

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

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# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 14 February 2017.

### 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 Chalongkrung 31, Kwang Lumplatew, Khet Lat Krabang, Bangkok.

The Company’s major shareholders during the financial year 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 31 December 2016 and 2015 are given in notes 4 and 9.

### 2 Basis of preparation of the financial statements

#### (a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2016. The initial application of these new and revised TFRS has resulted in changes in certain of the Group’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2017 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Group’s operations are disclosed in note 34.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

##### **Items**

Defined benefit liability

##### **Measurement bases**

Present value of the defined benefit obligation as explained in Note 3 (n)

#### (c) Functional and presentation currency

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

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## Notes to the financial statements

For the year ended 31 December 2016

### (d) Use of estimates and judgments

The preparation of financial statements in conformity with TFRS requires management to make judgements, 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 estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

Note 10, 11, 12	Impairment test: key assumption underlying recoverable amounts
Note 14	Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used
Note 17	Measurement of defined benefit obligations: key actuarial assumptions
Note 19	Measurement of share-based payments

### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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 chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information 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 valuation issues 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.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 10            Investment properties
- Note 19            Share-based payments

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **(a) Basis of consolidation**

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

##### *Business combinations*

The Group applies the acquisition method for all business combinations other than those with entities under common control.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### *Non-controlling interests*

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### *Interests in equity-accounted investees*

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or control ceases.

### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## **(b) Foreign currencies**

### *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of each company in the Group at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rates ruling at that date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency using the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised in profit or loss in the period of transactions.

### *Foreign operations*

The assets and liabilities of foreign operations are translated to Thai Baht at the exchange rates ruling at the reporting date.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are translated to Thai Baht at the exchange rates at transaction dates.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of the transactions.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity until disposal of the investment.

### **(c) *Derivatives financial instruments***

#### *Forward exchange contracts*

Receivables and payables arising from forward exchange contracts are translated at the rates of exchange ruling at the end of reporting period. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

#### *Currency option agreements*

Currency option agreements are contracts between two parties whereby the seller grants the buyer a future option to buy (call option) or to sell (put option) foreign currency at an exchange rate stipulated in the agreement. The Group enters into such agreements in order to manage foreign exchange risk.

The notional amounts of cross currency option agreements utilised by the Group to manage foreign exchange risk are not recognised as assets or liabilities upon inception of the agreement, but fees paid by the Group in respect of such agreements are amortised on a straight-line basis over the term of the agreements.

#### *Cross currency and interest rate swap agreements*

Cross currency and interest rate swap agreements are contracts between the Group and counterparties to exchange amounts of principal denominated in different currencies upon inception of the agreements, either over the term of the agreement or on maturity, depending on the terms of the agreements made with the counterparties. In addition, each counterparty receives or pays interest in amounts calculated on the basis of the pre-determined principal and interest rates throughout the term of the agreements.

With regard to amounts receivable or payable under cross currency and interest rate swap agreements which the Group use to manage foreign exchange and interest rate risk, receivables or payables under cross currency agreements are translated at the rate of exchange applying on the end of reporting period, with unrealised gains or losses on such translation included in profit or loss. The differential to be paid or received by the Group under interest rate swap agreements is recognised as an adjustment to interest income or interest expense over the term of the agreement. Gains or losses arising upon the termination of agreements or the early settlement of the underlying liabilities are recognised in profit or loss. Receivables and payables under cross currency and interest rate swap agreements are presented net in the statement of financial position.

#### *Commodities hedge agreements*

The Group enters into commodities hedge agreements whereby the Group are committed to purchase commodities at the price and quantity as stipulated in the agreements. The Group enters into such agreements in order to manage such risk. The Group recognises unrealised gains or losses on the change of fair value of such commodities hedge agreements in profit or loss.

### **(d) *Cash and cash equivalents***

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

### **(e) Trade and other accounts receivable**

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

### **(f) Inventories**

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity and is calculated using standard cost adjusted to approximate average cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

### **(g) Investments**

#### *Investments in associates and subsidiaries*

Investments in associates and subsidiaries entities in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

#### *Investments in other debt and equity securities*

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

#### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

### **(h) Investment properties**

Investment properties are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less accumulated depreciation and impairment losses.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, and other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each property. The estimated useful lives are as follows:

Investment property	25 years
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### (i) *Property, plant and equipment*

#### *Recognition and measurement*

##### *Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

##### *Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

##### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings and plant	20 - 50 years
Machinery and plant equipment	5 - 20 years
Plant and building improvement	5 - 20 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	5 years

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### (j) *Intangible assets*

#### *Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 3(a). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

#### *Other intangible assets*

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date less accumulated amortisation and impairment.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### *Amortisation*

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software licences	5 - 15 years
Customer relationship	10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

### **(k) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

#### *Calculation of recoverable amount*

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(l) Interest-bearing liabilities**

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

### **(m) Trade and other accounts payable**

Trade and other accounts payables are stated at cost.

### **(n) Employee benefits**

#### *Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

#### *Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed regularly by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *Share-based payments*

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

### **(o) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### **(p) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

### *Sale of goods and services rendered*

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

### *Commission income*

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

### *Rental income*

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Contingent rentals are recognised as income in the accounting period in which they are earned.

### *Dividend income*

Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established.

### *Interest income*

Interest income is recognised in profit or loss as it accrues.

### **(q) Finance costs**

Finance costs comprise interest expense on borrowing, unwinding of the discount on provisions and contingent consideration.

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial year of time to be prepared for its intended use or sale.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

### **(r) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

### **(s) Income tax**

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

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

### **(t) *Earnings per share***

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### **(u) *Segment reporting***

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

### 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 8 and 9 Relationships with key management and other related parties were as follows:

<b>Name of entities</b>	<b>Country of incorporation/ nationality</b>	<b>Nature of relationships</b>
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:

<b>Transactions</b>	<b>Pricing policies</b>
<b>Subsidiaries</b>	
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
Rental income	Prices as specified in agreements
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
Interest on loan	At the rate agreed between the parties which specified in the promissory note
Dividend income	As announced in the minute of shareholders' meeting
<b>Associates</b>	
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

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

Significant transactions for the years ended 31 December with related parties were as follows:

<i>For the years ended 31 December</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
<b>Subsidiaries</b>				
Sales of goods	-	-	782	281
Rendering of service	-	-	80	26
Rental income	-	-	3	4
Other income	-	-	16	11
Sales of property, plant and equipment	-	-	-	1
Purchases of goods	-	-	2,114	1,573
Purchases of property, plant and equipment	-	-	9	9
Dividend income	-	-	2,363	649
Commission expense	-	-	57	45
Other expenses	-	-	11	16
<b>Associates</b>				
Sales of goods	1,844	1,985	886	842
Other income	-	1	-	-
Purchases of raw material	189	403	125	206
Purchases of property, plant and equipment	7	14	1	13
Dividend income	11	10	11	10
Commission expenses	2	3	-	-
Other expense	4	12	4	6
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefit	111	103	41	43
Share-based payments	4	45	2	28
Retirement benefits	2	2	1	1
Total key management personnel compensation	<u>117</u>	<u>150</u>	<u>44</u>	<u>72</u>

Balances as at 31 December with related parties were as follows:

<i>Trade receivables - related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	258,671	80,481
K.C.E. International Co., Ltd.	-	-	7,918	8,633
KCE (Thailand) Co., Ltd.	-	-	3,596	2,456
Thai Laminate Manufacturer Co., Ltd.	-	-	276	124
KCE Singapore Pte. Ltd.	-	-	7,775	11,092
<b>Associates</b>				
KCE America, Inc.	628,768	799,452	338,458	384,061
KCE Taiwan Co., Ltd.	-	-	-	-
<b>Total</b>	<u><b>628,768</b></u>	<u><b>799,452</b></u>	<u><b>616,694</b></u>	<u><b>486,847</b></u>

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

<i>Other receivables</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	1,708	4
Chemtronic Technology (Thailand) Co., Ltd.	-	-	2,941	2,572
K.C.E. International Co., Ltd.	-	-	1,125	324
KCE (Thailand) Co., Ltd.	-	-	745	5
Thai Laminate Manufacturer Co., Ltd.	-	-	489	970
<b>Associates</b>				
KCE Taiwan Co., Ltd.	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>7,008</b>	<b>3,875</b>

<i>Trade payables</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
Thai Laminate Manufacturer Co., Ltd.	-	-	561,245	508,295
K.C.E. International Co., Ltd.	-	-	189,734	11,709
KCE Technology Co., Ltd.	-	-	200,540	122,958
Chemtronic Chemical Co., Ltd.	-	-	11,275	12,221
KCE Singapore Pte. Ltd.	-	-	30,977	27,817
<b>Associates</b>				
KCE Taiwan Co., Ltd	24,625	53,721	17,625	28,504
KCE America, Inc.	170	573	119	141
<b>Total</b>	<b>24,795</b>	<b>54,294</b>	<b>1,011,515</b>	<b>711,645</b>

<i>Other payables for purchase of machineries and equipment</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	10	8,736
Thai Laminate Manufacturer Co., Ltd.	-	-	-	65
<b>Associates</b>				
KCE Taiwan Co., Ltd.	1,171	421	869	196
<b>Total</b>	<b>1,171</b>	<b>421</b>	<b>879</b>	<b>8,997</b>

<i>Other payables</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
K.C.E. International Co., Ltd.	-	-	-	20
KCE (Thailand) Co., Ltd.	-	-	136	-
KCE Singapore Pte. Ltd.	-	-	1,029	-
<b>Associates</b>				
KCE America, Inc.	304	151	23	-
<b>Total</b>	<b>304</b>	<b>151</b>	<b>1,188</b>	<b>20</b>

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

### 5 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Cash on hand	371	305	50	50
Cash at banks - current accounts	281,384	158,709	71,508	78,655
Cash at banks - savings accounts	609,725	444,137	199,358	101,204
Highly liquid short-term investments	-	70,000	-	-
Others	332	332	-	-
<b>Total</b>	<b>891,812</b>	<b>673,483</b>	<b>270,916</b>	<b>179,909</b>

