

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 2014 (Unaudited)

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

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statement, and were approved and authorised for issue by the Board of Directors on 5 August 2014.

1 General information

KCE Electronics Public Company Limited (“the Company”) was incorporated as a limited company under Thai law and was transformed to be a public limited company under the Public Limited Companies Act on 21 December 1992. The Company has its registered office at No. 72/1-3 Soi Chalongkrung, Kwang Lumplatew, Khet Lat Krabang, Bangkok.

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

The principal activities of the Company are the manufacture and distribution of electric printed circuit board products. Details of the Company’s subsidiaries as at 30 June 2014 and 31 December 2013 are given in notes 4 and 7.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2012) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2013. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiaries for the year ended 31 December 2013.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2013 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2014. The adoption of these new and revised TFRS did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group.

(b) Functional and presentation currency

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

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(c) Use of estimates and judgments

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

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2013.

3 Impact of severe flooding in Thailand

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

As at 30 June 2014, the Group had outstanding insurance claim receivable of KCE Technology Co., Ltd. (subsidiary) of Baht 355 million.

For the six-month period ended 30 June 2014, K.C.E. International Co., Ltd. recognised compensation from insurance claim amount of Baht 6 million which was included in other income.

4 Related parties

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

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

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.
Thai Business Solution Co., Ltd.	Thai	As at 30 June 2013, 10% Shareholding and a director (30 June 2014: No relationship).

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

Transactions	Pricing policies
Subsidiaries	
Sales of goods	Market prices and prices per job order for each product which are agreed between the parties
Rendering of service	Market prices and prices per job order for each product which are agreed between the parties
Other incomes and other expenses	Prices agreed between the parties
Sales of property, plant and equipment	Net book value plus margin and prices agreed between the parties
Purchase of goods	Market prices and prices per job order for each product which are agreed between the parties
Purchase of property, plant and equipment	Net book value plus margin and prices agreed between the parties
Dividend income	As announced in the minute of shareholders' meeting
Associates	
Sales of goods	Market prices at which similar quality products are sold under same conditions
Other incomes and other expenses	Prices agreed between the parties
Purchase of raw materials	Market prices at which similar quality products are purchased under same conditions
Commission expense	At the rate agreed between the parties which is general rate for the same business
Purchase of property, plant and equipment	Net book value plus margin and prices agreed between the parties
Dividend income	As announced in the minute of shareholders' meeting
Other related party	
Purchase of intangible assets	Prices per job order for each product which are agreed between the parties

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Significant transactions for the three-month and six-month periods ended 30 June 2014 and 2013 with related parties were as follows:

<i>For the three-month periods ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in million Baht)</i>			
Subsidiaries				
Sales of goods	-	-	15	29
Rendering of service	-	-	5	14
Other income	-	-	6	4
Sales of property, plant and equipment	-	-	-	4
Purchases of goods	-	-	317	282
Purchases of property, plant and equipment	-	-	2	-
Dividend income	-	-	217	63
Other expenses	-	-	5	-
Associates				
Sales of goods	449	409	187	199
Purchases of raw material	95	85	39	41
Commission expense	38	16	10	7
Purchases of property, plant and equipment	-	2	-	-
Dividend income	-	-	4	-
Other expenses	2	3	1	3
Other related parties				
Purchase of intangible assets	-	1	-	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	23	18	9	10
Share-based payments	13	-	8	-
Total key management personnel compensation	<u>36</u>	<u>18</u>	<u>17</u>	<u>10</u>

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<i>For the six-month periods ended 30 June</i>	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2014	2013	2014	2013
	<i>(in million Baht)</i>			
Subsidiaries				
Sales of goods	-	-	52	57
Rendering of service	-	-	7	30
Other income	-	-	14	8
Sales of property, plant and equipment	-	-	17	5
Purchases of goods	-	-	669	529
Purchases of property, plant and equipment	-	-	39	-
Dividend income	-	-	217	63
Other expenses	-	-	8	2
Associates				
Sales of goods	897	720	370	364
Purchases of raw material	202	157	93	70
Commission expense	60	35	18	14
Purchases of property, plant and equipment	1	6	1	2
Dividend income	-	-	4	-
Other expenses	3	7	2	5
Other related parties				
Purchase of intangible assets	-	2	-	1
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	49	35	19	18
Share-based payments	13	-	8	-
Total key management personnel compensation	<u>62</u>	<u>35</u>	<u>27</u>	<u>18</u>

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Balances as at 30 June 2014 and 31 December 2013 with related parties were as follows:

