

KCE Electronics Public Company Limited and its subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2017 (Unaudited)

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

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language financial statements, and were approved and authorised for issue by the Board of Directors on 8 August 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 subsidiaries as at 30 June 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.

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(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.

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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

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Significant transactions for the three-month and six-month periods ended 30 June 2017 and 2016 with related parties were as follows:

<i>For the three-month periods ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Subsidiaries				
Sales of goods	-	-	153	227
Rendering of service	-	-	46	21
Other income	-	-	7	5
Purchases of goods	-	-	685	465
Purchases of property, plant and equipment	-	-	13	9
Dividend income	-	-	483	561
Commission expense	-	-	16	12
Other expenses	-	-	1	4
Associates				
Sales of goods	546	443	303	218
Purchases of raw materials	31	65	22	44
Purchases of property, plant and equipment	-	2	-	1
Commission expense	29	1	16	-
Dividend income	26	11	26	11
Other expenses	3	1	1	1
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	33	36	11	10
Share-based payments	-	1	-	-
Retirement benefit obligations	1	1	-	-
Total key management personnel compensation	<u>34</u>	<u>38</u>	<u>11</u>	<u>10</u>
	Consolidated financial statements		Separate financial statements	
<i>For the six-month periods ended 30 June</i>	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Subsidiaries				
Sales of goods	-	-	325	388
Rendering of service	-	-	49	35
Other income	-	-	12	11
Purchases of goods	-	-	1,298	940
Purchases of property, plant and equipment	-	-	13	9
Dividend income	-	-	506	561
Commission expense	-	-	33	25
Other expenses	-	-	3	7
Associates				
Sales of goods	1,031	960	562	496
Purchases of raw materials	61	130	41	85
Purchases of property, plant and equipment	-	3	-	1
Commission expense	50	1	25	-
Dividend income	26	11	26	11

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	Consolidated		Separate	
	financial statements		financial statements	
<i>For the six-month periods ended 30 June</i>	2017	2016	2017	2016
Other expenses	3	2	1	2
	<i>(in million Baht)</i>			

Key management personnel

Key management personnel compensation				
Short-term employee benefit	60	57	21	20
Share-based payments	2	4	-	2
Retirement benefit obligations	1	1	-	-
Total key management personnel compensation	<u>63</u>	<u>62</u>	<u>21</u>	<u>22</u>

Balances as at 30 June 2017 and 31 December 2016 with related parties were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
<i>Trade receivables</i>	30	31	30	31
<i>- related parties</i>	June	December	June	December
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			

Subsidiaries

KCE Technology Co., Ltd.	-	-	194,232	258,671
K.C.E. International Co., Ltd.	-	-	7,619	7,918
KCE (Thailand) Co., Ltd.	-	-	7,246	3,596
Thai Laminate Manufacturer Co., Ltd.	-	-	6,453	276
KCE Singapore Pte. Ltd.	-	-	15,540	7,775

Associate

KCE America, Inc.	668,207	628,768	360,857	338,458
Total	<u>668,207</u>	<u>628,768</u>	<u>591,947</u>	<u>616,694</u>

	Consolidated		Separate	
	financial statements		financial statements	
<i>Other current receivables</i>	30	31	30	31
<i>- related parties</i>	June	December	June	December
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			

Subsidiaries

KCE Technology Co., Ltd.	-	-	1,841	1,708
Chemtronic Technology (Thailand) Co., Ltd.	-	-	4,939	2,941
K.C.E. International Co., Ltd.	-	-	906	1,125
KCE (Thailand) Co., Ltd.	-	-	78	745
Thai Laminate Manufacturer Co., Ltd.	-	-	758	489
Total	<u>-</u>	<u>-</u>	<u>8,522</u>	<u>7,008</u>

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<i>Trade payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	582,815	561,245
K.C.E. International Co., Ltd.	-	-	160,405	189,734
KCE Technology Co., Ltd.	-	-	286,893	200,540
Chemtronic Chemical Co., Ltd.	-	-	12,047	11,275
KCE Singapore Pte. Ltd.	-	-	30,270	30,977
Associates				
KCE Taiwan Co., Ltd	27,494	24,625	19,323	17,625
KCE America, Inc.	374	170	-	119
Total	27,868	24,795	1,091,753	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	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiary				
KCE Technology Co., Ltd.	-	-	-	10
K.C.E. International Co., Ltd.	-	-	13,333	-
Associate				
KCE Taiwan Co., Ltd.	153	1,171	153	869
Total	153	1,171	13,486	879

<i>Other current payables</i> <i>- related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiaries				
KCE (Thailand) Co., Ltd.	-	-	115	136
KCE Singapore Pte. Ltd.	-	-	379	1,029
Associate				
KCE America, Inc.	38,994	304	19,806	23
Total	38,994	304	20,300	1,188

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4 Trade and other current receivables

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
<i>(in thousand Baht)</i>					
Trade receivable					
Related parties	3	668,207	628,768	591,947	616,694
Other parties		3,499,082	3,399,195	1,981,876	1,828,787
Total		4,167,289	4,027,963	2,573,823	2,445,481
Less allowance for doubtful accounts		-	-	-	-
Net		4,167,289	4,027,963	2,573,823	2,445,481
Other current receivables					
Related parties	3	-	-	8,522	7,008
Other parties		89,588	51,730	23,406	31,771
Total		89,588	51,730	31,928	38,779
Total trade and other current receivables		4,256,877	4,079,693	2,605,751	2,484,260
		2017	2016	2017	2016
<i>(in thousand Baht)</i>					
Bad and doubtful debts expense for the three-month periods ended 30 June		-	-	-	-
for the six-month periods ended 30 June		-	-	-	-