The currency denomination of cash and cash equivalents as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	537,732	560,582	110,383	130,467
United States Dollars (USD)	328,332	109,688	150,445	46,395
Euro (EUR)	25,117	2,280	9,457	2,280
Great British Pound (GBP)	631	933	631	767
<b>Total</b>	<b>891,812</b>	<b>673,483</b>	<b>270,916</b>	<b>179,909</b>

### 6 Trade and other receivables

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
<b>Trade receivable</b>					
Related parties	4	628,768	799,452	616,694	486,847
Other parties		3,399,195	3,686,407	1,828,787	1,609,657
<b>Total</b>		<b>4,027,963</b>	<b>4,485,859</b>	<b>2,445,481</b>	<b>2,096,504</b>
Less allowance for doubtful accounts		-	-	-	-
<b>Net</b>		<b>4,027,963</b>	<b>4,485,859</b>	<b>2,445,481</b>	<b>2,096,504</b>
<b>Other receivables</b>					
Related parties	4	-	-	7,008	3,875
Other parties		51,730	53,909	31,771	26,260
<b>Total</b>		<b>51,730</b>	<b>53,909</b>	<b>38,779</b>	<b>30,135</b>
<b>Total trade and other receivables</b>		<b>4,079,693</b>	<b>4,539,768</b>	<b>2,484,260</b>	<b>2,126,639</b>
Bad and doubtful debts expense for the years ended 31 December		-	-	-	-

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

Aging analysis for trade accounts receivables were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Related parties</b>				
Within credit terms	366,199	459,823	405,460	314,458
Overdue:				
Less than 3 months	241,227	305,062	190,280	155,905
3 - 6 months	20,434	34,497	20,505	16,484
6 - 12 months	908	70	449	-
Over 12 months	-	-	-	-
	<b>628,768</b>	<b>799,452</b>	<b>616,694</b>	<b>486,847</b>
<i>Less allowance for doubtful accounts</i>	-	-	-	-
	<b>628,768</b>	<b>799,452</b>	<b>616,694</b>	<b>486,847</b>
<b>Other parties</b>				
Within credit terms	2,224,831	2,388,099	1,282,719	1,161,162
Overdue:				
Less than 3 months	1,010,250	1,020,248	532,730	436,379
3 - 6 months	35,840	144,393	13,203	7,946
6 - 12 months	108,307	115,949	-	4,170
Over 12 months	19,967	17,718	135	-
	<b>3,399,195</b>	<b>3,686,407</b>	<b>1,828,787</b>	<b>1,609,657</b>
<i>Less allowance for doubtful accounts</i>	-	-	-	-
	<b>3,399,195</b>	<b>3,686,407</b>	<b>1,828,787</b>	<b>1,609,657</b>
<b>Net</b>	<b>4,027,963</b>	<b>4,485,859</b>	<b>2,445,481</b>	<b>2,096,504</b>

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

The currency denomination of trade accounts receivable as at 31 December was as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	211,896	63,529	45,509	116,419
United States Dollars (USD)	3,311,160	3,845,473	1,960,100	1,643,623
Euro (EUR)	467,748	559,636	406,749	333,205
Great British Pound (GBP)	37,159	17,221	33,123	3,257
<b>Total</b>	<b>4,027,963</b>	<b>4,485,859</b>	<b>2,445,481</b>	<b>2,096,504</b>

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

### 7 Inventories

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Finished goods	751,046	438,473	399,445	188,473
Work in progress	350,198	322,711	207,017	144,445
Raw materials	539,434	389,117	139,076	112,984
Factory supplies	381,743	366,099	165,883	194,449
Spare parts	153,370	105,518	72,621	39,042
Goods in transit	175,188	126,157	33,296	23,172
	<u>2,350,979</u>	<u>1,748,075</u>	<u>1,017,338</u>	<u>702,565</u>
Less allowance for decline in value	(85,813)	(64,132)	(7,170)	(1,494)
<b>Total</b>	<b><u>2,265,166</u></b>	<b><u>1,683,943</u></b>	<b><u>1,010,168</u></b>	<b><u>701,071</u></b>
Inventories recognised as an expense in 'cost of sales of goods':				
- Cost	8,950,817	8,557,539	4,889,734	4,090,798
- Write-off	12,482	36,666	7,350	13,126
- Write-down to net realisable value (reversal)	21,681	(59,153)	5,676	(11,289)
<b>Net</b>	<b><u>8,984,980</u></b>	<b><u>8,535,052</u></b>	<b><u>4,902,760</u></b>	<b><u>4,092,635</u></b>

Inventories as at 31 December 2016 included finished goods (made to order) of Baht 376 million (31 December 2015: Baht 25 million) in the consolidated financial statements and Baht 279 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, and following conditions within the periods specified in the agreements.

### 8 Investments in associates

	Note	Consolidated financial statements		Separate financial statements	
		Equity Method		Cost Method	
		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
<b>Associates</b>					
At 1 January		105,178	76,699	1,862	1,862
Share of profit from investments in using associates equity method		28,499	21,185	-	-
Dividend income	4	(10,630)	(10,429)	-	-
Foreign currency translation differences for foreign operations		(511)	17,723	-	-
<b>At 31 December</b>		<b><u>122,536</u></b>	<b><u>105,178</u></b>	<b><u>1,862</u></b>	<b><u>1,862</u></b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

Investments in associates as at 31 December 2016 and 2015 and dividend income from investment for each year were as follows:

	Type of business	Country of incorporation	Ownership interest		<b>Consolidated financial statements</b>							
			2016	2015	Paid-up capital		Cost		Equity			
					(%)		2016	2015	2016	2015	2016	2015
<b>Associates</b>												
KCE America, Inc.	(1)	United States	50.00	50.00	USD	50,000	USD	50,000	644	644	74,640	72,125
KCE Taiwan Co., Ltd.	(2)	Taiwan	49.00	49.00	NTD	3,000,000	NTD	3,000,000	<u>1,540</u>	<u>1,540</u>	<u>47,896</u>	<u>33,053</u>
<b>Total</b>									<b><u>2,184</u></b>	<b><u>2,184</u></b>	<b><u>122,536</u></b>	<b><u>105,178</u></b>

(1) Foreign sale representatives of the Group

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

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

	Ownership interest		Paid-up capital		Separate financial statements							
	2016 2015		2016 2015		Cost		Impairment		Equity - net		Dividend Received	
	(%)				2016	2015	2016	2015	2016	2015	2016	2015
<b>Associates</b>												
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
<b>Total</b>					<b>1,862</b>	<b>1,862</b>	<b>-</b>	<b>-</b>	<b>1,862</b>	<b>1,862</b>	<b>10,630</b>	<b>10,429</b>

The following summarised financial information on interests in associates is not adjusted for the percentage ownership held by the Group:

	Reporting date	Ownership interest		Total assets		Total Liabilities		Total revenues		Net profit/(loss)	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		(%)		<i>(in million Baht)</i>							
KCE America, Inc.	31 December	50.00	50.00	903	946	754	803	2,221	2,192	9	6
KCE Taiwan Co., Ltd.	31 December	49.00	49.00	164	171	67	104	258	458	53	41
<b>Total</b>				<b>1,067</b>	<b>1,117</b>	<b>821</b>	<b>907</b>	<b>2,479</b>	<b>2,650</b>	<b>62</b>	<b>47</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

**9 Investments in subsidiaries**

	<b>Separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
At 1 January	2,603,542	2,595,059
Acquisitions	23,980	-
Disposals	(1,190)	-
Warrant granted to subsidiaries' directors and employees	1,491	8,483
<b>At 31 December</b>	<b><u>2,627,823</u></b>	<b><u>2,603,542</u></b>

During the year 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.

On 1 December 2016, the Company has sold the investment in Chemtronic Products Co., Ltd. of 11,900 ordinary shares to a management of the subsidiary in order to promote business alliance and support long-term operation at Baht 100 per share, totaling Baht 1.19 million. Total disposed shares represent 5% interest in the issued and paid-up capital in the subsidiary.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

Investments in subsidiaries as at 31 December 2016 and 2015, and dividend income from those investments for the years then ended, were as follows:

	Type of business	Ownership Interest		Paid-up capital		Cost		Warrant granted to subsidiaries' directors and employees		Total		Dividend income	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		(%)											
<b>Separate financial statements</b>													
<i>(in thousand Baht)</i>													
<b>Direct subsidiaries</b>													
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	1,420,000	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	554,967	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	58,092	22,740
Chemtronic Product Co., Ltd.	(2)	94.96	-	24,000	-	22,790	-	-	-	22,790	-	-	-
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	308,550	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
KCE Singapore Pte., Ltd.	(5)	75.50	75.50	SGD 500,000	SGD 500,000	168,310	168,310	-	-	168,310	168,310	13,140	-
<b>Total</b>						<b>2,574,925</b>	<b>2,552,135</b>	<b>52,898</b>	<b>51,407</b>	<b>2,627,823</b>	<b>2,603,542</b>	<b>2,363,389</b>	<b>649,469</b>
<b>Indirect subsidiaries</b>													
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 were incorporated in Thailand except KCE Singapore Pte., Ltd. which was incorporated in Singapore.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

### 10 Investment properties

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<i>Cost</i>				
At 1 January	-	-	-	-
Additions	195,961	-	195,961	-
<b>At 31 December</b>	<b>195,961</b>	<b>-</b>	<b>195,961</b>	<b>-</b>
<i>Depreciation and impairment losses</i>				
At 1 January	-	-	-	-
Depreciation charge for the year	188	-	188	-
<b>At 31 December</b>	<b>188</b>	<b>-</b>	<b>188</b>	<b>-</b>
<i>Net book value</i>				
At 1 January	-	-	-	-
<b>At 31 December</b>	<b>195,773</b>	<b>-</b>	<b>195,773</b>	<b>-</b>

Investment properties as at 31 December 2016 were revalued by Mr. Shinji Arakawa, the independent professional valuer certified by Japan Association of Real Estate Appraiser; JAREA, at income approach on an existing use basis. The appraised value was Yen 608 million or equivalent Baht 185 million.

