

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Related parties
4	Trade and other current receivables
5	Inventories
6	Investments in associates
7	Investments in subsidiaries
8	Investment properties
9	Property, plant and equipment
10	Interest-bearing liabilities
11	Trade and other current payables
12	Share capital
13	Segment information
14	Gain on exchange rate and hedging activities
15	Income tax
16	Earnings per share
17	Financial instruments
18	Commitments
19	Events after the reporting period

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

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

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language financial statements, and were approved and authorised for issue by the Board of Directors on 9 May 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 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 March 2017 and 31 December 2016 are given in notes 3 and 7.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2016) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2016. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2016 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2017. The adoption of these new and revised TFRS did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group or the Company.

(b) Functional and presentation currency

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

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

(c) *Use of judgments and estimates*

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

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2016.

Measurement of fair values

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

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

Further information about the assumptions made in measuring fair values is included in note 17 – financial instruments.

3 Related parties

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

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

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

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

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

Transactions	Pricing policies
Subsidiaries	
Sales of goods	Market prices and prices per job order for each product which are agreed between the parties
Rendering of service	Market prices and prices per job order for each product which are agreed between the parties
Rental income	Prices as specified in agreements
Other income and other expenses	Prices agreed between the parties
Purchases and sales of property, plant and equipment	Net book value plus margin and prices agreed between the parties
Purchases 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
Dividend income	As announced in the minute of shareholders' meeting
Associates	
Sales of goods	Market prices at which similar quality products are sold under same conditions
Other income and other expenses	Prices agreed between the parties
Purchases 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
Purchases and sales of property, plant and equipment	Net book value plus margin and prices agreed between the parties
Dividend income	As announced in the minute of shareholders' meeting

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

Significant transactions for the three-month periods ended 31 March 2017 and 2016 with related parties were as follows:

<i>For the three-month periods ended 31 March</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Subsidiaries				
Sales of goods	-	-	172	161
Rendering of service	-	-	3	14
Other income	-	-	5	6
Purchases of goods	-	-	613	475
Commission expense	-	-	17	13
Other expenses	-	-	2	3
Dividend income	-	-	23	-
Associates				
Sales of goods	485	517	259	278
Purchases of raw materials	30	65	19	41
Commission expense	21	1	9	-
Other expenses	-	1	-	1
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	27	21	10	10
Share-based payments	2	3	-	2
Total key management personnel compensation	<u>29</u>	<u>24</u>	<u>10</u>	<u>12</u>

Balances as at 31 March 2017 and 31 December 2016 with related parties were as follows:

<i>Trade receivables - related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	207,644	258,671
K.C.E. International Co., Ltd.	-	-	11,508	7,918
KCE (Thailand) Co., Ltd.	-	-	5,985	3,596
Thai Laminate Manufacturer Co., Ltd.	-	-	809	276
KCE Singapore Pte. Ltd.	-	-	13,898	7,775
Associate				
KCE America, Inc.	598,971	628,768	327,786	338,458
Total	<u>598,971</u>	<u>628,768</u>	<u>567,630</u>	<u>616,694</u>

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

<i>Other current receivables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE Technology Co., Ltd.	-	-	2,362	1,708
Chemtronic Technology (Thailand) Co., Ltd.	-	-	4,446	2,941
K.C.E. International Co., Ltd.	-	-	819	1,125
KCE (Thailand) Co., Ltd.	-	-	5	745
Thai Laminate Manufacturer Co., Ltd.	-	-	526	489
Total	-	-	8,158	7,008

<i>Trade payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	532,160	561,245
K.C.E. International Co., Ltd.	-	-	174,183	189,734
KCE Technology Co., Ltd.	-	-	225,746	200,540
Chemtronic Chemical Co., Ltd.	-	-	11,511	11,275
KCE Singapore Pte. Ltd.	-	-	28,943	30,977
Associates				
KCE Taiwan Co., Ltd	25,014	24,625	16,558	17,625
KCE America, Inc.	317	170	-	119
Total	25,331	24,795	989,101	1,011,515

