

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 2016 (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 authorized for issue by the Board of Directors on 8 November 2016.

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. 72-72/1-3 Soi Chalongsong 31, Kwang Lumplatew, Khet Lat Krabang, Bangkok.

The Company’s major shareholders during the financial period were Ongkosit family including APCO CAPITAL PTE. LTD (33% 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 September 2016 and 31 December 2015 are given in notes 3 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 2015) *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 2015. 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 2015.

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 2015 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2016. 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 or the Company.

(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 judgements and estimates*

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 2015.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuations are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note 18 - financial instruments.

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3 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.

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
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
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

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Significant transactions for the three-month and nine-month periods ended 30 September 2016 and 2015 with related parties were as follows:

<i>Three-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Subsidiaries				
Sale of goods	-	-	205	47
Rendering of service	-	-	22	5
Other income	-	-	4	4
Purchases of goods	-	-	579	409
Purchases of property, plant and equipment	-	-	-	3
Dividend income	-	-	603	280
Commission expense	-	-	13	11
Other expenses	-	-	4	3
Associates				
Sales of goods	523	563	251	216
Purchase of raw material	30	109	20	59
Purchases of property, plant and equipment	4	2	-	2
Commission expense	1	2	-	-
Other expenses	1	3	-	3
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	26	24	10	12
Share-based payments	-	1	-	-
Retirement benefits	-	-	1	-
Total key management personnel compensation	<u>26</u>	<u>25</u>	<u>11</u>	<u>12</u>

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<i>Nine-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Subsidiaries				
Sale of goods	-	-	593	191
Rendering of service	-	-	57	17
Other income	-	-	15	11
Purchases of goods	-	-	1,519	1,171
Purchases of property, plant and equipment	-	-	9	9
Dividend income	-	-	1,164	649
Commission expense	-	-	38	31
Other expenses	-	-	11	10
Associates				
Sales of goods	1,483	1,512	747	619
Purchase of raw material	160	339	105	175
Purchases of property, plant and equipment	7	13	1	13
Dividend income	11	10	11	10
Commission expense	2	2	-	-
Other expenses	3	6	2	4
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	83	81	30	34
Share-based payments	4	5	2	1
Retirement benefits	1	1	1	1
Total key management personnel Compensation	<u>88</u>	<u>87</u>	<u>33</u>	<u>36</u>

Balances as at 30 September 2016 and 31 December 2015 with related parties were as follows:

<i>Trade receivables - related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	278,079	80,481
K.C.E. International Co., Ltd.	-	-	10,346	8,633
KCE (Thailand) Co., Ltd.	-	-	6,975	2,456
Thai Laminate Manufacturer Co., Ltd.	-	-	1,091	124
KCE Singapore Pte. Ltd.	-	-	11,397	11,092
Associates				
KCE America, Inc.	<u>756,199</u>	<u>799,452</u>	<u>411,638</u>	<u>384,061</u>
Total	<u>756,199</u>	<u>799,452</u>	<u>719,526</u>	<u>486,847</u>

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<i>Other receivables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	1,657	4
Chemtronic Technology (Thailand) Co., Ltd.	-	-	4,735	2,572
CTC Chemical Co., Ltd.	-	-	321	-
K.C.E. International Co., Ltd.	-	-	860	324
KCE (Thailand) Co., Ltd.	-	-	6	5
Thai Laminate Manufacturer Co., Ltd.	-	-	558	970
Total	-	-	8,137	3,875
<i>Trade payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	585,318	508,295
K.C.E. International Co., Ltd.	-	-	162,392	11,709
KCE Technology Co., Ltd.	-	-	116,621	122,958
Chemtronic Chemical Co., Ltd.	-	-	-	12,221
CTC Chemical Co., Ltd.	-	-	11,989	-
KCE Singapore Pte. Ltd.	-	-	26,422	27,817
Associates				
KCE Taiwan Co., Ltd	25,740	53,721	17,996	28,504
KCE America, Inc.	444	573	134	141
Total	26,184	54,294	920,872	711,645
<i>Other payables for purchase of machineries</i> <i>and equipment</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	-	8,736
Thai Laminate Manufacturer Co., Ltd.	-	-	-	65
Associates				
KCE Taiwan Co., Ltd.	2,323	421	-	196
Total	2,323	421	-	8,997