Investment properties comprise of land and building in Japan that are leased to third parties. Each of the leases contains an initial non-cancellable period of 2 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

**11 Property, plant and equipment**

	<b>Consolidated financial statements</b>										
	Land and land improvement	Buildings and plant	Machinery and plant equipment	Plant improvement	Furniture, Fixtures and office equipment	Office improvement	Vehicles	Buildings and plant under construction	Machinery and equipment installation	Machinery and equipment in transit	Total
	<i>(in thousand Baht)</i>										
<b>Cost</b>											
At 1 January 2015	438,781	1,245,461	7,560,447	337,270	437,396	21,571	96,081	1,113,820	2,795,789	7,833	14,054,449
Additions	-	11,449	222,361	9,494	17,406	5,981	19,135	355,980	382,073	3,046	1,026,925
Transfers	-	1,298,857	2,446,310	104,206	10,327	85,272	-	(1,185,742)	(2,682,673)	(9,140)	67,417
Disposals/write-off	-	-	(171,932)	(45)	(8,436)	(1,039)	(8,737)	-	(8,572)	-	(198,761)
<b>At 31 December 2015 and 1 January 2016</b>	<b>438,781</b>	<b>2,555,767</b>	<b>10,057,186</b>	<b>450,925</b>	<b>456,693</b>	<b>111,785</b>	<b>106,479</b>	<b>284,058</b>	<b>486,617</b>	<b>1,739</b>	<b>14,950,030</b>
Additions	-	2,129	151,472	27,015	10,520	16,766	26,861	26,540	520,578	72,220	854,101
Transfers	51	63,893	701,400	171,090	15,721	75	-	(257,902)	(620,420)	(73,959)	(51)
Disposals/write-off	-	(691)	(103,435)	(1,387)	(9,590)	(17)	(18,250)	-	(20,801)	-	(154,171)
<b>At 31 December 2016</b>	<b>438,832</b>	<b>2,621,098</b>	<b>10,806,623</b>	<b>647,643</b>	<b>473,344</b>	<b>128,609</b>	<b>115,090</b>	<b>52,696</b>	<b>365,974</b>	<b>-</b>	<b>15,649,909</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

	<b>Consolidated financial statements</b>										
	Land and land improvement	Buildings and plant	Machinery and plant equipment	Plant improvement	Furniture, Fixtures and office equipment	Office improvement	Vehicles	Building and plant under construction	Machinery and equipment installation	Machinery and equipment in transit	Total
<i>(in thousand Baht)</i>											
<b>Depreciation and impairment losses</b>											
At 1 January 2015	-	351,032	4,167,300	200,601	427,357	16,113	49,014	-	-	-	5,211,417
Depreciation charge for the year	-	102,774	523,796	22,669	14,449	5,372	14,644	-	-	-	683,704
Impairment losses	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	87	14	(95)	(16)	10	-	-	-	-	-
Disposals/write-off	-	-	(147,568)	(29)	(8,400)	(58)	(5,155)	-	-	-	(161,210)
<b>At 31 December 2015 and 1 January 2016</b>	<b>-</b>	<b>453,893</b>	<b>4,543,542</b>	<b>223,146</b>	<b>433,390</b>	<b>21,437</b>	<b>58,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,733,911</b>
Depreciation charge for the year	-	126,400	645,752	33,171	18,554	9,277	15,798	-	-	-	848,952
Impairment losses	-	-	57,441	-	-	-	-	-	-	-	57,441
Disposals/write-off	-	(302)	(102,714)	(1,306)	(9,537)	(17)	(13,847)	-	-	-	(127,723)
<b>At 31 December 2016</b>	<b>-</b>	<b>579,991</b>	<b>5,144,021</b>	<b>255,011</b>	<b>442,407</b>	<b>30,697</b>	<b>60,454</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,512,581</b>
<b>Net book value</b>											
<b>At 1 January 2015</b>											
Owned assets	438,781	894,429	3,315,941	136,669	10,039	5,458	20,052	1,113,820	2,795,789	7,833	8,738,811
Assets under finance leases	-	-	77,206	-	-	-	27,015	-	-	-	104,221
	<b>438,781</b>	<b>894,429</b>	<b>3,393,147</b>	<b>136,669</b>	<b>10,039</b>	<b>5,458</b>	<b>47,067</b>	<b>1,113,820</b>	<b>2,795,789</b>	<b>7,833</b>	<b>8,843,032</b>
<b>At 31 December 2015 and 1 January 2016</b>											
Owned assets	438,781	2,101,874	5,443,669	227,779	23,303	90,348	24,993	284,058	486,617	1,739	9,123,161
Assets under finance leases	-	-	69,975	-	-	-	22,983	-	-	-	92,958
	<b>438,781</b>	<b>2,101,874</b>	<b>5,513,644</b>	<b>227,779</b>	<b>23,303</b>	<b>90,348</b>	<b>47,976</b>	<b>284,058</b>	<b>486,617</b>	<b>1,739</b>	<b>9,216,119</b>
<b>At 31 December 2016</b>											
Owned assets	438,832	2,041,107	5,599,858	392,632	30,937	97,912	28,859	52,696	365,974	-	9,048,807
Assets under finance leases	-	-	62,744	-	-	-	25,777	-	-	-	88,521
	<b>438,832</b>	<b>2,041,107</b>	<b>5,662,602</b>	<b>392,632</b>	<b>30,937</b>	<b>97,912</b>	<b>54,636</b>	<b>52,696</b>	<b>365,974</b>	<b>-</b>	<b>9,137,328</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

**Separate financial statements**

	Land	Buildings and plant	Machinery and plant equipment	Plant improvement	Furniture, Fixtures and equipment	Office improvement	Vehicles	Building and plant under construction	Machinery and equipment installation	Machinery and equipment in transit	Total
<i>(in thousand Baht)</i>											
<b>Cost</b>											
At 1 January 2015	164,388	132,264	2,226,535	199,784	60,855	18,452	37,350	1,035,415	2,663,797	7,831	6,546,671
Additions	-	12,490	185,451	8,865	12,235	5,899	5,661	238,083	141,392	(5,626)	604,450
Transfers	-	1,159,044	1,997,218	89,537	1,084	85,193	-	(1,028,553)	(2,270,095)	-	33,428
Disposals/write-off	-	-	(15,408)	-	(38)	(1,006)	-	-	(8,572)	-	(25,024)
<b>At 31 December 2015 and 1 January 2016</b>	<b>164,388</b>	<b>1,303,798</b>	<b>4,393,796</b>	<b>298,186</b>	<b>74,136</b>	<b>108,538</b>	<b>43,011</b>	<b>244,945</b>	<b>526,522</b>	<b>2,205</b>	<b>7,159,525</b>
Additions	-	2,130	118,883	24,361	7,370	16,766	2,040	-	148,222	(2,205)	317,567
Transfers	-	3,652	548,558	159,554	12,963	-	-	(212,163)	(509,731)	-	2,833
Disposals/write-off	-	-	(9,913)	(1,092)	(467)	-	(4,762)	-	(2,533)	-	(18,767)
<b>At 31 December 2016</b>	<b>164,388</b>	<b>1,309,580</b>	<b>5,051,324</b>	<b>481,009</b>	<b>94,002</b>	<b>125,304</b>	<b>40,289</b>	<b>32,782</b>	<b>162,480</b>	<b>-</b>	<b>7,461,158</b>
<b>Depreciation and impairment losses</b>											
At 1 January 2015	-	87,273	1,555,350	164,484	48,809	11,733	19,333	-	-	-	1,886,982
Depreciation charge for the year	-	29,227	187,255	9,811	6,572	4,349	6,389	-	-	-	243,603
Transfers	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-	-
Disposals/write-off	-	-	(8,927)	-	(28)	(26)	-	-	-	-	(8,981)
<b>At 31 December 2015 and 1 January 2016</b>	<b>-</b>	<b>116,500</b>	<b>1,733,678</b>	<b>174,295</b>	<b>55,353</b>	<b>16,056</b>	<b>25,722</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,121,604</b>
Depreciation charge for the year	-	50,727	295,145	19,246	10,073	8,277	6,310	-	-	-	389,778
Transfers	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-	-
Disposals/write-off	-	-	(9,456)	(1,092)	(467)	-	(4,451)	-	-	-	(15,466)
<b>At 31 December 2016</b>	<b>-</b>	<b>167,227</b>	<b>2,019,367</b>	<b>192,449</b>	<b>64,959</b>	<b>24,333</b>	<b>27,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,495,916</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
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**Separate financial statements**

	Land	Buildings and plant	Machinery and plant equipment	Plant improvement	Furniture, Fixtures and office equipment	Office improvement	Vehicles	Building and plant under construction	Machinery and equipment installation	Machinery and equipment in transit	Total
<i>(in thousand Baht)</i>											
<b>Net book value</b>											
<b>At 1 January 2015</b>											
Owned assets	164,388	44,991	593,979	35,300	12,046	6,719	2,101	1,035,415	2,663,797	7,831	4,566,567
Assets under finance leases	-	-	77,206	-	-	-	15,916	-	-	-	93,122
	<u>164,388</u>	<u>44,991</u>	<u>671,185</u>	<u>35,300</u>	<u>12,046</u>	<u>6,719</u>	<u>18,017</u>	<u>1,035,415</u>	<u>2,663,797</u>	<u>7,831</u>	<u>4,659,689</u>
<b>At 31 December 2015 and 1 January 2016</b>											
Owned assets	164,388	1,187,298	2,590,143	123,891	18,783	92,482	2,897	244,945	526,522	2,205	4,953,554
Assets under finance leases	-	-	69,975	-	-	-	14,392	-	-	-	84,367
	<u>164,388</u>	<u>1,187,298</u>	<u>2,660,118</u>	<u>123,891</u>	<u>18,783</u>	<u>92,482</u>	<u>17,289</u>	<u>244,945</u>	<u>526,522</u>	<u>2,205</u>	<u>5,037,921</u>
<b>At 31 December 2016</b>											
Owned assets	164,388	1,142,353	2,969,213	288,560	29,043	100,971	457	32,782	162,480	-	4,890,247
Assets under finance leases	-	-	62,744	-	-	-	12,251	-	-	-	74,995
	<u>164,388</u>	<u>1,142,353</u>	<u>3,031,957</u>	<u>288,560</u>	<u>29,043</u>	<u>100,971</u>	<u>12,708</u>	<u>32,782</u>	<u>162,480</u>	<u>-</u>	<u>4,965,242</u>

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

### For the year ended 31 December 2016

The gross amount of the Group's and the Company's fully depreciated property, plant and equipment that was still in use as at 31 December 2016 amounted to Baht 2,753 million (2015: Baht 2,628 million) for the consolidated financial statements and Baht 1,314 million (2015: Baht 1,231 million) for the separate financial statements.