<i>Trade receivables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	7,225	9,324
K.C.E. International Co., Ltd.	-	-	9,768	8,368
KCE (Thailand) Co., Ltd.	-	-	3,456	8,123
Thai Laminate Manufacturer Co., Ltd.	-	-	1,053	837
Associates				
KCE America, Inc.	585,358	748,694	257,930	312,085
KCE Singapore Pte., Ltd.	47,671	69,087	11,565	24,192
KCE Taiwan Co., Ltd.	27	-	-	-
Total	633,056	817,781	290,997	362,929
<i>Other receivables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	1,490	30,214
Chemtronic Technology (Thailand) Co., Ltd.	-	-	2,921	1,984
K.C.E. International Co., Ltd.	-	-	753	8,423
KCE (Thailand) Co., Ltd.	-	-	5	5
Thai Laminate Manufacturer Co., Ltd.	-	-	138	24
Associates				
KCE Singapore Pte., Ltd.	928	1,943	-	-
KCE America, Inc.	-	-	-	-
Total	928	1,943	5,307	40,650
<i>Trade payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	288,108	258,787
K.C.E. International Co., Ltd.	-	-	28,321	20,197
KCE Technology Co., Ltd.	-	-	137,257	121,594
Chemtronic Chemical Co., Ltd.	-	-	6,274	7,471
Associates				
KCE Taiwan Co., Ltd.	78,873	52,402	36,417	26,953
KCE Singapore Pte., Ltd.	28,286	26,000	20,313	21,184
Total	107,159	78,402	516,690	456,186

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<i>Other payables for purchase of machineries and equipment - related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	2,279	18,013
K.C.E. International Co., Ltd.	-	-	-	1,904
Associates				
KCE Taiwan Co., Ltd.	142	977	-	614
KCE Singapore Pte., Ltd.	17	3	-	-
Total	159	980	2,279	20,531

<i>Other payables - related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	4,283	8
Thai Laminate Manufacturer Co., Ltd.	-	-	-	20
K.C.E. International Co., Ltd.	-	-	1,827	-
Associates				
KCE Singapore Pte., Ltd.	46,630	35,102	2,737	2,765
KCE America, Inc.	185	-	-	-
Total	46,815	35,102	8,847	2,793

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 17 to the financial statements.

5 Trade and other receivables

<i>Notes</i>	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Trade receivable				
Related parties	4 633,056	817,781	290,997	362,929
Other parties	2,740,195	2,365,339	1,048,217	954,615
Total	3,373,251	3,183,120	1,339,214	1,317,544
<i>Less allowance for doubtful accounts</i>	-	-	-	-
Net	3,373,251	3,183,120	1,339,214	1,317,544
Other receivables				
Related parties	4 928	1,943	5,307	40,650
Other parties	72,611	31,147	43,290	7,806
Total	73,539	33,090	48,597	48,456
Total trade and other receivables	3,446,790	3,216,210	1,387,811	1,366,000

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	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Bad and doubtful debts expense (reversal) for				
- three-month periods ended 30 June	-	-	-	-
- six-month periods ended 30 June	-	(31)	-	-

Aging analysis for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	456,088	518,166	217,273	235,718
Overdue:				
Less than 3 months	155,406	259,718	73,181	115,460
3-6 months	21,176	39,560	305	11,561
6-12 months	376	156	238	18
Over 12 months	10	181	-	172
	633,056	817,781	290,997	362,929
<i>Less allowance for doubtful accounts</i>	-	-	-	-
	633,056	817,781	290,997	362,929
Other parties				
Within credit terms	1,917,240	1,628,158	785,158	670,375
Overdue:				
Less than 3 months	733,252	699,321	253,678	276,565
3-6 months	72,197	24,090	6,732	5,804
6-12 months	15,015	11,737	2,649	1,871
Over 12 months	2,491	2,033	-	-
	2,740,195	2,365,339	1,048,217	954,615
<i>Less allowance for doubtful accounts</i>	-	-	-	-
	2,740,195	2,365,339	1,048,217	954,615
Net	3,373,251	3,183,120	1,339,214	1,317,544

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

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6 Investments in associates

	Consolidated financial statements Equity Method		Separate financial statements Cost Method	
	2014	2013	2014	2013
<i>Six-month periods ended 30 June</i>				
	<i>(in thousand Baht)</i>			
Associates				
At 1 January	98,795	77,674	3,962	3,962
Share of profit from investment in associates using equity method	20,454	7,893	-	-
Dividend income	(4,216)	-	-	-
Foreign currency translation differences for foreign operations	(4,354)	2,894	-	-
At 30 June	110,679	88,461	3,962	3,962