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<i>Other payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Subsidiaries				
K.C.E. International Co., Ltd.	-	-	-	20
KCE Singapore Pte. Ltd.	-	-	1,360	-
Associates				
KCE America, Inc.	419	151	39	-
Total	419	151	1,399	20

4 Trade and other receivables

<i>Note</i>	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Trade receivable				
Related parties	756,199	799,452	719,526	486,847
Other parties	<u>3,673,372</u>	<u>3,686,407</u>	<u>1,817,566</u>	<u>1,609,657</u>
Total	4,429,571	4,485,859	2,537,092	2,096,504
<i>Less allowance for doubtful accounts</i>	-	-	-	-
Net	4,429,571	4,485,859	2,537,092	2,096,504
Other receivables				
Related parties	-	-	8,137	3,875
Other parties	<u>63,622</u>	<u>53,909</u>	<u>33,306</u>	<u>26,260</u>
Total	63,622	53,909	41,443	30,135
Total trade and other receivables	4,493,193	4,539,768	2,578,535	2,126,639
Bad and doubtful debts expense for the three-month periods ended 30 September	-	-	-	-
for the nine-month periods ended 30 September	-	-	-	-

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Aging analysis for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	525,964	459,823	542,467	314,458
Overdue:				
Less than 3 months	177,676	305,062	132,212	155,905
3 - 6 months	50,322	34,497	44,178	16,484
6 - 12 months	2,237	70	669	-
Over 12 months	-	-	-	-
	756,199	799,452	719,526	486,847
<i>Less allowance for doubtful accounts</i>	-	-	-	-
	756,199	799,452	719,526	486,847
Other parties				
Within credit terms	2,487,791	2,388,099	1,315,335	1,161,162
Overdue:				
Less than 3 months	1,049,723	1,020,248	502,231	436,379
3 - 6 months	58,911	144,393	-	7,946
6 - 12 months	55,047	115,949	-	4,170
Over 12 months	21,900	17,718	-	-
	3,673,372	3,686,407	1,817,566	1,609,657
<i>Less allowance for doubtful accounts</i>	-	-	-	-
	3,673,372	3,686,407	1,817,566	1,609,657
Net	4,429,571	4,485,859	2,537,092	2,096,504

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

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5 Inventories

Inventories as at 30 September 2016 included finished goods of Baht 228 million (*31 December 2015: Baht 25 million*) in the consolidated financial statements and Baht 141 million (*31 December 2015: Baht 7 million*) in the separate financial statements, which had been delivered to the customers' warehouses but the title of the inventory shall remain with the Group until the customers' requisition to their production process. The Group will receive the payment for these inventories after the customers' requisition to their production process, or within the periods specified in the agreements.

6 Investments in associates

	Consolidated financial statements Equity Method		Separate financial statements Cost Method	
	2016	2015	2016	2015
<i>Nine-month periods ended 30 September</i>				
	<i>(in thousand Baht)</i>			
Associates				
At 1 January	105,178	76,699	1,862	1,862
Share of profit from investment in associates using equity method	22,495	19,036	-	-
Dividend income	(10,630)	(10,429)	-	-
Foreign currency translation differences for foreign operations	(3,029)	18,325	-	-
At 30 September	<u>114,014</u>	<u>103,631</u>	<u>1,862</u>	<u>1,862</u>

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Investments in associates as at 30 September 2016 and 31 December 2015, and dividend income from those investments for the nine-month periods ended 30 September 2016 and 2015 were as follows:

Consolidated financial statements											
Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Equity			
		30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015		
		(%)						(in thousand Baht)			
Associates											
KCE America, Inc.	(1)	United States	50.00	50.00	USD 50,000	USD 50,000	644	644	71,515	72,125	
KCE Taiwan Co., Ltd.	(2)	Taiwan	49.00	49.00	NTD 3,000,000	NTD 3,000,000	1,540	1,540	42,499	33,053	
Total							2,184	2,184	114,014	105,178	

- (1) Foreign sale representative of the Group
(2) Foreign raw materials and machinery sourcing representative of the Group

Share of profit from investments for the nine-month period ended 30 September 2016 in the above two 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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	Ownership interest		Paid-up capital		Separate financial statements							
					Cost		Impairment		Equity - net		Dividend Received	
	30	31	30	31	30	31	30	31	30	31	30	30
	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	September 2015
	(%)				<i>(in thousand Baht)</i>							
Associates												
KCE America, Inc.	25.0	25.0	USD 50,000	USD 50,000	322	322	-	-	322	322	-	-
KCE Taiwan Co., Ltd.	49.0	49.0	NTD 3,000,000	NTD 3,000,000	1,540	1,540	-	-	1,540	1,540	10,630	10,429
Total					1,862	1,862	-	-	1,862	1,862	10,630	10,429

