	30
		September	December	September	December	September	December	September	December	September	December	September	September
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
		(%)											
		(in thousand Baht)											
Associates													
KCE Technology Co., Ltd.	(1)	100.00	100.00	1,600,000	1,600,000	1,600,000	1,600,000	4,265	3,583	1,604,265	1,603,583	-	-
K.C.E. International Co., Ltd.	(1)	99.99	99.99	100,000	100,000	185,395	185,395	1,979	1,833	187,374	187,228	29,998	29,998
Chemtronic Technology (Thailand) Co., Ltd.	(2)	97.25	97.25	48,000	48,000	233,810	233,810	-	-	233,810	233,810	37,928	-
Thai Laminate Manufacturer Co., Ltd.	(3)	74.80	74.80	250,000	250,000	368,460	368,460	815	756	369,275	369,216	59,092	37,400
KCE (Thailand) Co., Ltd.	(4)	60.00	60.00	3,600	3,600	2,160	2,160	124	124	2,284	2,284	-	-
Thai Business Solution Co., Ltd.	(5)	-	-	6,958	3,000	-	-	-	-	-	-	-	4,410
Total						2,389,825	2,389,825	7,183	6,296	2,397,008	2,396,121	127,018	71,808
Indirect Associates													
Chemtronic Chemical Co.,Ltd	(2)	96.03	96.03	4,800	4,800	-	-	-	-	-	-	-	-

- (1) The manufacture and distribution of printed circuit board products
- (2) The manufacture and distribution of chemicals products
- (3) The manufacture and distribution of prepreg and laminate products
- (4) The domestic sale representative
- (5) A service provider for computer system implementation and support

All subsidiaries entities were incorporated in Thailand.

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9 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the nine-month period ended 30 September 2013 were as follows:

For the nine-month ended 30 September 2013

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
Net book value at 1 January 2013	5,237,038	1,116,776
Acquisitions - cost	668,792	57,388
Disposals during the period - Net book values at the date	(7,111)	(5,549)
Depreciation for the period	(397,648)	(100,764)
Impairment losses	(4,000)	(4,000)
Net book value at 30 September 2013	<u>5,497,071</u>	<u>1,063,851</u>

9.1 The Company and its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into negative pledge memorandums which are part of bank overdrafts and loans agreements. Under these memorandums, the Company and its subsidiaries are not allowed to dispose of, transfer, mortgage or provide any lien on their assets, as stipulated in such memorandums.

9.2 The subsidiaries of the Company 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 which a total net book value as at 30 September 2013 of Baht 148 millions (*31 December 2012: Baht 171 million*), as collateral for bank overdrafts and loans from banks, as described in Note 11. Thai Laminate Manufacturer Co., Ltd. has redeemed such mortgage and pledge in October 2013.

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 30 September 2013 of Baht 1,027 million (*31 December 2012: Baht 1,084 million*), as collateral for bank overdrafts and loans from banks, as described in Note 11.

10 Deferred tax

Deferred tax assets and liabilities as at 30 September 2013 and 31 December 2012 were as follows:

	Consolidated financial statements			
	Assets		Liabilities	
	30	31	30	31
	September	December	September	December
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Total	173,681	165,448	(159,274)	(160,501)
Set off of tax	(119,278)	(148,674)	119,278	148,674
Net deferred tax assets (liabilities)	<u>54,403</u>	<u>16,774</u>	<u>(39,996)</u>	<u>(11,827)</u>

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	Separate financial statements			
	Assets		Liabilities	
	30	31	30	31
	September 2013	December 2012	September 2013	December 2012
	<i>(in thousand Baht)</i>			
Total	11,742	41,163	(49,874)	(51,101)
Set off of tax	(11,742)	(41,163)	11,742	41,163
Net deferred tax assets (liabilities)	-	-	(38,132)	(9,938)

Movements in total deferred tax assets and liabilities during the nine-month periods ended 30 September 2013 and 2012 were as follows:

	Consolidated financial statements		
	At 1 January 2013	(Charged) / credited to	At 30 September 2013
		Profit or loss (Note 17) <i>(in thousand Baht)</i>	
Deferred tax assets			
Allowance for decline in value of inventories	8,606	9,382	17,988
Employee benefit obligations	13,460	671	14,131
Loss carry forward	143,362	(1,821)	141,541
Others	20	1	21
Total	165,448	8,233	173,681
Deferred tax liabilities			
Finance lease agreements	(49,101)	1,227	(47,874)
Insurance claim receivable	(111,400)	-	(111,400)
Total	(160,501)	1,227	(159,274)
Net	4,947	9,460	14,407

	Consolidated financial statements		
	At 1 January 2012	(Charged) / credited to	At 30 September 2012
		Profit or loss (Note 17) <i>(in thousand Baht)</i>	
Deferred tax assets			
Allowance for decline in value of inventories	7,386	3,521	10,907
Employee benefit obligations	12,201	253	12,454
Loss carry forward	114,257	34,676	148,933
Others	14	4	18
Total	133,858	38,454	172,312
Deferred tax liabilities			
Finance lease agreements	(45,087)	(4,049)	(49,136)
Insurance claim receivable	(14,000)	(85,000)	(99,000)
Total	(59,087)	(89,049)	(148,136)
Net	74,771	(50,595)	24,176

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	Separate financial statements		
	At 1 January 2013	(Charged) / credited to Profit or loss (Note 17) (in thousand Baht)	At 30 September 2013
Deferred tax assets			
Allowance for decline in value of inventories	3,336	1,325	4,661
Employee benefit obligations	6,997	63	7,060
Loss carry forward	30,810	(30,810)	-
Others	20	1	21
Total	41,163	(29,421)	11,742
Deferred tax liabilities			
Finance lease agreements	(49,101)	1,227	(47,874)
Insurance claim receivable	(2,000)	-	(2,000)
Total	(51,101)	1,227	(49,874)
Net	(9,938)	(28,194)	(38,132)

	Separate financial statements		
	At 1 January 2012	(Charged) / credited to Profit or loss (Note 17) (in thousand Baht)	At 30 September 2012
Deferred tax assets			
Allowance for decline in value of inventories	4,498	(889)	3,609
Employee benefit obligations	6,299	523	6,822
Loss carry forward	89,340	(41,164)	48,176
Others	14	4	18
Total	100,151	(41,526)	58,625
Deferred tax liabilities			
Finance lease agreements	(45,087)	(4,049)	(49,136)
Total	(45,087)	(4,049)	(49,136)
Net	55,064	(45,575)	9,489

Deferred tax assets (liabilities) arising from temporary differences and unused tax losses that have not been recognised in the financial statements were as follows:

	Consolidated financial statements		Separate financial statements	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Deductible temporary differences	-	-	-	-
Tax losses carry forward	22,709	300,006	-	-
Total	22,709	300,006	-	-

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The tax losses expire in 2013 - 2025. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit against which the Group can utilise the benefits therefrom.

11 Interest bearing liabilities

	Interest rate (% per annum)	Consolidated financial statements		Separate financial statements	
		30 September 2013	31 December 2012	30 September 2013	31 December 2012
<i>(in thousand Baht)</i>					
Current					
Bank overdrafts - secured	(1)	2,485	2,484	-	2,484
Short-term loans from financial institutions					
- secured	(2)	585,000	664,450	40,000	80,000
Packing credit - secured	(3)	2,277,088	1,216,887	772,088	570,887
Trust Receipt - secured	(3)	1,219,064	927,985	33,666	56,151
Total bank overdraft and short-term loans from financial institutions		4,083,637	2,811,806	845,754	709,522
Current portion of long-term loans - secured		1,153,584	1,373,025	308,809	301,677
Current portion of finance lease liabilities		6,191	19,700	4,009	14,858
Total current interest-bearing liabilities		5,243,412	4,204,531	1,158,572	1,026,057
Non-current					
Long-term loans -secured		853,262	1,317,003	402,965	613,578
Liabilities from hire purchase and finance lease		4,981	9,601	2,589	5,221
Total non-current interest-bearing liabilities		858,243	1,326,604	405,554	618,799
Total		6,101,655	5,531,135	1,564,126	1,644,856