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Investments in associates as at 30 June 2014 and 31 December 2013, and dividend income from those investments for the six-month periods ended 30 June 2014 and 2013 were as follows:

		Consolidated financial statements								
Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Equity		
		30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	
		(%)				(in thousand Baht)				
Associates										
KCE America, Inc.	(1)	America	50.00	50.00	USD 50,000	USD 50,000	644	644	61,414	58,012
KCE Singapore Pte., Ltd.	(1)	Singapore	49.00	49.00	SGD 500,000	SGD 500,000	4,201	4,201	38,599	29,871
KCE Taiwan Co., Ltd.	(2)	Taiwan	49.00	49.00	NTD 3,000,000	NTD 3,000,000	1,540	1,540	10,666	10,912
Total							6,385	6,385	110,679	98,795

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

Share of profit from investments for the six-month period ended 30 June 2014 in the above three associates was calculated by using the unreviewed financial statements of those associates as the management of the Company considered that the share of profit from investments of the said associates has no material impact to the consolidated financial statements of the Company and its subsidiaries and the said associates are located overseas and the Company has no power to direct the financial and operating policies of those companies, including the review of their financial statements.

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	Separate financial statements											
	Ownership interest		Paid-up capital		Cost		Impairment		Equity - net		Dividend income	
	30	31	30	31	30	31	30	31	30	31	30	30
	June	December	June	December	June	December	June	December	June	December	June	June
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(%)		<i>(in thousand Baht)</i>									
Associates												
KCE America, Inc.	25.0	25.0	USD 50,000	USD 50,000	322	322	-	-	322	322	-	-
KCE Singapore Pte., Ltd.	24.5	24.5	SGD 500,000	SGD 500,000	2,100	2,100	-	-	2,100	2,100	-	-
KCE Taiwan Co., Ltd.	49.0	49.0	NTD 3,000,000	NTD 3,000,000	1,540	1,540	-	-	1,540	1,540	4,216	-
Total					<u>3,962</u>	<u>3,962</u>	<u>-</u>	<u>-</u>	<u>3,962</u>	<u>3,962</u>	<u>4,216</u>	<u>-</u>

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7 Investments in subsidiaries

<i>Six-month periods ended 30 June</i>	Separate financial statements	
	2014	2013
	<i>(in thousand Baht)</i>	
At 1 January	2,397,008	2,396,121
Share-based payment transactions	12,889	-
Disposals	(6,000)	-
At 30 June	<u>2,403,897</u>	<u>2,396,121</u>

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

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Investments in subsidiaries as at 30 June 2014 and 31 December 2013, and dividend income from those investments for the six-month periods ended 30 June 2014 and 2013 were as follows:

	Type of business	Ownership interest		Paid-up capital		Cost		Share warrant granted to subsidiaries' directors and employees		Total		Dividend Income	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
		(%)						<i>(in thousand Baht)</i>					
Subsidiaries													
KCE Technology Co., Ltd.	(1)	100.00	100.00	1,600,000	1,600,000	1,600,000	1,600,000	9,655	4,265	1,609,655	1,604,265	100,000	-
K.C.E. International Co., Ltd.	(1)	99.99	99.99	100,000	100,000	185,395	185,395	5,071	1,979	190,466	187,374	44,997	9,999
Chemtronic Technology (Thailand) Co., Ltd.	(2)	94.75	97.25	48,000	48,000	227,810	233,810	520	-	228,330	233,810	15,160	23,340
Thai Laminate Manufacturer Co., Ltd.	(3)	74.80	74.80	250,000	250,000	368,460	368,460	4,442	815	372,902	369,275	44,880	29,172
KCE (Thailand) Co., Ltd.	(4)	60.00	60.00	3,600	3,600	2,160	2,160	384	124	2,544	2,284	12,000	-
Total						2,383,825	2,389,825	20,072	7,183	2,403,897	2,397,008	217,037	62,511
Indirect Subsidiaries													
Chemtronic Chemical Co., Ltd.	(2)	93.57	96.03	4,800	4,800	-	-	-	-	-	-	-	-

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

All subsidiaries entities operate in Thailand.