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7 Investments in subsidiaries

<i>Nine-month periods ended 30 September</i>	Separate financial statements	
	2016	2015
	<i>(in thousand Baht)</i>	
At 1 January	2,603,542	2,595,059
Additional investment	23,980	-
Warrant granted to subsidiaries' directors and employees	1,491	7,119
At 30 September	<u>2,629,013</u>	<u>2,602,178</u>

During the third quarter 2016, the Company has invested in share capital in Chemtronic Products Co., Ltd. of 239,800 ordinary shares, with a par value of Baht 100 per share, totaling Baht 23.9 million. Total invested shares represent 99.92% ownership. The subsidiary was incorporated on 22 July 2016.

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Investments in subsidiaries as at 30 September 2016 and 31 December 2015, and dividend income from those investments for the nine-month periods ended 30 September 2016 and 2015 were as follows:

	Type of business	Separate financial statements											
		Ownership Interest		Paid-up capital		Cost		Warrant granted to subsidiaries' directors and employees		Total		Dividend income	
		30	31	30	31	30	31	30	31	30	31	30	30
		September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	September 2015
		(%)				(in thousand Baht)							
Direct subsidiaries													
KCE Technology Co., Ltd.	(1)	100.00	100.00	1,600,000	1,600,000	1,600,000	1,600,000	23,395	22,485	1,623,395	1,622,485	720,000	424,000
K.C.E. International Co., Ltd.	(1)	99.99	99.99	100,000	100,000	185,395	185,395	12,897	12,694	198,292	198,089	204,988	112,593
Chemtronic Technology (Thailand) Co., Ltd.	(2)	94.75	94.75	48,000	48,000	227,810	227,810	1,885	1,885	229,695	229,695	58,091	22,740
Thai Laminate Manufacturer Co., Ltd.	(3)	74.80	74.80	250,000	250,000	368,460	368,460	13,669	13,291	382,129	381,751	158,950	74,800
KCE (Thailand) Co., Ltd.	(4)	60.00	60.00	3,600	3,600	2,160	2,160	1,052	1,052	3,212	3,212	8,640	15,336
Chemtronic products Co., Ltd.	(2)	99.92	-	24,000	-	23,980	-	-	-	23,980	-	-	-
KCE Singapore Pte., Ltd.	(5)	75.50	75.50	SGD 500,000	SGD 500,000	168,310	168,310	-	-	168,310	168,310	13,141	-
Total						2,576,115	2,552,135	52,898	51,407	2,629,013	2,603,542	1,163,810	649,469
Indirect subsidiaries													
Chemtronic Chemical Co., Ltd.	(2)	93.57	93.57	4,800	4,800	-	-	-	-	-	-	-	-
CTC Chemical Co., Ltd.	(2)	94.35	-	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
- (5) The foreign sale representative

All subsidiaries entities operate in Thailand except KCE Singapore Pte., Ltd. which operates in Singapore.

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8 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the nine-month period ended 30 September 2016 were as follows:

For the nine-month period ended 30 September 2016

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
Net book value at 1 January 2016	9,216,119	5,037,921
Acquisitions during the period - cost	534,594	217,244
Disposals during the period - Net book values at the date	(22,486)	(3,011)
Depreciation for the period	(630,010)	(287,413)
Impairment losses	(32,710)	-
Transfer	(8,393)	(11,586)
Difference from changes in foreign currency exchange rate	(1,374)	-
Net book value at 30 September 2016	<u>9,055,740</u>	<u>4,953,155</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 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 September 2016 of Baht 1,413 million (*31 December 2015: Baht 1,520 million*), as collateral for bank overdrafts and loans from banks, as described in Note 9.
- 8.2.2 Chemtronic Technology (Thailand) Co., Ltd. has mortgaged its land with a total net book value as at 30 September 2016 of Baht 68.6 million (*31 December 2015: Baht 68.6 million*), as collateral for loans from banks, as described in Note 9.
- 8.2.3 KCE Singapore Pte., Ltd. has mortgaged its office building with a total net book value as at 30 September 2016 of Baht 154 million (*31 December 2015: Baht 157 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 September 2016	31 December 2015 (in thousand Baht)	30 September 2016	31 December 2015
Current					
Bank overdrafts - secured	(1)	47	-	47	-
Short-term loans from financial institutions - secured	(1)	160,000	165,142	160,000	100,000
Packing credits - secured	(2)	1,044,092	1,759,900	564,092	912,900
Trust receipts - secured	(2)	196,786	214,320	10,066	15,369
Total bank overdrafts and short-term loans from financial institutions		1,400,925	2,139,362	734,205	1,028,269
Current portion of liabilities under hire-purchase and finance lease agreements		22,569	34,095	19,784	31,384
Current portion of long-term loans - secured		655,905	584,901	557,408	541,204
Total current interest-bearing liabilities		2,079,399	2,758,358	1,311,397	1,600,857
Non-current					
Liabilities under hire-purchase and finance lease agreements		8,721	15,814	2,793	13,278
Long-term loans - secured		2,948,485	3,538,459	2,908,928	3,191,612
Total non-current interest-bearing liabilities		2,957,206	3,554,273	2,911,721	3,204,890
Total		5,036,605	6,312,631	4,223,118	4,805,747

(1) "Money Market Rate"

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

9.1 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 2:1 and debt service coverage ratio (DSCR) of not less than 1.1:1.

9.2 As at 31 December 2015, long-term loans from financial institutions of KCE Technology Co., Ltd., a subsidiary, are in US Dollar, with an interest LIBOR (London Interbank Offered Rate) plus rates as specified in agreements. The loans are secured by the mortgage of the subsidiary's land and construction thereon and the pledge of most of the subsidiary's machinery (30 September 2016: none).

9.3 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 debt to equity ratio of not more than 1.

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- 9.4 As at 31 December 2015, long-term loan from financial institutions of KCE Singapore Pte., Ltd., a subsidiary, are secured by mortgage of subsidiary's office building. Under the loan agreement, the subsidiary company has to comply with certain conditions, including maintaining gearing ratio shall not be more than 1. (30 September 2016: none).
- 9.5 Long-term loans from financial institutions of Thai Laminate Manufacturer Co., Ltd., a subsidiary, are in US Dollar, with a LIBOR (London Interbank Offered Rate) plus rates as specified in agreements. The subsidiary company has to comply with certain conditions, including maintaining debt service coverage ratio (DSCR) of not less than 1.25 and debt to equity ratio of not more than 2.
- 9.6 Long-term loans from financial institutions of K.C.E. International Co., Ltd., a subsidiary, are in US Dollar, with a LIBOR (London Interbank Offered Rate) plus rates as specified in agreements. The subsidiary company has to comply with certain conditions, including maintaining debt service coverage ratio (DSCR) of not less than 1.2:1 and debt to equity ratio of not more than 2.

Movements during the nine-month period ended 30 September 2016 of long-term loans were as follows:

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
At 1 January 2016	4,123,360	3,732,816
Increase	212,627	212,627
Decrease	(656,704)	(408,841)
Unrealised gain on exchange rate	(74,893)	(70,266)
At 30 September 2016	<u>3,604,390</u>	<u>3,466,336</u>

10 Trade and other payables

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	30	31	30	31
		September	December	September	December
		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Trade payables					
Related parties	3	26,184	54,294	920,872	711,645
Other parties		1,657,059	1,333,638	473,254	352,758
Other payables for purchase of machineries and equipment					
Related parties	3	2,323	421	-	8,997
Other parties		218,239	210,895	119,462	178,920
Other payables					
Related parties	3	419	151	1,399	20
Other parties		62,031	73,969	18,559	34,305
Accrued expenses		595,600	541,931	232,776	179,954
Total trade and other payables		<u>2,561,855</u>	<u>2,215,299</u>	<u>1,766,322</u>	<u>1,466,599</u>

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11 Employee benefit obligations

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
<i>(in thousand Baht)</i>				
Statement of financial position obligation for:				
Post-employment benefits	<u>152,096</u>	<u>87,097</u>	<u>62,997</u>	<u>33,159</u>
	Consolidated financial statements		Separate financial statements	
<i>Three-month periods ended 30 September</i>	2016	2015	2016	2015
<i>(in thousand Baht)</i>				
Statement of comprehensive income: Recognised in profit or loss:				
Post-employment benefits	<u>2,845</u>	<u>3,122</u>	<u>1,064</u>	<u>1,011</u>
Recognised in other comprehensive income:				
Actuarial losses recognised in the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Consolidated financial statements		Separate financial statements	
<i>Nine-month periods ended 30 September</i>	2016	2015	2016	2015
<i>(in thousand Baht)</i>				
Statement of comprehensive income: Recognised in profit or loss:				
Post-employment benefits	<u>8,535</u>	<u>8,887</u>	<u>3,192</u>	<u>3,030</u>
Recognised in other comprehensive income:				
Actuarial losses recognised in the period	<u>57,870</u>	<u>-</u>	<u>26,775</u>	<u>-</u>

The Group and the Company operate defined benefit pension plan based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk and interest rate risk.