(1) "Minimum Loan Rate" and "Minimum Overdraft Rate"

(2) "Money Market Rate"

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

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

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

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

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- 11.5 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.
- 11.6 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. Thai Laminate Manufacturer Co., Ltd. has redeemed such mortgage and pledge in October 2013.
- 11.7 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.

Movements during the nine-month period ended 30 September 2013 of long-term loans were as follows:

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
At 1 January 2013	2,690,028	915,255
Increase	13,970	13,970
Decrease	(736,344)	(230,765)
Unrealised loss on exchange rate	39,192	13,314
At 30 September 2013	<u>2,006,846</u>	<u>711,774</u>

12 Trade and other payables

		Consolidated financial statements		Separate financial statements	
		30	31	30	31
		September	December	September	December
	<i>Note</i>	2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
Trade payables					
- related parties	5	90,194	50,772	494,434	372,772
- other parties		1,217,076	1,040,543	286,739	281,907
Other payables for purchase of machineries and equipment					
- related parties	5	1,403	1,287	859	9,170
- other parties		174,479	202,536	12,711	30,487
Other payables					
- related parties	5	28,654	21,477	2,953	2,660
- other parties		76,935	41,389	7,646	12,927
Accrued expenses		350,791	208,471	121,147	71,422
Total trade and other payables		<u>1,939,532</u>	<u>1,566,475</u>	<u>926,489</u>	<u>781,345</u>

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13 Share capital

<i>Nine-month periods ended</i> <i>30 September</i>	Par value per share (in Baht)	2013		2012	
		Number (thousand shares)	Baht (thousand Baht)	Number (thousand shares)	Baht (thousand Baht)
Authorised					
At 1 January					
- ordinary shares	1	491,830	491,830	500,000	500,000
Reduction of shares	1	(28,976)	(28,976)	(8,170)	(8,170)
Increase of authorised share capital	1	<u>115,568</u>	<u>115,568</u>	<u>-</u>	<u>-</u>
At 30 September					
- ordinary shares	1	<u>578,422</u>	<u>578,422</u>	<u>491,830</u>	<u>491,830</u>
Issued and paid-up					
At 1 January					
- ordinary shares	1	472,601	472,601	472,224	472,224
Reduction of shares	1	(14,000)	(14,000)	(8,170)	(8,170)
Issue of new shares	1	<u>10,670</u>	<u>10,670</u>	<u>5,240</u>	<u>5,240</u>
At 30 September					
- ordinary shares	1	<u>469,271</u>	<u>469,271</u>	<u>469,294</u>	<u>469,294</u>

Reduction of the Company's authorised share capital

On 29 April 2013, the Company's shareholders at the Annual General Meeting approved the reduction of the Company's authorised share capital in the amount of Baht 14,975,731 from the current authorised share capital of Baht 491,829,500 to Baht 476,853,769 by cancelling 14,975,731 unissued ordinary shares with Baht 1 par value per share.

The Company registered the reduction of the authorised share capital with the Ministry of Commerce on 8 May 2013.

Increase of the Company's authorised share capital

On 29 April 2013, the Company's shareholders at the Annual General Meeting approved the increase of the Company's authorised share capital in the amount of Baht 115,567,813 from the authorised share capital of Baht 476,853,769 to Baht 592,421,582 by issuing 115,567,813 new ordinary shares at Baht 1 par value per share.

The Company registered the increase of the authorised share capital with the Ministry of Commerce on 10 May 2013.

During the second quarter of 2013, the Company reduced its authorised and issued and paid-up share capital by way of writing off all 14,000,000 repurchased shares as described in Note 14.