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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 2014 were as follows:

For the six-month period ended 30 June 2014

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
Net book value at 1 January 2014	5,342,747	1,214,187
Acquisitions during the period - cost	889,623	719,719
Disposals during the period - Net book values at the date	(153,653)	(74,696)
Depreciation for the period	(270,445)	(61,260)
Loss on decline in values	(65,384)	(14,451)
Net book value at 30 June 2014	<u>5,742,888</u>	<u>1,783,499</u>

- 8.1 The Company and its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into negative pledge memorandums which are part of bank overdrafts and loans agreements. Under these memorandums, the Company and its subsidiaries are not allowed to dispose of, transfer, mortgage or provide any lien on their assets, as stipulated in such memorandums.
- 8.2 The subsidiaries of the Company have mortgaged and pledged the following property, plant and equipment.
- 8.2.1 KCE Technology Co., Ltd. has mortgaged its land and construction thereon and pledged its machinery with a total net book value as at 30 June 2014 of Baht 609 million (*31 December 2013: Baht 638 million*), as collateral for bank overdrafts and loans from banks, as described in Note 9.
- 8.2.2 Chemtronics Technology (Thailand) Co., Ltd. has mortgaged its land with a total net book value as at 30 June 2014 of Baht 68.6 million (*31 December 2013: Baht 68.6 million*), as collateral for loans from banks, as described in Note 9.

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9 Interest bearing liabilities

	Interest rate (% per annum)	Consolidated financial statements		Separate financial statements	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
<i>(in thousand Baht)</i>					
Current					
Bank overdrafts - secured	(1)	15,227	-	15,227	-
Short-term loans from financial institutions - secured	(2)	80,000	183,445	-	30,000
Packing credit - secured	(3)	2,357,218	2,506,312	463,194	810,028
Trust Receipt - secured	(3)	427,206	529,983	12,456	58,932
Total bank overdraft and short-term loans from financial institutions		2,879,651	3,219,740	490,877	898,960
Current portion of liabilities under hire-purchase and finance lease agreements		25,114	5,720	22,300	3,484
Current portion of long-term loans - secured		604,109	843,513	200,664	282,081
Total current interest-bearing liabilities		3,508,874	4,068,973	713,841	1,184,525
Non-current					
Liabilities under hire-purchase and finance lease agreements		40,793	4,223	35,431	1,959
Long-term loans - secured		942,866	778,632	748,226	366,198
Total non-current interest-bearing liabilities		983,659	782,855	783,657	368,157
Total		4,492,533	4,851,828	1,497,498	1,552,682

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

(2) "Money Market Rate"

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

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

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

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

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

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- 9.5 Long-term loans from financial institutions of KCE Technology Co., Ltd., a subsidiary, are in US Dollar, with a LIBOR (London Interbank Offered Rate) plus rates as specified in agreements. The loans are guaranteed by the Company and are secured by the mortgage of the subsidiary's land and construction thereon and the pledge of most of the subsidiary's machinery.
- 9.6 Long-term loans from financial institutions of Chemtronic Technology (Thailand) Co., Ltd., a subsidiary, are secured by mortgage of the subsidiary's land. Under the loan agreement, the subsidiary company has to comply with certain conditions, including maintaining interest bearing debt to equity ratio of not more than 1.

Movements during the six-month period ended 30 June 2014 of long-term loans were as follows:

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
At 1 January 2014	1,622,145	648,279
Increase	484,320	484,320
Decrease	(549,675)	(179,920)
Unrealised gain on exchange rate	(9,815)	(3,789)
At 30 June 2014	<u>1,546,975</u>	<u>948,890</u>

10 Trade and other payables

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	30 June 2014	31 December 2013	30 June 2014	31 December 2013
		<i>(in thousand Baht)</i>			
Trade payables					
- related parties	4	107,159	78,402	516,690	456,186
- other parties		1,383,401	1,162,944	342,426	246,009
Other payables for purchase of machineries and equipment					
- related parties	4	159	980	2,279	20,531
- other parties		319,471	418,485	230,540	199,181
Other payables					
- related parties	4	46,815	35,102	8,847	2,793
- other parties		72,841	82,746	16,800	27,968
Accrued expenses		422,636	394,138	117,216	112,137
Total trade and other payables		<u>2,352,482</u>	<u>2,172,797</u>	<u>1,234,798</u>	<u>1,064,805</u>

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11 Share capital

Six-month periods ended
30 June

	Par value per share (in Baht)	2014		2013	
		Number	Baht	Number	Baht
<i>(thousand shares / thousand Baht)</i>					
Authorised					
At 1 January					
- ordinary shares	1	578,422	578,422	491,830	491,830
Reduction of shares	1	(995)	(995)	(28,976)	(28,976)
Increase of authorised share capital	1	10,000	10,000	115,568	115,568
At 30 June					
- ordinary shares	1	587,427	587,427	578,422	578,422
Issued and paid-up					
At 1 January					
- ordinary shares	1	480,495	480,495	472,601	472,601
Reduction of shares	1	-	-	(14,000)	(14,000)
Issue of new shares	1	77,433	77,433	2,395	2,395
At 30 June					
- ordinary shares	1	557,928	557,928	460,996	460,996

On 29 April 2014, the Company's shareholders at the Annual General Meeting approved the reduction of the Company's authorised share capital in the amount of Baht 995,071 from the authorised share capital of Baht 578,421,582 to Baht 577,426,511 by cancelling 995,071 unissued ordinary shares with Baht 1 par value per share. The Company registered the said reduction of authorised share capital with the Ministry of Commerce on 13 June 2014.