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Movements during the nine-month periods ended 30 September 2016 and 2015 in the present value of the defined benefit obligations were as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January	87,097	81,073	33,159	32,602
Include in profit or loss:				
Current services cost	5,340	5,043	1,986	1,910
Interest on obligation	3,195	3,844	1,206	1,120
	<u>8,535</u>	<u>8,887</u>	<u>3,192</u>	<u>3,030</u>
Include in other comprehensive income:				
Actuarial loss	57,870	-	26,775	-
	<u>57,870</u>	<u>-</u>	<u>26,775</u>	<u>-</u>
Other				
Benefit paid	(1,406)	(2,161)	(129)	(413)
	<u>(1,406)</u>	<u>(2,161)</u>	<u>(129)</u>	<u>(413)</u>
Defined benefit obligations at 30 September	<u>152,096</u>	<u>87,799</u>	<u>62,997</u>	<u>35,219</u>

Actuarial assumptions

The followings were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	(%)			
Discount rate	2.5	4.4	2.5	4.4
Future salary increases	4.0-6.0	4.0-6.0	4.0-6.0	4.0-6.0

Assumptions regarding future mortality are based on published statistics and mortality tables.

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12 Share capital

<i>Nine-month periods ended</i> <i>30 September</i>	Par value per share (in Baht)	2016		2015	
		Number	Baht	Number	Baht
		<i>(thousand shares / thousand Baht)</i>			
Authorised					
At 1 January					
- ordinary shares	1	<u>587,427</u>	<u>587,427</u>	<u>587,427</u>	<u>587,427</u>
At 30 September					
- ordinary shares	1	<u>587,427</u>	<u>587,427</u>	<u>587,427</u>	<u>587,427</u>
Issued and paid-up					
At 1 January					
- ordinary shares	1	574,763	574,763	565,628	565,628
Issue of new shares	1	<u>11,342</u>	<u>11,342</u>	<u>7,227</u>	<u>7,227</u>
At 30 September					
- ordinary shares	1	<u>586,105</u>	<u>586,105</u>	<u>572,855</u>	<u>572,855</u>
Issue of new shares					

During the nine-month periods ended 30 September 2016 and 2015, the Company had issued new shares from the exercise of warrants as follow:

	2016		2015	
	Number	Baht	Number	Baht
	<i>(thousand shares/thousand Baht)</i>			
The exercise of warrants KCE-W2	10,273	10,273	5,114	5,114
The exercise of warrants ESOP-W5	<u>1,069</u>	<u>1,069</u>	<u>2,113</u>	<u>2,113</u>
Total	<u>11,342</u>	<u>11,342</u>	<u>7,227</u>	<u>7,227</u>

13 Share warrants

13.1 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 17 June 2016.

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Movements of share warrants KCE-W2 during the nine-month periods ended 30 September 2016 and 2015 are summarised below:

	2016	2015
	Number	
	<i>(in thousand unit)</i>	
Warrants issued at 1 January	11,253	17,988
<i>Less:</i> Exercised during the period	(10,273)	(5,114)
<i>Less:</i> Expired during the period	(980)	-
Warrants issued at 30 September	<u>-</u>	<u>12,874</u>

During the nine-month periods ended 30 September 2016 and 2015 the Company received share subscription from KCE-W2 as bellow:

2015	Number <i>(in thousand shares)</i>	Price <i>(Baht)</i>	Total <i>(in million Baht)</i>	Date registered with Ministry of Commerce
March 2015	2,242	5.00	11.2	10 March 2015
June 2015	620	5.00	3.1	10 June 2015
September 2015	<u>2,252</u>	5.00	<u>11.3</u>	11 September 2015
	<u>5,114</u>		<u>25.6</u>	

2016	Number <i>(in thousand shares)</i>	Price <i>(Baht)</i>	Total <i>(in million Baht)</i>	Date registered with Ministry of Commerce
March 2016	846	5.00	4.2	15 March 2016
June 2016	<u>9,427</u>	5.00	<u>47.2</u>	28 June 2016
	<u>10,273</u>		<u>51.4</u>	

13.2 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 fair value of the warrants granted "ESOP-W5" was Baht 9.42.