The allocation of new ordinary shares

On 29 April 2013, the Company's shareholders at the Annual General Meeting approved the allocation of not exceeding 115,567,813 new ordinary shares at Baht 1 par value per share as follows:

1. not exceeding 115,248,942 shares to accommodate the exercise of warrants (KCE-W2) to be allocated to its existing shareholders in proportion to their shareholdings (Rights Offering);

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2. not exceeding 81,520 shares to accommodate the adjustment of rights of warrants to Purchase Ordinary Shares of the Company (ESOP-W3) allocated to directors and employees of the Company and/or its subsidiaries ("ESOP Warrants-W3").
3. not exceeding 237,351 shares to accommodate the adjustment of rights of warrants to Purchase Ordinary Shares of the Company (ESOP-W4) allocated to directors and employees of the Company and/or its subsidiaries ("ESOP Warrants-W4").

Share warrants

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. As at 30 September 2013, all these warrants had been exercised and cancelled.

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

As the Thai Financial Reporting Standards 2 (TFRS2): Share-based Payment was effective for the share-based payment awards granted on or after 1 January 2011. Therefore, according to TFRS2, ESOP-W4 has to be measured by using the fair value of the warrants on the grant date. The fair value of the warrants granted "ESOP-W4" was Baht 1.238.

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

ESOP-W3

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

ESOP-W4

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

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

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Issue and offering of warrants

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

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

Movements of share warrants ESOP-W3 and ESOP-W4 during the nine-month periods ended 30 September 2013 and 2012 are summarised below:

	2013		2012	
	Number	Baht	Number	Baht
	<i>(in thousand shares/thousand Baht)</i>			
Warrants issued at 1 January	4,253	4,009	2,800	-
Add: Warrants issued during the period	-	-	10,000	12,380
Incremental fair value	-	1,397	-	-
Less: Exercised during the period	(2,925)	(3,488)	(5,240)	(5,348)
Canceled during period	(475)	-	-	-
Warrants issued at 30 September	<u>853</u>	<u>1,918</u>	<u>7,560</u>	<u>7,032</u>

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

In June 2013, the Company received share subscription from ESOP-W4 for 530,000 warrants or equivalent to 615,300 additional ordinary shares of Baht 6.721 each share supporting the exercise of the warrants, totaling of Baht 4.1 million. The Company registered the said increase of new shares with the Ministry of Commerce on 5 July 2013.

As at 30 September 2013, share warrants outstanding consists of share warrants of ESOP-W4 project of 853,000 units.

Movements of share warrants KCE-W2 during the nine-month period ended 30 September 2013 are summarised below:

	Number
	<i>(in thousand unit)</i>
Warrants issued at 1 January 2013	-
Add: Warrants issued during the period	115,245
Less: Exercised during the period	(7,660)
Canceled during period	-
Warrants issued at 30 September 2013	<u>107,585</u>

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In September 2013, the Company received share subscription from KCE-W2 for 7,659,867 additional ordinary shares of Baht 5.00 each share supporting the exercise of the warrants, totaling of Baht 38.3 million. The Company registered the said increase of new shares with the Ministry of Commerce on 10 September 2013.

14 Treasury shares

As at 30 September 2013 and 31 December 2012, details of treasury shares are as follows:

	Consolidated/ separate financial statements	
	2013	2012
Cost of treasury shares (Thousand Baht)	-	105,582
Number of treasury shares (Thousand shares)	-	14,000
Average price per share (Baht)	-	7.54
Percentage of treasury shares to the Company's shares in issue	-	2.96

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 take into account the prevailing market price at the time of sale.

During the second quarter of 2013, the Company reduced its authorised and issued and paid-up share capital by way of writing off all 14,000,000 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. 6/2556 on 18 June 2013. This resulted in a decrease in its authorised and issued and paid-up share capital from authorised share capital of 592,421,582 ordinary shares (Baht 1 each) and issued and paid-up share capital of 474,995,769 ordinary shares (Baht 1 each) to authorised share capital of 578,421,582 ordinary shares (Baht 1 each) and issued and paid-up share capital of 460,995,769 ordinary shares (Baht 1 each). The Company registered the reduction of its registered share capital with the Ministry of Commerce on 27 June 2013.