<i>Other payables for purchase of machineries</i> <i>and equipment</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiary				
KCE Technology Co., Ltd.	-	-	-	10
Associate				
KCE Taiwan Co., Ltd.	-	1,171	-	869
Total	-	1,171	-	879

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

<i>Other current payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiaries				
K.C.E. International Co., Ltd.	-	-	2	-
KCE (Thailand) Co., Ltd.	-	-	45	136
KCE Singapore Pte. Ltd.	-	-	583	1,029
Associate				
KCE America, Inc.	22,078	304	9,189	23
Total	22,078	304	9,819	1,188

4 Trade and other current receivables

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		31 March 2017	31 December 2016	31 March 2017	31 December 2016
		<i>(in thousand Baht)</i>			
Trade receivable					
Related parties	3	598,971	628,768	567,630	616,694
Other parties		3,398,673	3,399,195	1,942,795	1,828,787
Total		3,997,644	4,027,963	2,510,425	2,445,481
<i>Less allowance for doubtful accounts</i>		-	-	-	-
Net		3,997,644	4,027,963	2,510,425	2,445,481
Other current receivables					
Related parties	3	-	-	8,158	7,008
Other parties		26,984	51,730	7,849	31,771
Total		26,984	51,730	16,007	38,779
Total trade and other current receivables		4,024,628	4,079,693	2,526,432	2,484,260
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Bad and doubtful debts expense for the three-month period ended 31 March		-	-	-	-

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

Aging analysis for trade receivables were as follows:

	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	463,385	366,199	454,683	405,460
Overdue:				
Less than 3 months	103,716	241,227	82,300	190,280
3 - 6 months	31,870	20,434	30,647	20,505
6 - 12 months	-	908	-	449
Over 12 months	-	-	-	-
	598,971	628,768	567,630	616,694
<i>Less allowance for doubtful accounts</i>	-	-	-	-
	598,971	628,768	567,630	616,694
Other parties				
Within credit terms	2,372,703	2,224,831	1,376,204	1,282,719
Overdue:				
Less than 3 months	793,947	1,010,250	488,753	532,730
3 - 6 months	104,102	35,840	69,152	13,203
6 - 12 months	54,450	108,307	8,556	-
Over 12 months	73,471	19,967	130	135
	3,398,673	3,399,195	1,942,795	1,828,787
<i>Less allowance for doubtful accounts</i>	-	-	-	-
	3,398,673	3,399,195	1,942,795	1,828,787
Net	3,997,644	4,027,963	2,510,425	2,445,481

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

5 Inventories

Inventories as at 31 March 2017 included finished goods (made to order) of Baht 472 million (31 December 2016: Baht 376 million) in the consolidated financial statements and Baht 366 million (31 December 2016: Baht 279 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.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

6 Investments in associates

<i>Three-month periods ended 31 March</i>	Consolidated financial statements Equity Method		Separate financial statements Cost Method	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Associates				
At 1 January	122,536	105,178	1,862	1,862
Share of profit from investments in associates using equity method	4,441	5,891	-	-
Foreign currency translation differences for foreign operations	(1,668)	(1,664)	-	-
At 31 March	125,309	109,405	1,862	1,862

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

Investments in associates as at 31 March 2017 and 31 December 2016 and dividend income from investments for the three-month periods ended 31 March 2017 and 2016 were as follows:

		Consolidated financial statements									
Type of business	Country of incorporation	Ownership interest		Paid-up capital				Cost		Equity	
		31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016		
		(%)						<i>(in thousand Baht)</i>			
Associates											
KCE America, Inc.	(1)	The United States	50.00	50.00	USD 50,000	USD 50,000	644	644	71,928	74,640	
KCE Taiwan Co., Ltd.	(2)	Taiwan	49.00	49.00	NTD 3,000,000	NTD 3,000,000	1,540	1,540	53,381	47,896	
Total							2,184	2,184	125,309	122,536	

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

Share of profit from investments for the three-month period ended 31 March 2017 in the above two associates was calculated by using the unreviewed financial statements of those associates as the management of the Company considered that the share of profit from investments of the said associates has no material impact to the consolidated financial statements of the Company and its subsidiaries and the said associates are located overseas and the Company has no power to direct the financial and operating policies of those companies, including the review of their financial statements.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