The expense recognised from share-based payment transaction for the nine-month period ended 30 September 2016 was Baht 2.5 million for the consolidated financial statements (2015: 11.9 million) and Baht 1.0 million for the separate financial statements (2015: 4.8 million).

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Movements of the number of issued and allotted share warrants ESOP-W5 during the nine-month periods ended 30 September 2016 and 2015 are summarised below:

	2016	2015
	Number (in thousand unit)	
Warrants issued at 1 January	1,406	3,807
Less: Exercised during the period	(1,069)	(2,113)
Warrants issued at 30 September	<u>337</u>	<u>1,694</u>

During the nine-month periods ended 30 September 2016 and 2015 the Company received share subscription from ESOP-W5 as bellow:

2015	Number (in thousand shares)	Price (Baht)	Total (in million Baht)	Date registered with Ministry of Commerce
March 2015	839	31.99	26.8	16 March 2015
June 2015	832	31.99	26.6	18 June 2015
September 2015	442	31.99	14.2	17 September 2015
	<u>2,113</u>		<u>67.6</u>	

2016	Number (in thousand shares)	Price (Baht)	Total (in million Baht)	Date registered with Ministry of Commerce
March 2016	651	31.99	20.8	9 March 2016
June 2016	324	31.99	10.4	14 June 2016
September 2016	94	31.99	3.0	12 September 2016
	<u>1,069</u>		<u>34.2</u>	

Movements of the carrying amount of share warrants ESOP-W5 during the nine-month periods ended 30 September 2016 and 2015 are summarized below:

	2016	2015
	Carrying amount (in thousand Baht)	
At 1 January	8,783	17,299
Increase	2,496	11,894
Exercised during the period	(10,076)	(19,910)
At 30 September	<u>1,203</u>	<u>9,283</u>

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14 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 segments for the three-month and nine-month periods ended 30 September 2016 and 2015 are as follows:

Consolidated financial statements																
For the three-month periods ended 30 September 2016 and 2015																
Printed Circuit Board business																
	Prepreg and Laminate business		America		Europe		Asia		Total		Chemical business		Eliminating entries		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<i>(in thousand Baht)</i>																
Revenues from external customers	11,948	15,404	531,749	563,351	1,871,287	1,737,314	1,037,793	918,161	3,440,829	3,218,826	62,390	66,662	-	-	3,515,167	3,300,892
Inter-segment revenues	572,265	549,642	-	-	-	-	773,469	448,980	773,469	448,980	26,559	23,231	(1,372,293)	(1,021,853)	-	-
Total revenues	<u>584,213</u>	<u>565,046</u>	<u>531,749</u>	<u>563,351</u>	<u>1,871,287</u>	<u>1,737,314</u>	<u>1,811,262</u>	<u>1,367,141</u>	<u>4,214,298</u>	<u>3,667,806</u>	<u>88,949</u>	<u>89,893</u>	<u>(1,372,293)</u>	<u>(1,021,853)</u>	<u>3,515,167</u>	<u>3,300,892</u>
Segment operating profit	119,633	126,336							1,152,865	946,696	30,748	31,864	(39,112)	(47,375)	1,264,134	1,057,521
Unallocated income and expenses:																
Other income															42,508	8,141
Selling expenses															(151,458)	(151,536)
Administrative expenses															(285,492)	(282,606)
Finance cost															(42,433)	(48,732)
Share of profit from investments in associates															9,539	10,273
Corporate income tax															(47,143)	(16,596)
Profit for the period															<u>789,655</u>	<u>576,465</u>

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For the nine-month periods ended 30 September 2016 and 2015