11.1 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.

11.2 The subsidiaries of the Company have mortgaged and pledged the following property, plant and equipment.

11.2.1 KCE Technology Co., Ltd. has mortgaged its land and construction thereon and pledged its machinery with a total net book value as at 31 December 2016 of Baht 1,380 million (2015: Baht 1,520 million), as collateral for bank overdrafts and loans from banks, as described in Note 15.

11.2.2 Chemtronic Technology (Thailand) Co., Ltd. has mortgaged its land with a total net book value as at 31 December 2016 of Baht 68.6 million (2015: Baht 68.6 million), as collateral for loans from banks, as described in Note 15.

11.2.3 KCE Singapore Pte., Ltd. has mortgaged its office building with a total net book value as at 31 December 2016 of Baht 153 million (2015: Baht 157 million), as collateral for loans from banks, as described in Note 15.

11.3 The Company and its subsidiaries have capitalised interest expenses as part of costs of machinery and equipment under installation for the years ended 31 December 2016 and 2015 as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
Interest expenses capitalised as cost of machinery and equipment ( <i>in thousand Baht</i> )	138	38,833	-	38,781
Capitalisation rate ( <i>% per annum</i> )	1.05-1.90	1.48-4.15	-	2.83-4.15

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

**12 Goodwill**

	<b>Consolidated financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Cost</b>		
At 1 January	117,498	117,498
<b>At 31 December</b>	<b>117,498</b>	<b>117,498</b>
<b>Impairment losses</b>		
At 1 January	-	-
Impairment loss	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
At 1 January	117,498	117,498
<b>At 31 December</b>	<b>117,498</b>	<b>117,498</b>

*Impairment testing for CGUs containing goodwill*

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows.

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Chemtronic Technology (Thailand) Co., Ltd.	79,793	79,793	-	-
KCE Singapore Pte. Ltd.	37,705	37,705	-	-
<b>Total</b>	<b>117,498</b>	<b>117,498</b>	<b>-</b>	<b>-</b>

*CGUs of goodwill*

The recoverable amount of these CGUs was based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The carrying amount of the CGUs were determined to be lower than its recoverable amount, hence, no impairment loss was recognised in the CGUs of goodwill.

The key assumptions used for value-in-use calculation are as follows:

	<b>Consolidated financial statements</b>	
	2016	2015
	(%)	
Chemtronic Technology (Thailand) Co., Ltd.		
Discount rate	15	17
Growth rate		
- Year 1 – 5	0 - 14	0 - 4
- After year 5	-	-

**KCE Electronics Public Company Limited and its subsidiaries**  
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**For the year ended 31 December 2016**

	<b>Consolidated financial statements</b>	
	2016	2015
	(%)	
KCE Singapore Pte. Ltd.		
Discount rate	16	17
Growth rate		
- Year 1 – 5	3 - 4	(11) - 7
- After year 5	-	-

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, and a possible debt leveraging.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined from the past growth rate of the operating CGUs and the long-term compound annual EBITDA growth rate estimated by management.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

**13 Intangible assets**

	<b>Consolidated financial statements</b>		
	Software License	Customer Relationship	Total
	(in thousand Baht)		
<b><i>Cost</i></b>			
At 1 January 2015	331,933	96,219	428,152
Additions	55,987	-	55,987
Disposals	(275)	-	(275)
<b>At 31 December 2015 and 1 January 2016</b>	<b>387,645</b>	<b>96,219</b>	<b>483,864</b>
Additions	7,621	-	7,621
Translation differences	(6)	-	(6)
Disposals	(293)	-	(293)
<b>At 31 December 2016</b>	<b>394,967</b>	<b>96,219</b>	<b>491,186</b>
<b><i>Amortisation and impairment losses</i></b>			
At 1 January 2015	95,984	1,604	97,588
Amortisation for the year	22,660	9,621	32,281
Disposals	(187)	-	(187)
<b>At 31 December 2015 and 1 January 2016</b>	<b>118,457</b>	<b>11,225</b>	<b>129,682</b>
Amortisation for the year	23,222	9,621	32,843
Disposals	(236)	-	(236)
<b>At 31 December 2016</b>	<b>141,443</b>	<b>20,846</b>	<b>162,289</b>
<b><i>Net book value</i></b>			
At 1 January 2015	235,949	94,615	330,564
At 31 December 2015 and 1 January 2016	269,188	84,994	354,182
At 31 December 2016	253,524	75,373	328,897

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

	<b>Separate financial statements</b> Software License <i>(in thousand Baht)</i>
<b>Cost</b>	
At 1 January 2015	149,040
Additions	33,663
Disposals	-
<b>At 31 December 2015 and 1 January 2016</b>	<b>182,703</b>
Additions	3,758
Disposals	-
<b>At 31 December 2016</b>	<b>186,461</b>
<b>Amortisation and impairment losses</b>	
At 1 January 2015	44,449
Amortisation for the year	10,894
Disposals	-
<b>At 31 December 2015 and 1 January 2016</b>	<b>55,343</b>
Amortisation for the year	12,251
Disposals	-
<b>At 31 December 2016</b>	<b>67,594</b>
<b>Net book value</b>	
At 1 January 2015	<b>104,591</b>
At 31 December 2015 and 1 January 2016	<b>127,360</b>
At 31 December 2016	<b>118,867</b>

**14 Deferred tax**

Deferred tax assets and liabilities as at 31 December were as follows:

	<b>Consolidated financial statements</b>			
	<b>Assets</b>	<b>Liabilities</b>		
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Total	76,964	54,065	(74,133)	(80,864)
Set off of tax	(25,280)	(18,175)	25,280	18,175
<b>Net deferred tax assets (liabilities)</b>	<b>51,684</b>	<b>35,890</b>	<b>(48,853)</b>	<b>(62,689)</b>
<b>Separate financial statements</b>				
	<b>Assets</b>	<b>Liabilities</b>		
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Total	25,280	18,046	(34,516)	(38,545)
Set off of tax	(25,280)	(18,046)	25,280	18,046
<b>Net deferred tax assets (liabilities)</b>	<b>-</b>	<b>-</b>	<b>(9,236)</b>	<b>(20,499)</b>

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Movements in total deferred tax assets and liabilities during the year were as follows:

	At 1 January 2015	Consolidated Financial statements (Charged) / Credited to:		At 31 December 2015	At 1 January 2016	Consolidated Financial statements (Charged) / Credited to:		At 31 December 2016
		Profit or loss	Other comprehensive income <i>(Note 28)</i> <i>(in thousand Baht)</i>			Profit or loss	Other comprehensive income <i>(Note 28)</i> <i>(in thousand Baht)</i>	
<i>Deferred tax assets</i>								
Allowance for decline in value of inventories	18,891	(6,607)	-	12,284	12,284	(8)	-	12,276
Allowance for impairment of assets	15,322	(1,855)	-	13,467	13,467	9,684	-	23,151
Employee benefit obligations	16,215	1,204	-	17,419	17,419	1,394	11,574	30,387
Loss carry forward	28,891	(18,005)	-	10,886	10,886	261	-	11,147
Others	10	(1)	-	9	9	(6)	-	3
<b>Total</b>	<b>79,329</b>	<b>(25,264)</b>	<b>-</b>	<b>54,065</b>	<b>54,065</b>	<b>11,325</b>	<b>11,574</b>	<b>76,964</b>
<i>Deferred tax liabilities</i>								
Finance lease agreements	(42,539)	3,865	-	(38,674)	(38,674)	4,158	-	(34,516)
Intangible assets	(44,763)	2,573	-	(42,190)	(42,190)	2,573	-	(39,617)
<b>Total</b>	<b>(87,302)</b>	<b>6,438</b>	<b>-</b>	<b>(80,864)</b>	<b>(80,864)</b>	<b>6,731</b>	<b>-</b>	<b>(74,133)</b>
<b>Net</b>	<b>(7,973)</b>	<b>(18,826)</b>	<b>-</b>	<b>(26,799)</b>	<b>(26,799)</b>	<b>18,056</b>	<b>11,574</b>	<b>2,831</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
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	At 1 January 2015	Separate financial Statements (Charged) / Credited to:		At 31 December 2015	At 1 January 2016	Separate financial Statements (Charged) / Credited to:		At 31 December 2016
		Profit or loss	Other Comprehensive income  (Note 28) (in thousand Baht)			Profit or loss	Other Comprehensive income  (Note 28) (in thousand Baht)	
<b>Deferred tax assets</b>								
Allowance for decline in value of inventories	3,293	(2,339)	-	954	954	364	-	1,318
Employee benefit obligations	6,520	111	-	6,631	6,631	826	5,355	12,812
Loss carry forward	-	10,452	-	10,452	10,452	695	-	11,147
Others	10	(1)	-	9	9	(6)	-	3
<b>Total</b>	<b>9,823</b>	<b>8,223</b>	<b>-</b>	<b>18,046</b>	<b>18,046</b>	<b>1,879</b>	<b>5,355</b>	<b>25,280</b>
<b>Deferred tax liabilities</b>								
Finance lease agreements	(42,262)	3,717	-	(38,545)	(38,545)	4,029	-	(34,516)
<b>Total</b>	<b>(42,262)</b>	<b>3,717</b>	<b>-</b>	<b>(38,545)</b>	<b>(38,545)</b>	<b>4,029</b>	<b>-</b>	<b>(34,516)</b>
<b>Net</b>	<b>(32,439)</b>	<b>11,940</b>	<b>-</b>	<b>(20,499)</b>	<b>(20,499)</b>	<b>5,908</b>	<b>5,355</b>	<b>(9,236)</b>