On 29 April 2014, the Company's shareholders at the Annual General Meeting approved the increase of the Company's authorised share capital in the amount of Baht 10,000,000 from the authorised share capital of Baht 577,426,511 to Baht 587,426,511 by issuing 10,000,000 new ordinary shares at Baht 1 par value per share. The Company registered the said increase of authorised share capital with the Ministry of Commerce on 13 June 2014.

12 Share warrants

12.1 Share warrants ESOP-W3 and ESOP-W4

On 29 April 2010, the Annual General Meeting of the Company's shareholders passed a resolution approving the issuance and offering 10,000,000 registered and nontransferable (except for transferring as stipulated in the prospectus for ESOP-W3) warrants free of charge to the directors and employees of the Company and/or its subsidiaries, and allocation of shares to reserve for the exercise of the warrants. These warrants are exercisable at a price of Baht 6.86 per share at a ratio of 1 warrant to 1 new ordinary share, every quarter from 15 to 18 of March, June, September and December, for a period of 3 years from the issue date, starting from 15 to 18 June 2010 and with a final exercise date of 18 June 2013. All these warrants had been exercised and cancelled in June 2013.

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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.

Movements of share warrants ESOP-W3 and ESOP-W4 during the six-month periods ended 30 June 2014 and 2013 are summarised below:

	2014		2013	
	Number	Baht	Number	Baht
	<i>(in thousand shares/thousand Baht)</i>			
Warrants issued at 1 January	380	683	4,253	4,009
Less: Exercised during the period	(15)	(34)	(2,925)	(2,953)
Canceled during period	(365)	(649)	(475)	-
Warrants issued at 30 June	-	-	853	1,056

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.

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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.

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

On 18 March 2014, the Board of Directors of the Company passed a resolution revising the final exercise date of share warrants ESOP-W4, which were issued and allocated to directors and employees, from 10 March 2017 to 30 June 2014 resulted in canceling share warrants 365,000 warrants.

As at 31 December 2013, share warrants outstanding consists of share warrants of ESOP-W4 project of 380,000 units (*30 June 2014: nil*).

12.2 Share warrants KCE-W2

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

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

Movements of share warrants KCE-W2 during the six-month period ended 30 June 2014 are summarised below:

	Number (in thousand unit)
Warrants issued at 1 January 2014	96,910
Less: Exercised during the period	<u>(76,147)</u>
Warrants issued at 30 June 2014	<u><u>20,763</u></u>

In March 2014, the Company received share subscription from KCE-W2 for 68,525,052 additional ordinary shares of Baht 5 each share supporting the exercise of the warrant, totaling of Baht 342.6 million. The Company registered the said increase of new shares with the Ministry of Commerce on 17 March 2014.

In June 2014, the Company received share subscription from KCE-W2 for 7,622,140 additional ordinary shares of Baht 5 each share supporting the exercise of the warrant, totaling of Baht 38.1 million. The Company registered the said increase of new shares with the Ministry of Commerce on 13 June 2014.

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12.3 Share warrants ESOP-W5

On 29 April 2014, the Company's shareholders at the Annual General Meeting approved the issued and allotted 10,000,000 registered and nontransferable (except for transferring as stipulated in the prospectus) warrants free of charge to the directors and employees of the Company and/or its subsidiaries. These warrants are exercisable at a price of Baht 31.99 per share at a ratio of 1 warrant to 1 new ordinary share, every quarter from 1 to 5 of March, June, September and December, for a period of 3 years from the issue date. The Company granted the said warrants to the directors and employees of the Company and/or its subsidiaries on 30 April 2014, 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 5 June 2014 and with a final exercise date of 28 April 2017. The aforesaid exercise price and/or exercise ratio may be adjusted if certain events stipulated in the prospectus occur.

Measurement of fair value

The fair value of the warrants granted "ESOP-W5" was measured based on Binomial option pricing model. Expected volatility is estimated by considering historic average share price volatility during the period 3 May 2012 to 30 April 2014.