	Printed Circuit Board business															
	Prepreg and Laminate business		America		Europe		Asia		Total		Chemical business		Eliminating entries		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	<i>(in thousand Baht)</i>															
Revenues from external customers	40,031	46,622	1,508,288	1,531,152	5,608,042	4,865,158	3,266,577	2,584,687	10,382,907	8,980,997	200,064	202,733	-	-	10,623,002	9,230,352
Inter-segment revenues	1,759,981	1,561,202	-	-	-	-	2,088,787	1,251,965	2,088,787	1,251,965	79,156	69,526	(3,927,924)	(2,882,693)	-	-
Total revenues	<u>1,800,012</u>	<u>1,607,824</u>	<u>1,508,288</u>	<u>1,531,152</u>	<u>5,608,042</u>	<u>4,865,158</u>	<u>5,355,364</u>	<u>3,836,652</u>	<u>12,471,694</u>	<u>10,232,962</u>	<u>279,220</u>	<u>272,259</u>	<u>(3,927,924)</u>	<u>(2,882,693)</u>	<u>10,623,002</u>	<u>9,230,352</u>
Segment operating profit	375,143	365,424							3,390,586	2,493,636	101,812	101,160	(135,375)	(133,580)	3,732,166	2,826,640
Unallocated income and expenses:																
Other income															135,260	38,396
Selling expenses															(438,350)	(411,029)
Administrative expenses															(875,984)	(709,879)
Finance cost															(134,620)	(105,230)
Share of profit from investments in associates															22,495	19,036
Corporate income tax															(77,319)	(73,438)
Profit for the period															<u>2,363,648</u>	<u>1,584,496</u>
Segment asset as at																
30 September 2016 /																
31 December 2015	<u>2,020,529</u>	<u>1,915,163</u>							<u>23,512,666</u>	<u>21,789,200</u>	<u>389,604</u>	<u>378,165</u>	<u>(8,770,744)</u>	<u>(7,252,459)</u>	<u>17,152,055</u>	<u>16,830,069</u>

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

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<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	30,418	-	24,507	-
Included in administrative expenses				
- Loss on exchange rate and from hedging activities - net	-	28,439	-	92,908
<i>For the nine-month periods ended 30 September</i>				
Included in other income				
- Gain on exchange rate and from hedging activities - net	97,057	13,312	78,434	-
Included in administrative expenses				
- Loss on exchange rate and from hedging activities - net	-	-	-	98,537

16 Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate in respect of continuing operations for the three-month period ended 30 September 2016 was 6% (30 September 2015 : 3%) and 3% for the nine-month period ended 30 September 2016 (30 September 2015 : 4%). This change in effective tax rate, for the three-month period ended 30 September 2016, was mainly because the Group generate higher taxable income in 2016 than in 2015 since a subsidiary fully utilised its taxable loss carry forward. For the nine-month period ended 30 September 2016, there was no significant change.

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17 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 2016 and 2015 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 30 September</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>786,033</u>	<u>573,424</u>	<u>899,563</u>	<u>272,854</u>
Number of ordinary shares outstanding at 1 July	586,011	570,161	586,011	570,161
Effect from ordinary shares issued during the period	<u>19</u>	<u>557</u>	<u>19</u>	<u>557</u>
Weighted average number of ordinary shares outstanding (basic)	<u>586,030</u>	<u>570,718</u>	<u>586,030</u>	<u>570,718</u>
Earnings per share (basic) (in Baht)	<u>1.34</u>	<u>1.00</u>	<u>1.54</u>	<u>0.48</u>

<i>Nine-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>2,348,873</u>	<u>1,574,706</u>	<u>2,045,024</u>	<u>780,185</u>
Number of ordinary shares outstanding at 1 January	574,763	565,628	574,763	565,628
Effect from ordinary shares issued during the period	<u>4,511</u>	<u>3,059</u>	<u>4,511</u>	<u>3,059</u>
Weighted average number of ordinary shares outstanding (basic)	<u>579,274</u>	<u>568,687</u>	<u>579,274</u>	<u>568,687</u>
Earnings per share (basic) (in Baht)	<u>4.05</u>	<u>2.77</u>	<u>3.53</u>	<u>1.37</u>

Diluted earnings per share

The calculations of diluted earnings per share for the three-month and nine-month periods ended 30 September 2016 and 2015 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:

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<i>Three-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	786,033	573,424	899,563	272,854
Weighted average number of ordinary shares outstanding (basic)	586,030	570,718	586,030	570,718
Effect of share warrants	274	14,073	274	14,073
Weighted average number of ordinary shares outstanding (diluted)	586,304	584,791	586,304	584,791
Earnings per share (diluted) (in Baht)	1.34	0.98	1.53	0.47
<i>Nine-month periods ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(thousand Baht/ thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	2,348,873	1,574,706	2,045,024	780,185
Weighted average number of ordinary shares outstanding (basic)	579,274	568,687	579,274	568,687
Effect of share warrants	7,093	15,402	7,093	15,402
Weighted average number of ordinary shares outstanding (diluted)	586,367	584,089	586,367	584,089
Earnings per share (diluted) (in Baht)	4.01	2.70	3.49	1.34

18 Financial instruments

Carrying amounts and fair values of financial instruments carried at fair value

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value.