	Ownership interest		Paid-up capital		Separate financial statements							
	31	31	31	31	Cost		Impairment		Equity - net		Dividend income	
	March	December	March	December	March	December	March	December	March	December	March	March
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(%)				(in thousand Baht)							
Associates												
KCE America, Inc.	25.0	25.0	USD 50,000	USD 50,000	322	322	-	-	322	322	-	-
KCE Taiwan Co., Ltd.	49.0	49.0	NTD 3,000,000	NTD 3,000,000	1,540	1,540	-	-	1,540	1,540	-	-
Total					1,862	1,862	-	-	1,862	1,862	-	-

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

7 Investments in subsidiaries

<i>Three-month periods ended 31 March</i>	Separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	2,627,823	2,603,542
Increase of investment	22,790	-
Warrant granted to subsidiaries' directors and employees	753	925
At 31 March	<u>2,651,366</u>	<u>2,604,467</u>

On 15 February 2017, the Company has invested additionally in share capital in Chemtronic Products Co., Ltd. with the same shareholding percentage (94.96 %) of 227,900 ordinary shares, with a par value of Baht 100 per share, totaling Baht 22.8 million.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

Investments in subsidiaries as at 31 March 2017 and 31 December 2016, and dividend income from investments for the three-month periods ended 31 March 2017 and 2016, were as follows:

	Type of business	Ownership		Paid-up capital		Cost		Warrant granted to subsidiaries' directors and employees		Total		Dividend income		
		Interest		31	31	31	31	31	31	31	31	31	31	31
		March	December	March	December	March	December	March	December	March	December	March	March	March
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2016
		(%)						(in thousand Baht)						
Direct subsidiaries														
KCE Technology Co., Ltd.	(1)	100.00	100.00	1,600,000	1,600,000	1,600,000	1,600,000	23,536	23,395	1,623,536	1,623,395	-	-	
K.C.E. International Co., Ltd.	(1)	99.99	99.99	100,000	100,000	185,395	185,395	13,193	12,897	198,588	198,292	-	-	
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	22,740	-	
Chemtronic Product Co., Ltd.	(2)	94.96	94.96	48,000	24,000	45,580	22,790	-	-	45,580	22,790	-	-	
Thai Laminate Manufacturer Co., Ltd.	(3)	74.80	74.80	250,000	250,000	368,460	368,460	13,971	13,669	382,431	382,129	-	-	
KCE (Thailand) Co., Ltd.	(4)	60.00	60.00	3,600	3,600	2,160	2,160	1,066	1,052	3,226	3,212	-	-	
KCE Singapore Pte., Ltd.	(5)	75.50	75.50	SGD 500,000	SGD 500,000	168,310	168,310	-	-	168,310	168,310	-	-	
Total						2,597,715	2,574,925	53,651	52,898	2,651,366	2,627,823	22,740	-	
Indirect subsidiaries														
Chemtronic Chemical Co., Ltd.	(2)	93.57	93.57	4,800	4,800	-	-	-	-	-	-	-	-	
CTC Chemical Co., Ltd.	(2)	94.35	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 interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

8 Investment properties

Investment properties in the consolidated and separate financial statements for the three-month period ended 31 March 2017 were as follows:

For the three-month period ended 31 March 2017

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
Net book value at 1 January 2017	195,773	195,773
Depreciation charge for the year	(628)	(628)
Transfer to property, plant and equipment	(27,878)	-
Net book value at 31 March 2017	167,267	195,145

During the three-month period ended 31 March 2017, there was a transfer of partial investment properties to property, plant and equipment with a carrying amount of Baht 28 million because the Group has leased part of building to a subsidiary.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

9 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the three-month period ended 31 March 2017 were as follows:

For the three-month period ended 31 March 2017

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
Net book value at 1 January 2017	9,137,328	4,965,242
Acquisitions during the period - cost	266,506	214,301
Transfer from investment properties	27,878	-
Disposals during the period - net book value at the disposal date	(1,770)	(184)
Depreciation for the period	(216,778)	(101,951)
Reversal of impairment losses	2,442	-
Transfer	18,702	13,906
Difference from changes in foreign currency exchange rate	(1,287)	-
Net book value at 31 March 2017	<u>9,233,021</u>	<u>5,091,314</u>