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

### 15 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Current</b>				
Bank overdrafts - secured	179	-	179	-
Short-term loans from financial institutions - secured	130,000	165,142	100,000	100,000
Packing credits - secured	1,390,116	1,759,900	575,958	912,900
Trust receipts - secured	287,975	214,320	7,548	15,369
<b>Total bank overdrafts and short-term loans from financial institutions</b>	<b>1,808,270</b>	<b>2,139,362</b>	<b>683,685</b>	<b>1,028,269</b>
Current portion of liabilities under hire-purchase and finance lease agreements	14,692	34,095	12,019	31,384
Current portion of long-term loans - secured	550,441	584,900	343,304	541,204
<b>Total current interest-bearing liabilities</b>	<b>2,373,403</b>	<b>2,758,357</b>	<b>1,039,008</b>	<b>1,600,857</b>
<b>Non-current</b>				
Liabilities under hire-purchase and finance lease agreements	7,730	15,814	2,451	13,278
Long-term loans - secured	2,147,646	3,538,459	1,969,346	3,191,612
<b>Total non-current interest-bearing liabilities</b>	<b>2,155,376</b>	<b>3,554,273</b>	<b>1,971,797</b>	<b>3,204,890</b>
<b>Total</b>	<b>4,528,779</b>	<b>6,312,630</b>	<b>3,010,805</b>	<b>4,805,747</b>

The periods to maturity of interest-bearing liabilities, excluding liabilities under hire-purchase and finance lease liabilities, as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Within one year	2,358,711	2,724,262	1,026,989	1,569,473
After one year but within five years	1,923,770	2,755,042	1,745,471	2,408,195
After five years	223,876	783,417	223,875	783,417
<b>Total</b>	<b>4,506,357</b>	<b>6,262,721</b>	<b>2,996,335</b>	<b>4,761,085</b>

Secured interest-bearing liabilities as at 31 December were secured on the following assets:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Property, plant and equipment	1,601,506	1,745,686	-	-
<b>Total</b>	<b>1,601,506</b>	<b>1,745,686</b>	<b>-</b>	<b>-</b>

## **KCE Electronics Public Company Limited and its subsidiaries**

### **Notes to the financial statements**

#### **For the year ended 31 December 2016**

- 15.1 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 debt to equity ratio of not more than 2:1 and debt service coverage ratio (DSCR) of not less than 1.25:1.
- 15.2 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 secured by the mortgage of the subsidiary's land and construction thereon and the pledge of most of the subsidiary's machinery.
- Moreover, long-term loans from financial institutions of KCE Technology Co., Ltd., a subsidiary, are in Baht and has an interest rate swap agreement from a floating interest rate of THBFIX (3 months) plus fixed percent per annum to EUR fixed interest rate per annum. The Company has to comply with certain conditions, including maintaining debt service coverage ratio (DSCR) of not less than 1.25:1 and debt to equity ratio of not more than 2.
- 15.3 Long-term loans from financial institutions of Chemtronic Technology (Thailand) Co., Ltd., a subsidiary, are secured by mortgage of 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.
- 15.4 Long-term loans 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.
- 15.5 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 of not less than 1.25 and debt to equity ratio of not more than 2.
- 15.6 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 of not less than 1.2:1 and debt to equity ratio of not more than 2.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

Details of long-term loans from banks as at 31 December 2016 and 2015 are as follows:

No.	Contract date	Outstanding long-term loans amount						Significant terms and conditions of loan agreements				
		2016			2015			Loan period	Interest rate	Principal repayment	Interest repayment	
		Current portion	Non-current portion	Total	Current portion	Non-current portion	Total					
							<i>(in thousand Baht)</i>					
							<i>(Percent per annum)</i>					
<b>The Company only</b>												
1.	4 October 2012	-	-	-	37,500	-	37,500	4 years	Fixed percentage	3 months	1 month	
2.	26 November 2012	-	-	-	140,379	-	140,379	4 years	Fixed percentage	1 month	1 month	
3.	7 October 2013	-	-	-	226,500	1,133,500	1,360,000	8 years	BIBOR 3M + fixed percentage	3 months	1 month	
4.	12 December 2013	300,333	1,679,516	1,979,849	122,175	1,728,762	1,850,937	8 years	LIBOR 3M + fixed percentage	3 months	1 month	
5.	9 November 2015	28,600	117,400	146,000	14,650	329,350	344,000	8 years	BIBOR 3M + fixed percentage	3 months	1 month	
6.	2 December 2016	14,371	172,430	186,801	-	-	-	7 years	Fixed percentage	3 months	1 month	
<b>Total loans of the Company</b>		<b>343,304</b>	<b>1,969,346</b>	<b>2,312,650</b>	<b>541,204</b>	<b>3,191,612</b>	<b>3,732,816</b>					
<b>Subsidiaries</b>												
<u>KCE Technology Co., Ltd.</u>												
1.	12 May 2011 amendment on 22 December 2011	-	-	-	14,365	-	14,365	4 years 10 months	LIBOR + fixed percentage	1 month	1 month	
2.	29 March 2016	83,200	166,800	250,000	-	-	-	3 years	Fixed percentage	3 months	1 month	
		83,200	166,800	250,000	14,365	-	14,365					
<u>K.C.E International Co., Ltd.</u>												
1.	13 June 2011	8,329	-	8,329	18,127	8,387	26,514	6 years	LIBOR 3M + fixed percentage	3 months	1 month	
		8,329	-	8,329	18,127	8,387	26,514					

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

No.	Contract date	Outstanding long-term loans amount						Significant terms and conditions of loan agreements			
		2016			2015			Loan period	Interest rate	Principal repayment	Interest repayment
		Current portion	Non-current portion	Total	Current portion	Non-current portion	Total				
<i>(in thousand Baht)</i>						<i>(Percent per annum)</i>					
<u>Chemtronic Technology (Thailand) Co., Ltd.</u>											
1.	23 December 2013	7,600	11,500	19,100	7,600	19,100	26,700	5 years 9 months	MLR - fixed percentage	3 months	1 month
		<u>7,600</u>	<u>11,500</u>	<u>19,100</u>	<u>7,600</u>	<u>19,100</u>	<u>26,700</u>				
<u>Thai Laminate Manufacturer Co., Ltd.</u>											
1.	2 July 2014*	104,948	-	104,948	-	104,919	104,919	6 years	LIBOR + fixed percentage	3 months	1 month
2.	2 July 2014*	3,060	-	3,060	-	214,441	214,441	6 years	LIBOR + fixed percentage	3 months	1 month
		<u>108,008</u>	<u>-</u>	<u>108,008</u>	<u>-</u>	<u>319,360</u>	<u>319,360</u>				
<u>KCE Singapore Pte., Ltd.</u>											
1.	28 July 2011	-	-	-	3,604	-	3,604	5 years	SOR 3M + fixed percentage	3 months	3 months
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,604</u>	<u>-</u>	<u>3,604</u>				
<b>Total loans of subsidiaries</b>		<b>207,137</b>	<b>178,300</b>	<b>385,437</b>	<b>43,696</b>	<b>346,847</b>	<b>390,543</b>				
<b>Total loans of the Company and subsidiaries</b>		<b>550,441</b>	<b>2,147,646</b>	<b>2,698,087</b>	<b>584,900</b>	<b>3,538,459</b>	<b>4,123,359</b>				

(\*) The subsidiary utilised the loan in 2015.

As at 31 December 2016 the Group and the Company had all types of unutilised credit facilities totaling Baht 15,707 million and US dollar 162 million (Baht 3,035 million and US dollar 33 million for separate financial statements). This included credit facilities for construction of the new factory.

As at 31 December 2015 the Group and the Company had all types of unutilised credit facilities totaling Baht 14,100 million, US dollar 160 million and SGD 2 million (Baht 2,785 million and US dollar 42 million for separate financial statements). This included credit facilities for construction of the new factory.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

*Liabilities under hire-purchase and finance lease liabilities*

Liabilities under hire-purchase and finance lease liabilities as at 31 December were payable as follows:

	<b>Consolidated financial statements</b>					
	2016			2015		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	<i>(in thousand Baht)</i>					
Within one year	15,276	(584)	14,692	35,917	(1,822)	34,095
After one year but within five years	8,071	(341)	7,730	16,291	(477)	15,814
<b>Total</b>	<b>23,347</b>	<b>(925)</b>	<b>22,422</b>	<b>52,208</b>	<b>(2,299)</b>	<b>49,909</b>

  

	<b>Separate financial statements</b>					
	2016			2015		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	<i>(in thousand Baht)</i>					
Within one year	12,330	(311)	12,019	32,948	(1,564)	31,384
After one year but within five years	2,547	(96)	2,451	13,621	(343)	13,278
<b>Total</b>	<b>14,877</b>	<b>(407)</b>	<b>14,470</b>	<b>46,569</b>	<b>(1,907)</b>	<b>44,662</b>

The Group entered into a number of hire-purchase and finance lease agreements with leasing companies for rental of machinery and equipment for use in their operations, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally 3 - 4 years. At the end of each agreement, the Company and its subsidiaries have an option to purchase such machinery and equipment at terms and prices which are specified in the lease agreements.

The currency denomination of interest-bearing liabilities as at 31 December was as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	1,243,700	3,599,109	610,649	2,660,162
United States Dollars (USD)	2,791,904	2,565,875	1,987,398	2,006,685
Euro (EUR)	234,287	138,900	225,958	138,900
Yen (JPY)	258,888	-	186,800	-
Singapore Dollars (SG)	-	8,746	-	-
<b>Total</b>	<b>4,528,779</b>	<b>6,312,630</b>	<b>3,010,805</b>	<b>4,805,747</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
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**16 Trade payables and others**

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Trade payables					
Related parties	4	24,795	54,294	1,011,515	711,645
Other parties		1,607,495	1,333,638	433,200	352,758
Other payables for purchase of machineries and equipment					
Related parties	4	1,171	421	879	8,997
Other parties		138,621	210,895	75,472	178,920
Other payables					
Related parties	4	304	151	1,188	20
Other parties		100,686	73,969	33,067	34,305
Accrued expenses		647,072	541,931	234,813	179,954
<b>Total trade and other payables</b>		<b>2,520,144</b>	<b>2,215,299</b>	<b>1,790,134</b>	<b>1,466,599</b>

**17 Employee benefit obligations**

Movement in the present value of the defined benefit obligations.