	Consolidated and separate financial statements				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<i>(in thousand Baht)</i>					
30 September 2016					
Current					
Short-term investments in trading securities	-	-	-	-	-
31 December 2015					
Current					
Short-term investments in trading securities	2,583	2,583	-	-	2,583

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Carrying amounts and fair values of financial instruments not carried at fair value

Most of financial assets and liabilities of the Group were short-term. The fair value of financial assets and liabilities are taken to approximate the carrying value as determined in the statement of financial position.

The fair value of long-term borrowings is taken to approximate the carrying value because most of these financial instruments bear interest at market rate.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

19 Dividends

On 28 April 2016, the Company's shareholders at the Annual General Meeting approved dividend payment based on operating result dated from 1 July 2015 to 31 December 2015 to common shareholders at Baht 1.00 per share, total in Baht 576 million. The said dividend was paid on 16 May 2016.

On 9 August 2016, the meeting of the Board of Directors of the Company approved interim dividend payment based on operating result dated from 1 January 2016 to 30 June 2016 to common shareholders at Baht 1.00 per share, total in Baht 586 million. The said interim dividend was paid on 9 September 2016.

20 Commitments

Commitments

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
Contracted but not provided				
Buildings and other constructions	10,474	21,238	8,395	17,870
Unrecognised purchase orders for machinery and equipment	474,982	53,212	308,224	20,137
Total	485,456	74,450	316,619	38,007
<i>Future minimum lease payments under non-cancellable operating leases and long-term service commitments</i>				
Within one year	32,352	23,222	8,451	1,505
After one year but within five years	3,574	3,241	1,881	617
Total	35,926	26,463	10,332	2,122

As at 30 September 2016, the Group and the Company had unrecognized purchase order for raw materials amounting to Baht 660.1 million for consolidated financial statements and Baht 104.1 million for separate financial statements.

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Forward exchange contracts

As at 30 September 2016, the Group had outstanding forward exchange contracts as follows:

Consolidated financial statements			
Currency	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
Buying contract			
US dollar	5,116	3 October 2016 - 6 February 2017	Euro 0.8726 - 0.8861
US dollar	7,995	9 December 2016 - 17 February 2017	34.7099 - 35.3480
Euro	19	14 March 2017	39.5500
Selling contract			
Euro	1,831	8 December 2016 - 23 February 2017	39.1800 - 40.3400
US dollar	1,132	7 December 2016 - 20 March 2017	34.7250 - 35.8700
Separate financial statements			
Currency	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
Buying contract			
US dollar	5,116	3 October 2016 - 6 February 2017	Euro 0.8726 - 0.8861
Selling contract			
Euro	1,000	21 February 2017 - 22 February 2017	39.3500 - 39.4550

Commodity hedge agreement

As at 30 September 2016 and 31 December 2015 the Company and its subsidiaries had no outstanding copper swap agreement.

Guarantees

As at 30 September 2016, the Company and its subsidiaries had commitments in respect of bank guarantees issued on their behalf amounting to Baht 99 million (the Company only: Baht 49 million) (31 December 2015: Consolidated financial statement: Baht 81 million, (the Company only: Baht 38 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 Events after the reporting period

Acquisition of assets

On 11 October 2016, the meeting of the Board of Directors of the Company approved the purchase of asset which is the land and an office building in Japan from Ohkura Corporation Co., Ltd. This transaction has a value of JPY 600 million or approximately to Baht 200 million. The purpose of the investment is to use part of the floor area as a sales representative office to support the Company's expansion in Japan, as well as to enhance long-term value for shareholders.

22 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new TFRS have been issued but is not yet effective and has not been applied in preparing these interim financial statements. This new TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2017, is set out below. The Group does not plan to adopt this TFRS early.

TFRS	Topic
FAP Announcement no. 5/2559	Accounting Guidance for derecognition of financial assets and financial liabilities

The Group has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of this new TFRS and expects that there will be no material impact on the financial statements in the period of initial application.