- 9.1 The Company and its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into negative pledge memorandums which are part of bank overdrafts and loans agreements. Under these memorandums, the Company and its subsidiaries are not allowed to dispose of, transfer, mortgage or provide any lien on their assets, as stipulated in such memorandums.
- 9.2 The subsidiaries have mortgaged and pledged the following property, plant and equipment.
- 9.2.1 KCE Technology Co., Ltd. has mortgaged its land and construction thereon and pledged its machinery with a total net book value as at 31 March 2017 of Baht 1,349 million (*31 December 2016: Baht 1,380 million*), as collateral for bank overdrafts and loans from banks, as described in Note 10.
- 9.2.2 Chemtronic Technology (Thailand) Co., Ltd. has mortgaged its land with a total net book value as at 31 March 2017 of Baht 68.6 million (*31 December 2016: Baht 68.6 million*), as collateral for loans from banks, as described in Note 10.
- 9.2.3 KCE Singapore Pte., Ltd. has mortgaged its office building with a total net book value as at 31 March 2017 of Baht 152 million (*31 December 2016: Baht 153 million*), as collateral for loans from banks, as described in Note 10.

KCE Electronics Public Company Limited and its subsidiaries

Notes to the interim financial statements

For the three-month period ended 31 March 2017 (Unaudited)

10 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Current				
Bank overdrafts - secured	7,000	179	7,000	179
Short-term borrowings from financial institutions - secured	130,000	130,000	130,000	100,000
Packing credits - secured	856,898	1,390,116	515,434	575,958
Trust receipts - secured	363,808	287,975	38,212	7,548
Total bank overdrafts and short-term borrowings from financial institutions	<u>1,357,706</u>	<u>1,808,270</u>	<u>690,646</u>	<u>683,685</u>
Current portion of liabilities under hire-purchase and finance lease agreements	9,383	14,692	6,310	12,019
Current portion of long-term borrowings - secured	496,193	550,441	357,390	343,304
Total current interest-bearing liabilities	<u>1,863,282</u>	<u>2,373,403</u>	<u>1,054,346</u>	<u>1,039,008</u>
Non-current				
Liabilities under hire-purchase and finance lease agreements	7,794	7,730	2,402	2,451
Long-term borrowings - secured	1,892,174	2,147,646	1,746,174	1,969,346
Total non-current interest-bearing liabilities	<u>1,899,968</u>	<u>2,155,376</u>	<u>1,748,576</u>	<u>1,971,797</u>
Total	<u>3,763,250</u>	<u>4,528,779</u>	<u>2,802,922</u>	<u>3,010,805</u>

10.1 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.

10.2 Long-term loans from financial institutions of KCE Technology Co., Ltd., a subsidiary, which are in US Dollar, bear interest rate at 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, which are in Baht, 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 subsidiary 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.

10.3 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 has to comply with certain conditions, including maintaining debt to equity ratio of not more than 1.

KCE Electronics Public Company Limited and its subsidiaries

Notes to the interim financial statements

For the three-month period ended 31 March 2017 (Unaudited)

- 10.4 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 has to comply with certain conditions, including maintaining gearing ratio not to be more than 1.
- 10.5 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 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.
- 10.6 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 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.

Movements during the three-month period ended 31 March 2017 of long-term borrowings were as follows:

	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
Balance at 1 January 2017	2,698,087	2,312,650
Increase	57,627	57,627
Decrease	(294,696)	(196,292)
Unrealised gain on exchange rate	(72,651)	(70,421)
Balance at 31 March 2017	<u>2,388,367</u>	<u>2,103,564</u>

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

11 Trade and other current payables

	Note	Consolidated financial statements		Separate financial statements	
		31 March 2017	31 December 2016	31 March 2017	31 December 2016
<i>(in thousand Baht)</i>					
Trade payables					
Related parties	3	25,331	24,795	989,101	1,011,515
Other parties		1,692,477	1,607,495	452,375	433,200
Other payables for purchase of machineries and equipment					
Related parties	3	-	1,171	-	879
Other parties		244,554	138,621	192,642	75,472
Other current payables					
Related parties	3	22,078	304	9,819	1,188
Other parties		114,345	100,686	48,270	33,067
Accrued expenses		744,795	647,072	321,791	234,813
Total trade and other current payables		2,843,580	2,520,144	2,013,998	1,790,134