	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
<b>Include in profit or loss:</b>				
Current service cost	7,696	9,181	2,647	2,546
Interest on obligation	3,687	3,307	1,609	1,493
	<u>11,383</u>	<u>12,488</u>	<u>4,256</u>	<u>4,039</u>
<b>Included in other comprehensive income</b>				
Actuarial loss	57,870	-	26,775	-
	<u>57,870</u>	<u>-</u>	<u>26,775</u>	<u>-</u>
<b>Other</b>				
Benefit paid	(4,416)	(6,464)	(129)	(3,482)
	<u>(4,416)</u>	<u>(6,464)</u>	<u>(129)</u>	<u>(3,482)</u>
<b>Defined benefit obligations at 31 December</b>	<b>151,934</b>	<b>87,097</b>	<b>64,061</b>	<b>33,159</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
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Actuarial losses recognised in other comprehensive income arising from:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Demographic assumptions	12,361	-	6,470	-
Financial assumptions	31,295	-	11,850	-
Experience adjustment	14,214	-	8,455	-
<b>Total</b>	<b>57,870</b>	<b>-</b>	<b>26,775</b>	<b>-</b>

**Actuarial assumptions**

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2016	2015	2016	2015
	<i>(%)</i>			
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.

As at 31 December 2016, the weighted-average duration of the defined benefit obligation was 20 years (2015: 18 years).

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<i>(in thousand Baht)</i>			
	Increase	Decrease	Increase	Decrease
<b>Defined benefit obligation 31 December 2016</b>				
Discount rate (1% movement)	(17,769)	21,314	(6,678)	7,860
Future salary growth (1% movement)	20,728	(16,847)	7,650	(6,643)
<b>Defined benefit obligation 31 December 2015</b>				
Discount rate (1% movement)	(9,784)	11,633	(4,247)	4,984
Future salary growth (1% movement)	11,546	(9,897)	4,950	(4,298)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.



**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

Movements of share warrants KCE-W2 during the years ended 31 December 2016 and 2015 are summarised below:

	2016	2015
	Number	
	<i>(in thousand unit)</i>	
Warrants issued at 1 January	11,254	17,988
<i>Less:</i> Exercised during the period	(10,273)	(6,734)
<i>Less:</i> Expired during the period	(981)	-
Warrants issued at 31 December	<u>-</u>	<u>11,254</u>

During the years ended 31 December 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	619	5.00	3.1	10 June 2015
September 2015	2,252	5.00	11.3	11 September 2015
December 2015	<u>1,621</u>	5.00	<u>8.1</u>	15 December 2015
<b>Total in 2015</b>	<b><u>6,734</u></b>		<b><u>33.7</u></b>	

  

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
<b>Total in 2016</b>	<b><u>10,273</u></b>		<b><u>51.4</u></b>	

**19.2 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 aforesaid exercise price and/or exercise ratio may be adjusted if certain events stipulated in the prospectus occur. 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.

**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.

**KCE Electronics Public Company Limited and its subsidiaries**  
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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 year ended 31 December 2016 was Baht 2.5 million for the consolidated financial statements (2015: Baht 14.1 million) and Baht 1.0 million for the separate financial statements (2015: Baht 5.6 million).

Movements of the number of issued and allotted share warrants ESOP-W5 during the year ended 31 December 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 year	(1,069)	(2,401)
Warrants issued at 31 December	<u>337</u>	<u>1,406</u>

During the years ended 31 December 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	14.1	17 September 2015
December 2015	<u>288</u>	<u>31.99</u>	<u>9.2</u>	18 December 2015
<b>Total in 2015</b>	<b><u>2,401</u></b>		<b><u>76.7</u></b>	

  

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	<u>94</u>	<u>31.99</u>	<u>3.0</u>	12 September 2016
<b>Total in 2016</b>	<b><u>1,069</u></b>		<b><u>34.2</u></b>	

Movements of the fair value of share warrants ESOP-W5 during the year ended 31 December 2016 and 2015 are summarised below:

	2016	2015
	Fair value (in thousand Baht)	
At 1 January	8,783	17,299
Increase	2,496	14,106
Exercised during the year	(10,076)	(22,622)
At 31 December	<u>1,203</u>	<u>8,783</u>

**KCE Electronics Public Company Limited and its subsidiaries**  
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**20 Reserves**

Reserves comprise:

*Appropriations of profit and/or retained earnings*

**Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

*Other components of equity*

**Currency translation differences**

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company’s net investment in a foreign operation.

**Movements in reserves**

Movements in reserves are shown in the statements of changes in equity.

**21 Segment information**

The Group has three reportable segments, as described below, which are the Group’s strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group’s reportable segments.

- Segment 1      Manufacturing and distributing of Prepreg and Laminate
- Segment 2      Manufacturing and distributing of Printed Circuit Board
- Segment 3      Manufacturing and distributing of Chemical

None of other segments meets the quantitative thresholds for determining reportable segments in 2016 or 2015.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group’s CODM. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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The Company and its subsidiaries' operations mainly involve business segments in manufacture and sale of prepreg and laminate products, printed circuit board, 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 years ended 31 December 2016 and 2015 is as follows:

	<b>Consolidated financial statements</b>															
	For the years ended 31 December 2016 and 2015															
	Prepreg and Laminate business		Printed Circuit Board business								Chemical business		Eliminating entries		Total	
			America		Europe		Asia		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	55,910	59,346	1,872,899	2,024,134	7,249,614	6,535,687	4,340,432	3,549,973	13,462,945	12,109,794	278,637	279,611	-	-	13,797,492	12,448,751
Inter-segment revenues	2,313,572	2,061,858	-	-	-	-	2,821,509	1,702,337	2,821,509	1,702,337	104,401	92,353	(5,239,482)	(3,856,548)	-	-
<b>Total revenues</b>	<b>2,369,482</b>	<b>2,121,204</b>	<b>1,872,899</b>	<b>2,024,134</b>	<b>7,249,614</b>	<b>6,535,687</b>	<b>7,161,941</b>	<b>5,252,310</b>	<b>16,284,454</b>	<b>13,812,131</b>	<b>383,038</b>	<b>371,964</b>	<b>(5,239,482)</b>	<b>(3,856,548)</b>	<b>13,797,492</b>	<b>12,448,751</b>
Segment operating profit	489,881	471,276							4,371,284	3,485,904	139,672	140,726	(188,325)	(184,208)	4,812,512	3,913,698
Unallocated profit and expenses:																
Other income															180,587	82,407
Selling expenses															(567,830)	(551,949)
Administrative expenses															(1,127,068)	(968,465)
Finance cost															(171,488)	(153,300)
Share of profit from investments in associates															28,499	21,185
Income tax expense															(98,261)	(90,982)
<b>Profit for the year</b>															<b>3,056,951</b>	<b>2,252,594</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
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Financial information by business segment for the consolidated statements of financial position as at 31 December 2016 and 2015 are as follows:

	Prepreg and Laminate business		Printed Circuit Board business		Chemical business		Elimination of inter-segment revenues and consolidated transactions		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	<i>(in thousand Baht)</i>									
Property, plant and equipment	774,812	700,608	8,100,105	8,187,486	189,966	185,125	72,445	142,900	9,137,328	9,216,119
Other assets	1,298,577	1,214,555	14,067,518	13,601,714	219,706	193,040	(7,395,443)	(7,395,360)	8,190,358	7,613,949
Total assets	<u>2,073,389</u>	<u>1,915,163</u>	<u>22,167,623</u>	<u>21,789,200</u>	<u>409,672</u>	<u>378,165</u>	<u>(7,322,998)</u>	<u>(7,252,460)</u>	<u>17,327,686</u>	<u>16,830,068</u>
Total liabilities	<u>966,065</u>	<u>754,529</u>	<u>8,109,073</u>	<u>9,253,502</u>	<u>83,514</u>	<u>92,888</u>	<u>(1,858,470)</u>	<u>(1,371,057)</u>	<u>7,300,182</u>	<u>8,729,862</u>

Transfer prices between business segments are as set out in Note 4 to the financial statements.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

*Geographical information*

In presenting geographical information, revenue is based on the geographical location of customers.

*Major customer*

Revenues from three customers of the Group's printed circuit board business segments represents approximately Baht 5,406 million (2015: Baht 5,609 million) of the Group's total revenues.

**22 Gain (Loss) on exchange rate and from hedging activities**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Included in other income				
- Gain on exchange rate and from hedging activities - net	125,900	47,894	71,764	-
Included in administrative expenses				
- Loss on exchange rate and from hedging activities - net	-	-	-	(75,224)

**23 Selling expenses**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Freight charge	167,981	190,893	105,639	106,340
Commission expense	153,318	121,252	143,912	103,103
Employee benefit expenses	80,801	78,060	4,599	4,124
Others	165,730	161,744	52,607	44,600
<b>Total</b>	<b><u>567,830</u></b>	<b><u>551,949</u></b>	<b><u>306,757</u></b>	<b><u>258,167</u></b>

**24 Administrative expenses**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Employee benefit expenses	717,079	662,795	303,173	235,497
Depreciation of plant and equipment	48,201	35,736	17,982	14,228
Insurance expense	48,007	51,748	20,728	18,472
Repair and maintenance expenses	37,035	36,310	14,625	14,709
Others	276,746	181,876	110,407	144,282
<b>Total</b>	<b><u>1,127,068</u></b>	<b><u>968,465</u></b>	<b><u>466,915</u></b>	<b><u>427,188</u></b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

**25 Employee benefit expense**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Wages and salaries		1,753,390	1,646,292	696,677	707,176
Contribution to defined contribution plans		37,869	35,419	9,285	8,891
Defined benefit plans	17	11,383	12,488	4,256	4,039
Others		466,894	503,584	200,868	135,409
<b>Total</b>		<b><u>2,269,536</u></b>	<b><u>2,197,783</u></b>	<b><u>911,086</u></b>	<b><u>855,515</u></b>

*Defined benefit plans*

Details of the defined benefit plans are given in note 17.