The inputs used in the measurement of the fair values at grant date of warrants "ESOP-W5" were as follows:

Fair value at grant date	Baht	9.42
Share price at grant date	Baht	35.00
Exercise price	Baht	31.99
Expected volatility (%)		39.66
Expected dividends (%)		2.02
Risk-free interest rate (%)		2.45

The expense recognised from share-based payment transaction for the period ended 30 June 2014 was Baht 25.9 million for the consolidated financial statements and Baht 13.1 million for the separate financial statements.

Movements of the number of issued and allotted share warrants ESOP-W5 during the six-month period ended 30 June 2014 are summarised below:

	Number (in thousand unit)
Warrants issued at 1 January 2014	-
Add: Warrants issued during the period	10,000
Less: Exercised during the period	(1,268)
Cancelled during the period	-
Warrants issued at 30 June 2014	<u>8,732</u>

In June 2014, the Company received share subscription from ESOP-W5 for 1,268,000 additional ordinary shares of Baht 31.99 each share supporting the exercise of the warrants, totaling of Baht 40.6 million. The Company registered the said increase of new shares with the Ministry of Commerce on 13 June 2014.

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Movements of the fair value of share warrants ESOP-W5 during the six-month period ended 30 June 2014 are summarised below:

	Fair value <i>(in thousand Baht)</i>
At 1 January 2014	-
Increase	25,980
Exercised during the period	<u>(11,949)</u>
At 30 June 2014	<u>14,031</u>

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13 Segment information

The Company and its subsidiaries' operations mainly involve business segments in prepreg and laminate products, printed circuit board products and chemical products with production facilities in Thailand and operate in both local and overseas markets. Financial information of the Company and its subsidiaries by business for the three-month and six-month periods ended 30 June 2014 and 2013 are as follows:

	Consolidated financial statements															
	For the three-month periods ended 30 June 2014 and 2013															
	Prepreg and Laminate		Printed Circuit Board business								Chemical		Eliminating entries		Total	
	business		America		Europe		Asia		Total		business		Eliminating entries		Total	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
<i>(in thousand Baht)</i>																
Revenues from external customers	16,136	20,796	418,239	388,286	1,476,516	1,194,733	819,889	617,406	2,714,644	2,200,425	87,814	40,463	-	-	2,818,594	2,261,684
Inter-segment revenues	439,141	420,944	-	-	-	-	277,804	282,901	277,804	282,901	18,530	15,795	(735,475)	(719,640)	-	-
Total revenues	455,277	441,740	418,239	388,286	1,475,516	1,194,733	1,097,693	900,307	2,992,448	2,483,326	106,344	56,258	(735,475)	(719,640)	2,818,594	2,261,684
Segment operating profit	76,277	58,877							763,754	490,253	41,930	14,858	4,216	(660)	886,177	563,328
Unallocated profit and expenses:																
Other income															52,847	10,994
Selling expenses															(154,247)	(135,209)
Administrative expenses															(262,598)	(206,856)
Finance costs															(34,216)	(43,644)
Share of profit from investments in associates															9,005	4,267
Income tax benefit (expense)															(13,854)	6,167
Profit for the period															483,114	199,047

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	Printed Circuit Board business															
	Prepreg and Laminate business		America		Europe		Asia		Total		Chemical business		Eliminating entries		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	<i>(in thousand Baht)</i>															
Revenues from external customers	33,967	33,669	838,682	659,602	2,978,901	2,239,568	1,573,467	1,246,253	5,391,050	4,145,423	158,692	82,191	-	-	5,583,709	4,261,283
Inter-segment revenues	933,862	799,781	-	-	-	-	609,455	520,978	609,455	520,978	37,318	31,450	(1,580,635)	(1,352,209)	-	-
Total revenues	967,829	833,450	838,682	659,602	2,978,901	2,239,568	2,182,922	1,767,231	6,000,505	4,666,401	196,010	113,641	(1,580,635)	(1,352,209)	5,583,709	4,261,283
Segment operating profit	173,701	108,094							1,521,136	864,305	76,938	29,942	(13,320)	5,670	1,758,455	1,008,011
Unallocated profit and expenses:																
Other income															94,084	104,361
Selling expenses															(306,877)	(261,544)
Administrative expenses															(552,926)	(308,242)
Finance costs															(66,439)	(82,218)
Share of profit from investments in associates															20,454	7,893
Income tax benefit (expense)															(21,089)	4,058
Profit for the period															925,662	472,319
Segment assets as at 30 June																
2014/ 31 December 2013	1,342,264	1,239,709							15,471,923	14,203,311	313,542	275,910	(4,945,509)	(4,434,688)	12,182,220	11,284,242