12 Share capital

*Three-month periods ended
31 March*

	Par value per share (in Baht)	2017		2016	
		Number	Amount	Number	Amount
<i>(thousand shares / in thousand Baht)</i>					
Authorised					
At 1 January					
- ordinary shares	1	587,427	587,427	587,427	587,427
At 31 March					
- ordinary shares	1	587,427	587,427	587,427	587,427
Issued and paid-up					
At 1 January					
- ordinary shares	1	586,105	586,105	574,763	574,763
Issue of new shares	1	292	292	1,497	1,497
At 31 March					
- ordinary shares	1	586,397	586,397	576,260	576,260

Issue of new shares

During the three-month periods ended 31 March 2017 and 2016, the Company had issued new shares from the exercise of warrants as follows:

	2017		2016	
	Number	Amount	Number	Amount
<i>(thousand shares/in thousand Baht)</i>				
The exercise of warrants KCE-W2	-	-	846	846
The exercise of warrants ESOP-W5	292	292	651	651
Total	292	292	1,497	1,497

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

13 Segment information

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 three-month periods ended 31 March 2017 and 2016 is as follows:

	Consolidated financial statements															
	For the three-month periods ended 31 March 2017 and 2016															
	Printed Circuit Board business										Chemical business		Eliminating entries		Total	
	Prepreg and Laminate business		America		Europe		Asia		Total		2017	2016	2017	2016	2017	2016
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	<i>(in thousand Baht)</i>															
Revenues from external customers	16,099	11,026	488,749	519,803	1,834,374	1,854,115	1,118,750	1,073,172	3,441,873	3,447,090	78,447	71,081	-	-	3,536,419	3,529,197
Inter-segment revenues	569,637	597,396	-	-	-	-	798,211	603,314	798,211	603,314	27,288	27,696	(1,395,136)	(1,228,406)	-	-
Total revenues	585,736	608,422	488,749	519,803	1,834,374	1,854,115	1,916,961	1,676,486	4,240,084	4,050,404	105,735	98,777	(1,395,136)	(1,228,406)	3,536,419	3,529,197
Segment operating profit	99,304	123,057							990,083	1,082,963	39,070	37,491	(44,536)	(45,508)	1,083,921	1,198,003
Unallocated profit and expenses:																
Other income															61,949	32,259
Distribution costs															(161,268)	(136,754)
Administrative expenses															(282,274)	(286,254)
Finance costs															(30,336)	(46,475)
Share of profit of investments in associates															4,441	5,891
Tax expense															(9,999)	(9,914)
Profit for the period															666,434	756,756
Segment assets as at 31 March 2017/ 31 December 2016	<u>2,172,355</u>	<u>2,073,389</u>							<u>22,702,597</u>	<u>22,167,623</u>	<u>417,498</u>	<u>409,672</u>	<u>(7,734,454)</u>	<u>(7,322,998)</u>	<u>17,557,996</u>	<u>17,327,686</u>

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

14 Gain on exchange rate and hedging activities

<i>For the three-month periods ended 31 March</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Included in other income				
- Gain on exchange rate and hedging activities, net	39,162	23,149	47,707	39,459

15 Income tax

Income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. For the three-month period ended 31 March 2017, there was no material change in effective tax rate.