*Defined contribution plans*

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 4% to 8% of their basic salaries and by the Group at rates ranging from 4% to 8% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

**26 Expenses by nature**

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Raw materials and consumables used		4,444,988	4,326,834	3,728,791	2,883,765
Employee benefit expenses	25	2,269,536	2,197,783	911,086	855,515
Utility expenses		773,008	845,411	332,889	374,190
Depreciation of plant and equipment	10, 11	849,140	683,704	389,966	243,603
Freight charge	23	167,981	190,893	105,639	106,340
Repair and maintenance expenses		309,646	304,447	58,610	76,606
Commission expense	23	153,318	121,252	143,912	103,103
Others		1,712,261	1,385,142	5,538	134,869
<b>Total cost of sales of goods, selling expenses and administrative expenses</b>		<b><u>10,679,878</u></b>	<b><u>10,055,466</u></b>	<b><u>5,676,431</u></b>	<b><u>4,777,991</u></b>

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**27 Finance costs**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Finance costs to financial institutions		171,626	192,133	138,909	136,319
Less: amounts included in the cost of qualifying assets:					
- Machinery and equipment	11	(138)	(38,833)	-	(38,781)
<b>Net</b>		<b><u>171,488</u></b>	<b><u>153,300</u></b>	<b><u>138,909</u></b>	<b><u>97,538</u></b>

**28 Income tax expense**

*Income tax recognised in profit or loss*

<i>For the years ended 31 December</i>		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
<b>Current tax expense</b>					
Current year		116,316	72,156	-	-
		<b><u>116,316</u></b>	<b><u>72,156</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Deferred tax expense</b>					
Movements in temporary differences	14	(18,056)	18,826	(5,908)	(11,940)
		<b><u>(18,056)</u></b>	<b><u>18,826</u></b>	<b><u>(5,908)</u></b>	<b><u>(11,940)</u></b>
<b>Total</b>		<b><u>98,260</u></b>	<b><u>90,982</u></b>	<b><u>(5,908)</u></b>	<b><u>(11,940)</u></b>

*Income tax recognised in other comprehensive income*

	<b>Consolidated financial statements</b>					
	2016		2015			
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Defined benefit plan actuarial gains (losses)	(57,870)	11,574	(46,296)	-	-	-
<b>Total</b>	<b><u>(57,870)</u></b>	<b><u>11,574</u></b>	<b><u>(46,296)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

	<b>Separate financial statements</b>					
	2016		2015			
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Defined benefit plan actuarial gains (losses)	(26,774)	5,355	(21,419)	-	-	-
<b>Total</b>	<b><u>(26,774)</u></b>	<b><u>5,355</u></b>	<b><u>(21,419)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**KCE Electronics Public Company Limited and its subsidiaries**  
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*Reconciliation of effective tax rate*

<i>For the years ended</i> <i>31 December</i>	<b>Consolidated financial statements</b>			
		2016		2015
	<i>Rate</i> <i>(%)</i>	<i>(in thousand</i> <i>Baht)</i>	<i>Rate</i> <i>(%)</i>	<i>(in thousand</i> <i>Baht)</i>
Profit before income tax expense		3,155,211		2,343,577
Income tax using the Thai corporation tax rate	20	631,042	20	468,715
Income not subject to tax	(17)	(545,497)	(16)	(375,537)
Expenses not deductible for tax purposes and additional reduction transactions	-	833	-	5,086
Others	-	11,882	-	(7,282)
<b>Total</b>	<b>3</b>	<b>98,260</b>	<b>4</b>	<b>90,982</b>

<i>For the years ended</i> <i>31 December</i>	<b>Separate financial statements</b>			
		2016		2015
	<i>Rate</i> <i>(%)</i>	<i>(in thousand</i> <i>Baht)</i>	<i>Rate</i> <i>(%)</i>	<i>(in thousand</i> <i>Baht)</i>
Profit before income tax expense		3,476,543		932,240
Income tax using the Thai corporation tax rate	20	695,309	20	186,448
Income not subject to tax	(20)	(697,425)	(21)	(194,475)
Expenses not deductible for tax purposes and additional reduction transactions	-	1,290	-	520
Others	-	(5,082)	(1)	(4,433)
<b>Total</b>	<b>-</b>	<b>(5,908)</b>	<b>(2)</b>	<b>(11,940)</b>

*Income tax reduction*

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

**KCE Electronics Public Company Limited and its subsidiaries**  
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**29 Promotional privileges**

The Group and its subsidiaries have been granted promotional privileges under the Investment Promotion Act B.E. 2520 by the Board of Investment under certain significant conditions. Significant privileges of the Company and its subsidiaries are as follows:

Details	KCE Electronics Public Company Limited		K.C.E. International Co., Ltd	KCE Technology Co., Ltd.		
	9026(2)/2556 Manufacturing of Printed Circuit Board	1219(2)/2557 Manufacturing of Printed Circuit Board	9002(2)/2557 Manufacturing of Printed Circuit Board	1378/2543 Manufacturing of Printed Circuit Board	1598(2)/2547 Manufacturing of Printed Circuit Board	2432(2)/2555 Manufacturing of Printed Circuit Board
1. Certificate No.						
2. Promotional privileges for						
3. The significant privileges are						
3.1 Exemption from corporate income tax on net income from promoted operations and exemption from income tax on dividends paid from the income of the operations throughout the period in which the corporate income tax is exempted.	3 years (Expired)	8 years	3 years	7 years (Expired)	7 years (Expired)	8 years
3.2 Allowance for 5% of the increment in export income over the preceding year for ten years, providing that the export income of that particular year should not be lower than the average export income over the three preceding years except for the first two years.	Not granted	Not granted	Not granted	Granted (Expired)	Not granted	Not granted
3.3 Exemption from import duty on machinery as approved by the board	Granted (Expired)	Granted	Granted	Granted (Expired)	Granted (Expired)	Granted
3.4 Exemption from import duty on raw materials and essential supplies used in export production for a period of one year from the first import date.	Not granted	Not granted	Not granted	Granted (Expired)	Granted (Expired)	Not granted
4. Date of first earning operating income	11 July 2013	1 October 2015	11 January 2014	25 June 2001	1 November 2004	21 August 2012

**KCE Electronics Public Company Limited and its subsidiaries**  
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Details	Chemtronic Technology	Thai Laminate Manufacturer Co., Ltd.			
	(Thailand) Co., Ltd.				
1. Certificate No.	5006(2)/2557	1160(2)/2551	2469(2)/2556	2490(2)/2557	59-1009-1-00-1-0
2. Promotional privileges for	Manufacturing of Copper Sulfate	Manufacturing of Prepreg and Laminate	Manufacturing of Prepreg and Laminate	Manufacturing of Laminate	Manufacturing of Prepreg
3. The significant privileges are					
3.1 Exemption from corporate income tax on net income from promoted operations and exemption from income tax on dividends paid from the income of the operations throughout the period in which the corporate income tax is exempted.	8 years	5 years (Expired)	5 years	5 years	5 years
3.2 Allowance for 5% of the increment in export income over the preceding year for ten years, providing that the export income of that particular year should not be lower than the average export income over the three preceding years except for the first two years.	Not granted	Not granted	Not granted	Not granted	Not granted
3.3 Exemption from import duty on machinery as approved by the board	Granted	Granted	Granted	Granted	Granted
3.4 Exemption from import duty on raw materials and essential supplies used in export production for a period of one year from the first import date.	Not granted	Not granted	Granted	Granted	Granted
4. Date of first earning operating income	1 January 2014	22 December 2009	8 June 2015	Not yet operated	Not yet operated

As promoted companies, the Group must comply with certain terms and conditions prescribed in the promotional certificates.

**KCE Electronics Public Company Limited and its subsidiaries**  
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Summary of revenue from promoted and non-promoted businesses:

	Separate financial statements					
	2016			2015		
	Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total
	<i>(in thousand Baht)</i>					
Export sales	6,018,751	521,787	6,540,538	4,602,754	311,989	4,914,743
Local sales	22,266	242,662	264,928	29,615	181,818	211,433
<b>Total Revenue</b>	<b>6,041,017</b>	<b>764,449</b>	<b>6,805,466</b>	<b>4,632,369</b>	<b>493,807</b>	<b>5,126,176</b>

**30 Earnings per share**

*Basic earnings per share*

The calculations of basic earnings per share for the years ended 31 December 2016 and 2015 were based on the profit for the years attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(thousand Baht/ thousand shares)</i>			
<b>Profit attributable to ordinary shareholders of the Company (basic)</b>	<b>3,038,747</b>	<b>2,240,106</b>	<b>3,482,451</b>	<b>944,181</b>
Number of ordinary shares outstanding at 1 January	574,763	565,628	574,763	565,628
Effect from ordinary shares issued during the year	6,245	4,196	6,245	4,196
<b>Weighted average number of ordinary shares outstanding (basic)</b>	<b>581,008</b>	<b>569,824</b>	<b>581,008</b>	<b>569,824</b>
<b>Earnings per share (basic) (in Baht)</b>	<b>5.23</b>	<b>3.93</b>	<b>5.99</b>	<b>1.66</b>

*Diluted earnings per share*

The calculations of diluted earnings per share for the years ended 31 December 2016 and 2015 were based on the profit for the years attributable to ordinary holders of the Company and the weighted average number of ordinary shares outstanding during the periods after adjusting for the effects of all diluted potential ordinary shares as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(thousand Baht/ thousand shares)</i>			
<b>Profit attributable to ordinary shareholders of the Company</b>	<b>3,038,747</b>	<b>2,240,106</b>	<b>3,482,451</b>	<b>944,181</b>
Weighted average number of ordinary shares outstanding (basic)	581,008	569,824	581,008	569,824
Effect of share warrants	5,427	14,691	5,427	14,691
<b>Weighted average number of ordinary shares outstanding (diluted)</b>	<b>586,435</b>	<b>584,515</b>	<b>586,435</b>	<b>584,515</b>
<b>Earnings per share (diluted) (in Baht)</b>	<b>5.18</b>	<b>3.83</b>	<b>5.94</b>	<b>1.62</b>

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

**For the year ended 31 December 2016**

### **31 Dividends**

On 29 April 2015, the Annual General Meeting of the Company's shareholders approved the payment of dividend in respect of the Company's operating results for the period from 1 July 2014 to 31 December 2014 at Baht 0.70 per share to the ordinary shareholders, totaling approximately Baht 398 million. The Company paid the dividend on 15 May 2015.

On 11 August 2015, the meeting of the Board of Directors of the Company approved the payment of interim dividend in respect of the Company's operating results for the period from 1 January 2015 to 30 June 2015 at Baht 0.50 per share to the ordinary shareholders, totaling approximately Baht 285 million. The Company paid the interim dividend on 11 September 2015.