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15 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 operate in both local and overseas markets. Financial information of the Company and its subsidiaries by business for the three-month and nine-month periods ended 30 September 2013 and 2012 is as follows:

Consolidated financial statements																		
For the three-month periods ended 30 September 2013 and 2012																		
	Prepreg and Laminate business		Printed Circuit Board business						Chemical business		Service provider business		Eliminating entries		Total			
			America		Europe		Asia		Total									
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		
	<i>(in thousand Baht)</i>																	
Revenues from external customers	13,368	13,131	492,440	238,033	1,295,739	1,051,784	677,666	431,701	2,465,845	1,721,518	60,413	-	-	22,485	-	-	2,539,626	1,757,134
Inter-segment revenues	424,990	383,645	-	-	-	-	284,451	210,391	284,451	210,391	17,353	-	-	434	(726,794)	(594,470)	-	-
Total revenues	438,358	396,776	492,440	238,033	1,295,739	1,051,784	962,117	642,092	2,750,296	1,931,909	77,766	-	-	22,919	(726,794)	(594,470)	2,539,626	1,757,134
Segment operating profit	67,552	51,609							626,672	259,101	24,674	-	-	4,525	4,699	714	723,597	315,949
Unallocated income and expenses:																		
Compensation from insurance claim																	-	115,939
Other income																	26,461	104,047
Selling expenses																	(148,829)	(113,584)
Administrative expenses																	(211,799)	(134,624)
Finance cost																	(45,496)	(38,489)
Share of profit from investments in associates																	6,288	565
Corporate income tax																	(20,700)	(25,417)
Profit for the period																	329,522	224,386

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Consolidated financial statements																		
For the nine-month periods ended 30 September 2013 and 2012																		
	Printed Circuit Board business										Chemical business		Service provider business		Eliminating entries		Total	
	Prepreg and Laminate business		America		Europe		Asia		Total									
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	<i>(in thousand Baht)</i>																	
Revenues from external customers	47,037	40,949	1,152,042	663,028	3,535,307	2,839,537	1,923,919	1,015,740	6,611,268	4,518,305	142,604	-	-	50,629	-	-	6,800,909	4,609,883
Inter-segment revenues	1,224,771	1,019,947	-	-	-	-	805,429	631,754	805,429	631,754	48,803	-	-	4,973	(2,079,003)	(1,656,674)	-	-
Total revenues	1,271,808	1,060,896	1,152,042	663,028	3,535,307	2,839,537	2,729,348	1,647,494	7,416,697	5,150,059	191,407	-	-	55,602	(2,079,003)	(1,656,674)	6,800,909	4,609,883
Segment operating profit	175,646	143,463							1,490,977	708,105	54,616	-	-	12,846	10,369	(1,104)	1,731,608	863,310
Unallocated income and expenses:																		
Compensation from insurance claim																	-	448,141
Other income																		130,822
Selling expenses																		(410,373)
Administrative expenses																		(520,041)
Finance cost																		(127,714)
Share of profit (loss) from investments in associates																		14,181
Corporate income tax																		(16,642)
Profit for the period																	801,841	453,288
Segment assets as at 30 September 2013 / 31 December 2012	1,299,155	1,165,762							14,494,814	12,461,008	203,207	202,151	-	-	(4,155,660)	(3,556,580)	11,841,516	10,272,341

As disclosed in Note 4(d), following the adoption of TFRS 8 – Operating Segments from 1 January 2013, the Group has changed its policy for reporting information on operating segments.