16 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the three-month periods ended 31 March 2017 and 2016 were based on the profit for the periods attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods as follows:

<i>Three-month periods ended 31 March</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>662,202</u>	<u>751,042</u>	<u>294,238</u>	<u>272,439</u>
Number of ordinary shares outstanding at 1 January	586,105	574,763	586,105	574,763
Effect from ordinary shares issued during the period	58	323	58	323
Weighted average number of ordinary shares outstanding (basic)	<u>586,163</u>	<u>575,086</u>	<u>586,163</u>	<u>575,086</u>
Earnings per share (basic) (in Baht)	<u>1.13</u>	<u>1.31</u>	<u>0.50</u>	<u>0.47</u>

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

Diluted earnings per share

The calculations of diluted earnings per share for the three-month periods ended 31 March 2017 and 2016 were based on the profit for the periods attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods after adjusting for the effects of all diluted potential ordinary shares as follows:

<i>Three-month periods ended 31 March</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	662,202	751,042	294,238	272,439
Weighted average number of ordinary shares outstanding (basic)	586,163	575,086	586,163	575,086
Effect of share warrants	-	11,100	-	11,100
Weighted average number of ordinary shares outstanding (diluted)	586,163	586,186	586,163	586,186
Earnings per share (diluted) (in Baht)	1.13	1.28	0.50	0.46

17 Financial instruments

Carrying amount and fair values of financial instruments not measured at fair value

Most of financial assets and liabilities including forward exchange contracts 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 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).

The fair value of long-term borrowings including the cross currency and interest rate swap agreement are taken to approximate the carrying value because most of these financial instruments bear interest at market rate.

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

18 Commitments

	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
<i>(in thousand Baht)</i>				
Capital commitments				
Contracted but not provided				
Buildings and other constructions	33,259	53,030	32,093	51,395
Unrecognized purchase orders for machinery and equipment	268,701	403,737	237,581	286,246
Total	301,960	456,767	269,674	337,641
Non-cancellable operating lease and long-term service commitments				
Within one year	54,500	27,723	19,594	2,131
After one year but within five years	2,770	3,144	1,170	1,507
Total	57,270	30,867	20,764	3,638
Other commitments				
Unrecognized purchase order for raw materials	877,337	691,441	153,910	109,983
Bank guarantees	90,268	92,802	49,092	49,126
Total	967,605	784,243	203,002	159,109

Forward exchange contracts

As at 31 March 2017, the Group had outstanding forward exchange contracts as follows:

Currency	Amount (Thousand)	Consolidated financial statements		Contract exchange rate (Per unit of foreign currency)
		Maturity date		
Buying contract				
US dollar	10,807	6 June 2017 – 29 September 2017		Baht 34.3810 – 35.6500
Yen	231,540	6 June 2017		Baht 0.3113 – 0.3184
Selling contract				
US dollar	469	16 June 2017 – 16 August 2017		Baht 35.0375 – 35.9753

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

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

Consolidated financial statements			
Currency	Amount <i>(Thousand)</i>	Maturity date	Contract exchange rate <i>(Per unit of foreign currency)</i>
Buying contract			
US dollar	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- 22 February 2017	Baht 39.3500 – 39.4550
Separate financial statements			
Currency	Amount <i>(Thousand)</i>	Maturity date	Contract exchange rate <i>(Per unit of foreign currency)</i>
Buying contract			
US dollar	1,129	6 February 2017	Euro 0.8861
Selling contract			
Euro	1,000	21 – 22 February 2017	Baht 39.3500 - 39.4550

Cross currency and interest rate swap agreement

KCE Technology Co., Ltd, a subsidiary, had a cross currency and interest rate swap agreement with a local financial institution for the period from 1 November 2016 to 29 November 2019 by which the subsidiary agreed to swap the currency and interest rate of borrowing of Baht 250 million (equivalent to EUR 6.4 million) with a Thai Baht floating interest rate of THBFIX (3 months) plus fixed percent per annum to EUR fixed interest rate per annum. As at 31 March 2017, the subsidiary had outstanding balance of borrowing amounted to Baht 229.2 million (equivalent to EUR 5.9 million).

19 Events after the reporting period

At the Annual General Meeting held on 27 April 2017, the Company's shareholders approved:

- a) The reduction of authorised share capital from Baht 587.4 million to new authorised share capital of Baht 586.4 million by cancellation of unissued share capital reserved for share warrants exercise which had been expired, amounting to Baht 1.0 million with par value of Baht 1 per share, and
- b) Dividend payment to common shareholders at Baht 1.10 per share. The dividend will be paid on 15 May 2017 and recorded in the financial statements in the second quarter of the current year.