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14 Gain (Loss) on exchange rate and from hedging activities

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>For the three-month periods ended 30 June</i>				
Included in other income				
- Gain on exchange rate and from hedging activities – net	33,942	-	12,967	14,585
Included in administrative expenses				
- Loss on exchange rate and from hedging activities – net	-	(39,693)	-	-
<i>For the six-month periods ended 30 June</i>				
Included in other income				
- Gain on exchange rate and from hedging activities – net	62,508	78,670	22,380	30,784
Included in administrative expenses				
- Loss on exchange rate and from hedging activities – net	-	-	-	-

15 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 2014 and 2013 were based on the profit for the periods attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods as follows:

<i>Three-month periods ended</i> <i>30 June</i>	Consolidated financial		Separate financial	
	statements		statements	
	2014	2013	2014	2013
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>478,912</u>	<u>197,472</u>	<u>324,756</u>	<u>132,985</u>
Number of ordinary shares outstanding at 1 April	549,038	474,996	549,038	474,996
<i>Less</i> Treasury shares/ Reduction of shares	-	(14,000)	-	(14,000)
Number of ordinary shares outstanding net of treasury shares/ reduction of shares	549,038	460,996	549,038	460,996
Effect from ordinary shares issued during the period	1,758	-	1,758	-
Weighted average number of ordinary shares outstanding (basic)	<u>550,796</u>	<u>460,996</u>	<u>550,796</u>	<u>460,996</u>
Earnings per share (basic) (in Baht)	<u>0.87</u>	<u>0.43</u>	<u>0.59</u>	<u>0.29</u>

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<i>Six-month periods ended</i> <i>30 June</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>918,339</u>	<u>469,320</u>	<u>429,737</u>	<u>189,263</u>
Number of ordinary shares outstanding at 1 January	480,495	472,601	480,495	472,601
<i>Less</i> Treasury shares/ Reduction of shares	-	(14,000)	-	(14,000)
Number of ordinary shares outstanding net of treasury shares/ reduction of shares	480,495	458,601	480,495	458,601
Effect from ordinary shares issued during the period	41,025	1,336	41,025	1,336
Weighted average number of ordinary shares outstanding (basic)	<u>521,520</u>	<u>459,937</u>	<u>521,520</u>	<u>459,937</u>
Earnings per share (basic) (in Baht)	<u>1.76</u>	<u>1.02</u>	<u>0.82</u>	<u>0.41</u>

Diluted earnings per share

The calculations of diluted earnings per share for the three-month and six-month periods ended 30 June 2014 and 2013 were based on the profit for the periods attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods after adjusting for the effects of all dilutive potential ordinary shares as follows:

<i>Three-month periods ended</i> <i>30 June</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	<u>478,912</u>	<u>197,472</u>	<u>324,756</u>	<u>132,985</u>
Weighted average number of ordinary shares outstanding (basic)	550,796	460,996	550,796	460,996
Effect of share warrants	23,553	13,037	23,553	13,037
Weighted average number of ordinary shares outstanding (diluted)	<u>574,349</u>	<u>474,033</u>	<u>574,349</u>	<u>474,033</u>
Earnings per share (diluted) (in Baht)	<u>0.83</u>	<u>0.42</u>	<u>0.57</u>	<u>0.28</u>

<i>Six-month periods ended</i> <i>30 June</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	<u>918,339</u>	<u>469,320</u>	<u>429,737</u>	<u>189,263</u>
Weighted average number of ordinary shares outstanding (basic)	521,520	459,937	521,520	459,937
Effect of share warrants	46,626	7,168	46,626	7,168
Weighted average number of ordinary shares outstanding (diluted)	<u>568,146</u>	<u>467,105</u>	<u>568,146</u>	<u>467,105</u>
Earnings per share (diluted) (in Baht)	<u>1.62</u>	<u>1.00</u>	<u>0.76</u>	<u>0.41</u>

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16 Dividend

On 29 April 2014, the Company's shareholders at the Annual General Meeting approved the payment of dividend in respect of the Company's operating results for the period from 1 July 2013 to 31 December 2013 at Baht 0.50 per share to the ordinary shareholders, amounting to Baht 274.5 million. The Company paid the dividend on 15 May 2014.