On 28 April 2016, the Annual General Meeting of the Company's shareholders approved the payment of dividend in respect of the Company's operating results for the period from 1 July 2015 to 31 December 2015 at Baht 1.00 per share to the ordinary shareholders, totaling approximately Baht 576 million. The Company paid the dividend on 16 May 2016.

On 9 August 2016, the meeting of the Board of Directors of the Company approved the payment of interim dividend in respect of the Company's operating results for the period from 1 January 2016 to 30 June 2016 at Baht 1.00 per share to the ordinary shareholders, totaling approximately Baht 586 million. The Company paid the interim dividend on 9 September 2016.

### **32 Financial instruments**

#### ***Financial risk management policies***

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

#### ***Capital management***

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

#### ***Interest rate risk***

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because financial assets and liabilities interest rates are mainly adjust in accordance to market rate or are fixed which is close to current market rate.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

The effective interest rates of financial assets as at 31 December and the periods in which those assets mature were as follows:

<b>Consolidated financial statements</b>					
	Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years	After 5 years	Total
<i>(in million Baht)</i>					
<b>2016</b>					
<b>Current</b>					
Cash and cash equivalents	0.05-0.50	892	-	-	892
<b>Total</b>		<b>892</b>	<b>-</b>	<b>-</b>	<b>892</b>
<b>2015</b>					
<b>Current</b>					
Cash and cash equivalents	0.05-0.50	673	-	-	673
<b>Total</b>		<b>673</b>	<b>-</b>	<b>-</b>	<b>673</b>
<b>Separate financial statements</b>					
	Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years	After 5 years	Total
<i>(in million Baht)</i>					
<b>2016</b>					
<b>Current</b>					
Cash and cash equivalents	0.05-0.50	271	-	-	271
<b>Total</b>		<b>271</b>	<b>-</b>	<b>-</b>	<b>271</b>
<b>2015</b>					
<b>Current</b>					
Cash and cash equivalents	0.05-0.50	180	-	-	180
<b>Total</b>		<b>180</b>	<b>-</b>	<b>-</b>	<b>180</b>

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

<b>Consolidated financial statements</b>					
	Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years	After 5 years	Total
<i>(in million Baht)</i>					
<b>2016</b>					
Bank overdrafts and short-term loans from financial institutions	0.16-7.50	1,808	-	-	1,808
Liabilities under hire-purchase and finance lease agreements	1.88-7.92	15	8	-	23
Long-term loans	1.40-5.00	550	1,924	224	2,698
<b>Total</b>		<b>2,373</b>	<b>1,932</b>	<b>224</b>	<b>4,529</b>

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	Effective interest rate	Consolidated financial statements			
		Within 1 year	After 1 year but within 5 years	After 5 years	Total
<b>2015</b>					
Bank overdrafts and short-term loans from financial institutions	0.30-3.41	2,139	-	-	2,139
Liabilities under hire-purchase and finance lease agreements	1.88-7.91	34	16	-	50
Long-term loans	2.07-5.25	585	2,755	784	4,124
<b>Total</b>		<b>2,758</b>	<b>2,771</b>	<b>784</b>	<b>6,313</b>

	Effective interest rate (% per annum)	Separate financial statements			
		Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total
<b>2016</b>					
Bank overdrafts and short-term loans from financial institutions	0.16-7.12	684	-	-	684
Liabilities under hire-purchase and finance lease agreements	3.80-4.88	12	2	-	14
Long-term loans	1.40-3.63	343	1,745	224	2,312
<b>Total</b>		<b>1,039</b>	<b>1,747</b>	<b>224</b>	<b>3,010</b>

<b>2015</b>					
Bank overdrafts and short-term loans from financial institutions	0.30-3.41	1,028	-	-	1,028
Liabilities under hire-purchase and finance lease agreements	4.38-4.88	31	13	-	44
Long-term loans	3.07-4.35	541	2,408	784	3,733
<b>Total</b>		<b>1,600</b>	<b>2,421</b>	<b>784</b>	<b>4,805</b>

**Foreign currency risk**

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

### For the year ended 31 December 2016

At 31 December 2016 and 2015, the Group were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

Year 2016	Consolidated financial statements		Separate financial statements		Exchange rate as at	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	31 December 2016	
Currency	<i>(Thousand Unit)</i>				<i>Buying rate</i>	<i>Selling rate</i>
					<i>(Baht per unit of foreign currency)</i>	
US dollar	102,624	117,897	59,342	91,698	35.5660	36.0025
Euro	13,222	7,920	11,165	6,874	37.2769	38.1362
Pound sterling	870	42	777	-	43.4413	44.4775
Japanese yen	-	836,502	-	600,274	0.3037	0.3113
SG dollar	-	-	-	-	24.4468	25.0755
Swiss franc dollar	-	2	-	-	34.7076	35.5041
HK dollar	-	-	-	-	4.5617	4.6637
TW dollar	-	145	-	-	1.1042	1.1148

  

Year 2015	Consolidated financial statements		Separate financial statements		Exchange rate as at	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	31 December 2015	
Currency	<i>(Thousand Unit)</i>				<i>Buying rate</i>	<i>Selling rate</i>
					<i>(Baht per unit of foreign currency)</i>	
US dollar	110,400	105,234	47,169	78,120	35.8295	36.2538
Euro	11,286	4,434	8,608	3,900	38.9721	39.7995
Pound sterling	344	-	76	-	52.9157	53.9343
Japanese yen	-	69,942	-	67,892	0.2956	0.302756
SG dollar	-	405	-	52	25.1784	25.7905
Swiss franc dollar	-	24	-	-	35.9197	36.7180
HK dollar	-	4	-	-	4.6003	4.7018
TW dollar	-	889	-	-	1.0942	1.1043

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**Forward exchange contracts**

As at 31 December 2016 and 2015, the Group had outstanding forward exchange contracts as follows:

<b>Consolidated financial statements</b>			
Currency	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
<b>2016</b>			
Buying contract			
US dollar	1,129	6 February 2017	Euro 0.8861
US dollar	615	6 January 2017 – 1 February 2017	Baht 34.9900-35.1960
Yen	90,000	6 June 2017	Baht 0.3184
Selling contract			
US dollar	5,249	22 March 2017 – 27 June 2017	Baht 35.6938-35.9950
Euro	1,000	21 February 2017 – 22 February 2017	Baht 39.3500-39.4550
<b>2015</b>			
Buying contract			
US dollar	2,210	11 April 2016 - 20 June 2016	Baht 36.0675-36.4650
Selling contract			
US dollar	1,185	5 April 2016 – 24 June 2016	Baht 36.1014 - 36.2107
<b>Separate financial statements</b>			
Currency	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
<b>2016</b>			
Buying contract			
US dollar	1,129	6 February 2017	Euro 0.8861
Selling contract			
Euro	1,000	21 February 2017 – 22 February 2017	Baht 39.3500-39.4550
<b>2015</b>			
Buying contract			
US dollar	868	15 June 2016	Baht 36.1830

**Interest rate swap**

KCE Technology Co., Ltd, a subsidiary company, had an interest rate swap agreement with a local financial institution for the period from 1 November 2016 to 29 November 2019 by which the subsidiary company agreed to swap the interest rate of its Baht 250 million facilities (EUR 6.4 million) from a floating interest rate of THBFIX (3 months) plus fixed percent per annum to EUR fixed interest rate per annum.

**Commodity hedge agreement**

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

**Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when the fall due.

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Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

### *Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

### *Determination of fair values*

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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

The fair values of financial assets and liabilities together with the carrying amounts in the consolidated and separate statement of financial position are as follows:

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

### **Carrying amount and fair values of financial instruments not measured 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).

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*Fair value hierarchy*

The table above analyses recurring fair value measurements for financial assets and liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined in note 2 (d).

**33 Commitments**

*Commitments*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
Contracted but not provided				
Buildings and other constructions	53,030	21,238	51,395	17,870
Unrecognised purchase orders for machinery and equipment	403,737	53,212	286,246	20,137
<b>Total</b>	<b>456,767</b>	<b>74,450</b>	<b>337,641</b>	<b>38,007</b>
<i>Non-cancellable operating lease and long-term service commitments</i>				
Within one year	27,723	23,222	2,131	1,505
After one year but within five years	3,144	3,241	1,507	617
<b>Total</b>	<b>30,867</b>	<b>26,463</b>	<b>3,638</b>	<b>2,122</b>

As at 31 December 2016, the Group and the Company had unrecognized purchase order for raw material amounting to Baht 691.4 million for consolidated financial statements and Baht 110 million for separate financial statements.

As at 31 December 2016 and 2015, the Group has forward exchange contracts, currency call option agreements and interest rate swap as stated in Note 32.

*Guarantees*

As at 31 December 2016, the Company and its subsidiaries had commitments in respect of bank guarantees issued on their behalf amounting to Baht 93 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.

**34 Thai Financial Reporting Standards (TFRS) not yet adopted**

The Group has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. Those new and revised TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2016, are set out below. The Group does not plan to adopt these TFRS early.

<b>TFRS</b>	<b>Topic</b>
TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows

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For the year ended 31 December 2016

<b>TFRS</b>	<b>Topic</b>
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 33 (revised 2016)	Earnings Per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation
TFRS 2 (revised 2016)	Share-based Payment
TFRS 3 (revised 2016)	Business Combinations
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements
TFRS 11 (revised 2016)	Joint Arrangements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 15 (revised 2016)	Operating Leases - Incentives
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 32 (revised 2016)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 17 (revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
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 financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 December 2016

### 35 Reclassification of accounts

Certain accounts in the 2015 financial statements have been reclassified to conform to the presentation in the 2016 financial statements as follows:

	2015					
	Consolidated financial statements		Separate financial statements			
	Before reclass.	Reclass.	After reclass. <i>(in thousand Baht)</i>	Before reclass.	Reclass.	After reclass.
<i>Statement of comprehensive income</i>						
Dividend income						
from associate	-	-	-	-	10,429	10,429
Other income	-	-	-	32,124	(10,429)	21,695
		<u>-</u>			<u>-</u>	

The reclassifications have been made because the new classification is more appropriate to the Company's business.