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

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<i>For the three-month periods ended 30 September</i>				
Included in other income				
- Gain on exchange rate and from hedging activities - net	10,324	93,955	11,968	25,248
Included in administrative expenses				
- Loss on exchange rate and from hedging activities - net	-	-	-	-
<i>For the nine-month periods ended 30 September</i>				
Included in other income				
- Gain on exchange rate and from hedging activities - net	88,994	123,977	42,752	42,232
Included in administrative expenses				
- Loss on exchange rate and from hedging activities - net	-	-	-	-

17 Income tax expense

Income tax recognised in profit or loss

<i>Three-month periods ended 30 September</i>	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
Current tax expense					
Current year		16,598	5,712	7,000	-
Adjustment for prior years		-	-	-	-
		16,598	5,712	7,000	-
Deferred tax expense					
Movements in temporary differences		4,102	19,494	(1,828)	14,173
Income tax reduction - deferred		-	211	-	(13)
		4,102	19,705	(1,828)	14,160
Total		20,700	25,417	5,172	14,160

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<i>Nine-month periods ended 30 September</i>	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
			<i>(in thousand Baht)</i>		
Current tax expense					
Current year		26,102	10,981	7,000	-
Adjustment for prior years		-	-	-	-
		<u>26,102</u>	<u>10,981</u>	<u>7,000</u>	<u>-</u>
Deferred tax expense					
Movements in temporary differences		(9,460)	48,248	28,194	43,905
Income tax reduction - deferred		-	2,347	-	1,670
	10	<u>(9,460)</u>	<u>50,595</u>	<u>28,194</u>	<u>45,575</u>
Total		<u>16,642</u>	<u>61,576</u>	<u>35,194</u>	<u>45,575</u>

Reconciliation of effective tax rate

<i>Three-month periods ended 30 September</i>	<i>Rate (%)</i>	Consolidated financial statements	
		2013	2012
		<i>(in thousand Baht)</i>	<i>(in thousand Baht)</i>
Profit before income tax expense		350,222	249,803
Income tax using the Thai corporation tax rate	20	70,045	57,455
Income tax reduction - deferred	-	-	211
Income not subject to tax	(16)	(55,075)	(3,841)
Expenses not deductible for tax purposes and additional reduction transactions	(2)	(5,923)	92
Current year losses for which no deferred tax asset was recognised	-	-	(5,522)
Recognition of previously unrecognised tax losses	3	11,200	(23,430)
Others	1	453	452
Total	6	<u>20,700</u>	<u>25,417</u>

<i>Three-month periods ended 30 September</i>	<i>Rate (%)</i>	Separate financial statements	
		2013	2012
		<i>(in thousand Baht)</i>	<i>(in thousand Baht)</i>
Profit before income tax expense		171,894	133,741
Income tax using the Thai corporation tax rate	20	34,379	30,760
Income tax reduction - deferred	-	-	(13)
Income not subject to tax	(17)	(28,430)	(15,504)
Expenses not deductible for tax purposes and additional reduction transactions	(2)	(3,396)	(750)
Others	2	2,619	(333)
Total	3	<u>5,172</u>	<u>14,160</u>

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<i>Nine-month periods ended 30 September</i>	Consolidated financial statements			
		2013		2012
	<i>Rate (%)</i>	<i>(in thousand Baht)</i>	<i>Rate (%)</i>	<i>(in thousand Baht)</i>
Profit before income tax expense		818,483		514,864
Income tax using the Thai corporation tax rate	20	163,697	23	118,419
Income tax reduction - deferred	-	-	-	2,347
Income not subject to tax	(11)	(92,501)	(3)	(16,014)
Expenses not deductible for tax purposes and additional reduction transactions	(1)	(4,367)	1	3,603
Current year losses for which no deferred tax asset was recognised	-	-	10	49,098
Recognition of previously unrecognised tax losses	(5)	(44,800)	(19)	(96,110)
Others	(1)	(5,387)	-	233
Total	2	16,642	12	61,576