17 Commitments

Commitments

	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Capital commitments				
Contracted but not provided for and unrecognised purchase orders for buildings and other constructions	995,780	737,316	995,780	737,316
Unrecognised purchase orders for machinery and equipment	<u>1,251,774</u>	<u>406,714</u>	<u>1,076,533</u>	<u>292,834</u>
Total	<u>2,247,554</u>	<u>1,144,030</u>	<u>2,072,313</u>	<u>1,030,150</u>
Non-cancellable operating lease and long-term service commitments				
Within one year	45,936	38,486	13,609	1,871
After one year but within five years	<u>16,539</u>	<u>25,648</u>	<u>3,233</u>	<u>2,766</u>
Total	<u>62,475</u>	<u>64,134</u>	<u>16,842</u>	<u>4,637</u>

Forward exchange contracts

As at 30 June 2014, the Group had outstanding forward exchange contracts as follows:

Currency	Amount (Thousand)	Consolidated financial statements		Contract exchange rate (Per unit of foreign currency)
			Maturity date	
Buying contract				
US dollar	8,718	23 July 2014 - 23 December 2014		32.3429 - 33.2839 Baht
US dollar	1,644	24 November 2014		0.7301 Euro
Selling contract				
Euro	6,861	24 October 2014 - 4 December 2014		44.2500 - 45.4234 Baht
US dollar	350	28 July 2014		33.1172 Baht
		Separate financial statements		
Currency	Amount (Thousand)	Maturity date		Contract exchange rate (Per unit of foreign currency)
Buying contract				
US dollar	2,377	4 August 2014		33.2839 Baht
US dollar	1,644	24 November 2014		0.7301 Euro
Selling contract				
Euro	6,305	28 November 2014 - 4 December 2014		44.6550 - 45.0400 Baht

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Commodity hedge agreements

As at 30 June 2014, 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	Maturity date
			price as at 30 June 2014	
Copper	490	6,460 - 6,850	6,955	31 July - 31 December 2014

Cross interest rate swap

Thai Laminate Manufacturer Co., Ltd., a subsidiary company, had an interest rate swap agreement with a local financial institution for the period from 7 July 2011 to 7 July 2014 by which the subsidiary company agreed to swap the interest rate of its USD 6 million facilities from a floating interest rate of US LIBOR (3 months) plus fixed percent per annum to US fixed interest rate of 3.06 % per annum. As at 30 June 2014, the outstanding balance of such agreement was USD 0.5 million (31 December 2013: the outstanding balance was USD 1.5 million).

Guarantees

As at 30 June 2014 and 31 December 2013, the Company and its subsidiaries had contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

Guarantee company	Guarantor			
	KCE Electronics Plc. 30 June 2014	K.C.E. International Co., Ltd. 31 December 2013	K.C.E. International Co., Ltd. 30 June 2014	K.C.E. International Co., Ltd. 31 December 2013
	<i>(in million Baht)</i>			
KCE Electronics Plc.				
- Baht	-	-	165	62
K.C.E. International Co., Ltd.				
- Baht	173	115	-	-
- US dollar	1	2	-	-
KCE Technology Co., Ltd.				
- Baht	2,211	2,097	-	-
- US dollar	16	27	-	-

As at 30 June 2014, the Company and its subsidiaries had contingent liabilities in respect of bank guarantees issued on their behalf amounting to Baht 70 million (the Company only: Baht 27 million) (31 December 2013: Consolidated financial statements: Baht 73 million, (the Company only: Baht 31 million)) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electricity payment.

18 Event after the reporting period

Approval of interim dividend payment

On 5 August 2014, 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 2014 to 30 June 2014 at Baht 0.40 per share to the ordinary shareholders. The Company will pay the interim dividend on 4 September 2014 and will record this transaction in the third quarter of the current year.

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For the three-month and six-month periods ended 30 June 2014 (Unaudited)

19 Reclassification

Certain accounts in the statement of comprehensive income for the three-month and six-month periods ended 30 June 2013, which are included in the 2014 interim financial statements for comparative purposes, have been reclassified to conform to the presentation in the 2014 interim financial statements as follows:

	<u>Separate financial statements</u>		
	Before Reclassification	Reclassification	After Reclassification
			<i>(in thousand Baht)</i>
<i>Statement of comprehensive income for the three-month period ended 30 June 2013</i>			
Dividend income from subsidiaries	-	(62,511)	(62,511)
Other income	(83,861)	<u>62,511</u>	(21,350)
		<u><u>-</u></u>	
<i>Statement of comprehensive income for the six-month period ended 30 June 2013</i>			
Dividend income from subsidiaries	-	(62,511)	(62,511)
Other income	(108,574)	<u>62,511</u>	(46,063)
		<u><u>-</u></u>	

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