<i>Nine-month periods ended 30 September</i>	Separate financial statements			
		2013		2012
	<i>Rate (%)</i>	<i>(in thousand Baht)</i>	<i>Rate (%)</i>	<i>(in thousand Baht)</i>
Profit before income tax expense		391,179		259,487
Income tax using the Thai corporation tax rate	20	78,236	23	59,682
Income tax reduction - deferred	-	-	1	1,670
Income not subject to tax	(10)	(40,941)	(6)	(16,518)
Expenses not deductible for tax purposes and additional reduction transactions	(1)	(2,508)	-	1,177
Others	-	407	-	(436)
Total	9	35,194	18	45,575

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18 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the three-month and nine-month periods ended 30 September 2013 and 2012 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:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<i>Three-month periods ended 30 September</i>	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>327,478</u>	<u>223,042</u>	<u>166,722</u>	<u>119,581</u>
Number of ordinary shares outstanding at 1 July	460,996	464,054	460,996	464,054
<i>Less</i> Treasury shares/ Reduction of shares	-	-	-	-
Number of ordinary shares outstanding net of treasury shares/ reduction of shares	460,996	464,054	460,996	464,054
Effect from treasury shares repurchases during the period	-	(8,143)	-	(8,143)
Effect from ordinary shares issued during the period	2,337	285	2,337	285
Weighted average number of ordinary shares outstanding (basic)	<u>463,333</u>	<u>456,196</u>	<u>463,333</u>	<u>456,196</u>
Earnings per share (basic) (in Baht)	<u>0.71</u>	<u>0.49</u>	<u>0.36</u>	<u>0.26</u>
<i>Nine-month periods ended 30 September</i>	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>796,798</u>	<u>449,774</u>	<u>355,985</u>	<u>213,912</u>
Number of ordinary shares outstanding at 1 January	472,601	472,224	472,601	472,224
<i>Less</i> Treasury shares/ Reduction of shares	(14,000)	(8,170)	(14,000)	(8,170)
Number of ordinary shares outstanding net of treasury shares/ reduction of shares	458,601	464,054	458,601	464,054
Effect from treasury shares repurchases during the period	-	(2,734)	-	(2,734)
Effect from ordinary shares issued during the period	2,481	96	2,481	96
Weighted average number of ordinary shares outstanding (basic)	<u>461,082</u>	<u>461,416</u>	<u>461,082</u>	<u>461,416</u>
Earnings per share (basic) (in Baht)	<u>1.73</u>	<u>0.97</u>	<u>0.77</u>	<u>0.46</u>

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Diluted earnings per share

The calculations of diluted earnings per share for the three-month and nine-month periods ended 30 September 2013 and 2012 were based on the profit for the periods attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods after adjusting for the effects of all dilutive potential ordinary shares as follows:

<i>Three-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	<u>327,478</u>	<u>223,042</u>	<u>166,722</u>	<u>119,581</u>
Weighted average number of ordinary shares outstanding (basic)	463,333	456,196	463,333	456,196
Effect of share warrants	<u>78,348</u>	<u>214</u>	<u>78,348</u>	<u>214</u>
Weighted average number of ordinary shares outstanding (diluted)	<u>541,681</u>	<u>456,410</u>	<u>541,681</u>	<u>456,410</u>
Earnings per share (diluted) (in Baht)	<u>0.60</u>	<u>0.49</u>	<u>0.31</u>	<u>0.26</u>
<i>Nine-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	<u>796,798</u>	<u>449,774</u>	<u>355,985</u>	<u>213,912</u>
Weighted average number of ordinary shares outstanding (basic)	461,082	461,416	461,082	461,416
Effect of share warrants	<u>30,204</u>	<u>-</u>	<u>30,204</u>	<u>-</u>
Weighted average number of ordinary shares outstanding (diluted)	<u>491,286</u>	<u>461,416</u>	<u>491,286</u>	<u>461,416</u>
Earnings per share (diluted) (in Baht)	<u>1.62</u>	<u>0.97</u>	<u>0.72</u>	<u>0.46</u>

19 Dividends

On 29 April 2013, 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 2012 to 31 December 2012 at Baht 0.35 per share to the ordinary shareholders, totaling approximately Baht 161.3 million. The Company paid the dividend on 15 May 2013.

On 8 August 2013, 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 2013 to 30 June 2013 at Baht 0.25 per share to the ordinary shareholders, totaling approximately Baht 115.4 million. The Company paid the interim dividend on 6 September 2013.

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20 Commitments

Commitments

	Consolidated financial statements		Separate financial statements	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	<i>(in thousand Baht)</i>			
Capital commitments				
Unrecognised purchase orders for machinery and equipment	183,565	166,067	12,670	21,777
Contracted but not provided buildings and other constructions	23,732	-	23,732	-
Total	207,297	166,067	36,402	21,777

	Consolidated financial statements		Separate financial statements	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	<i>(in thousand Baht)</i>			
Non-cancellable operating lease and long-term service commitments				
Within one year	33,900	39,508	6,774	17,405
After one year but within five years	30,528	2,007	3,165	336
Total	64,428	41,515	9,939	17,741

As of 30 September 2013, a subsidiary had commitments in respect of installment and implementation of computer software with other related company amounting to Baht 1 million (the Company only: nil).

Forward exchange contracts

As at 30 September 2013, the Group had outstanding forward exchange contracts as follows:

Consolidated financial statements			
Currency	Amount <i>(Thousand)</i>	Maturity date	Contract exchange rate <i>(Per unit of foreign currency)</i>
Buying contract			
US dollar	3,564	31 October 2013 - 24 March 2014	29.5210 - 32.4750 Baht
Selling contract			
US dollar	27,812	26 November 2013 - 27 February 2014	30.2800 - 32.2907 Baht
Euro	3,833	3 February 2014 - 10 February 2014	41.7600 - 42.8000 Baht

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Separate financial statements

Currency	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
Selling contract			
US dollar	7,472	2 January 2014 - 10 January 2014	31.3700 - 31.7000 Baht
Euro	3,800	3 February 2014 - 10 February 2014	41.7600 - 42.0900 Baht

Commodity hedge agreements

As at 30 September 2013, 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 September 2013	Maturity date
Copper	140	6,820	7,290.50	31 October - 30 November 2013

Cross interest rate swap

As at 30 September 2013, a subsidiary company had an interest rate swap agreement with a local financial institution for the period from 7 July 2011 to 7 July 2014 by which the subsidiary company agreed to swap the interest rate of its USD 6 million facilities from a floating interest rate of US LIBOR (3 months) plus fixed percent per annum to US fixed interest rate of 3.06 percent per annum. As at 30 September 2013, the outstanding balance of such agreement was USD 2 million.

Guarantees

As at 30 September 2013 and 31 December 2012, 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 September 2013	31 December 2012	K.C.E. International Co., Ltd. 30 September 2013	31 December 2012
	<i>(in million Baht)</i>			
KCE Electronics Public Company Limited				
- Baht	-	-	95	115
K.C.E. International Co., Ltd.				
- Baht	129	119	-	-
- US dollar	2	3	-	-
KCE Technology Co., Ltd.				
- Baht	3,111	2,350	-	-
- US dollar	32	42	-	-

As at 30 September 2013, the Company and its subsidiaries had contingent liabilities in respect of bank guarantees issued on their behalf amounting to Baht 73 million (the Company only: Baht 31 million) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electricity payment.

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21 Thai Financial Reporting Standards (TFRS) not yet adopted

The Group has not adopted the new interpretations that have been issued as of the reporting date but are not yet effective. Those new interpretations that are applicable to the Group's operations, which become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table, are as follows:

TFRS	Topic	Year effective
TAS 12 (revised 2012)	Income Taxes	2014
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2014
TFRIC 4	Determining whether an Arrangement contains a lease	2014
TFRIC 10	Interim Financial Reporting and Impairment	2014
TIC 15	Operating Leases-Incentives	2014
TIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2014

Management expects to adopt and apply these new and revised TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.