Aging analysis for trade receivables were as follows:

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
<i>(in thousand Baht)</i>				
Related parties				
Within credit terms	520,800	366,199	493,536	405,460
Overdue:				
Less than 3 months	135,752	241,227	88,999	190,280
3 - 6 months	11,158	20,434	8,918	20,505
6 - 12 months	497	908	494	449
Over 12 months	-	-	-	-
	668,207	628,768	591,947	616,694
Less allowance for doubtful accounts	-	-	-	-
	668,207	628,768	591,947	616,694

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	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	June	December	June	December
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Other parties				
Within credit terms	2,417,151	2,224,831	1,410,295	1,282,719
Overdue:				
Less than 3 months	940,139	1,010,250	520,461	532,730
3 - 6 months	66,934	35,840	34,120	13,203
6 - 12 months	26,920	108,307	17,000	-
Over 12 months	47,938	19,967	-	135
	3,499,082	3,399,195	1,981,876	1,828,787
Less allowance for doubtful accounts	-	-	-	-
	3,499,082	3,399,195	1,981,876	1,828,787
Net	4,167,289	4,027,963	2,573,823	2,445,481

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

5 Inventories

Inventories as at 30 June 2017 included finished goods (made to order) of Baht 470 million (31 December 2016: Baht 376 million) in the consolidated financial statements and Baht 358 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.

6 Investments in associates

	Consolidated		Separate	
	financial statements		financial statements	
	Equity Method		Cost Method	
<i>Six-month periods ended 30 June</i>	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	10,874	12,956	-	-
Dividend income	(26,493)	(10,630)	-	-
Foreign currency translation differences for foreign operations	(4,220)	(4,150)	-	-
At 30 June	102,697	103,354	1,862	1,862

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Investments in associates as at 30 June 2017 and 31 December 2016 and dividend income from investments for the six-month periods ended 30 June 2017 and 2016 were as follows:

	Type of business	Country of incorporation	Consolidated financial statements							
			Ownership interest		Paid-up capital		Cost		Equity	
			30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
			(%)						<i>(in thousand Baht)</i>	
Associates										
	(1)	The United States	50.0	50.0	USD 50,000	USD 50,000	644	644	71,956	74,640
	(2)	Taiwan	49.0	49.0	NTD 3,000,000	NTD 3,000,000	1,540	1,540	30,741	47,896
Total							<u>2,184</u>	<u>2,184</u>	<u>102,697</u>	<u>122,536</u>

- (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 six-month period ended 30 June 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.

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	Separate financial statements													
	Ownership interest		Paid-up capital				Cost		Impairment		Equity - net		Dividend income	
	30	31	30	31	30	31	30	31	30	31	30	31	30	30
	June	December	June	December	June	December	June	December	June	December	June	December	June	June
	2017	2016	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	26,493	10,630	26,493	10,630
Total					1,862	1,862	-	-	1,862	1,862	26,493	10,630	26,493	10,630

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7 Investments in subsidiaries

<i>Six-month periods ended 30 June</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	1,349
At 30 June	<u>2,651,366</u>	<u>2,604,891</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.

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Investments in subsidiaries as at 30 June 2017 and 31 December 2016, and dividend income from investments for the six-month periods ended 30 June 2017 and 2016, were as follows:

	Type of business	Ownership Interest		Paid-up capital		Cost		Warrant granted to subsidiaries' directors and employees		Total		Dividend income	
		30	31	30	31	30	31	30	31	30	31	30	30
		June	December	June	December	June	December	June	December	June	December	June	June
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	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	400,000	360,000
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	14,999	99,994
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	45,480	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	-	74,800
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	6,480	3,240
KCE Singapore Pte., Ltd.	(5)	75.50	75.50	SGD 500,000	SGD 500,000	168,310	168,310	-	-	168,310	168,310	39,185	-
Total						2,597,715	2,574,925	53,651	52,898	2,651,366	2,627,823	506,144	560,774
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.

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8 Investment properties

Investment properties in the consolidated and separate financial statements for the six-month period ended 30 June 2017 were as follows:

For the six-month period ended 30 June 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 period	(1,082)	(1,263)
Transfer to property, plant and equipment - cost	(27,968)	-
Net book value at 30 June 2017	<u>166,723</u>	<u>194,510</u>

During the six-month period ended 30 June 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.

9 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the six-month period ended 30 June 2017 were as follows:

For the six-month period ended 30 June 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	500,172	349,040
Transfer from investment properties - cost	27,968	-
Disposals during the period - net book value at the disposal date	(20,365)	(3,734)
Depreciation for the period	(436,794)	(208,010)
Reversal of impairment losses	2,442	-
Transfer	16,394	16,320
Difference from changes in foreign currency exchange rate	(1,732)	-
Net book value at 30 June 2017	<u>9,225,413</u>	<u>5,118,858</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 30 June 2017 of Baht 1,317 million (*31 December 2016: Baht 1,380 million*), as collateral for bank overdrafts and loans from banks, as described in Note 10.

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- 9.2.2 Chemtronic Technology (Thailand) Co., Ltd. has mortgaged its land with a total net book value as at 30 June 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 30 June 2017 of Baht 151 million (*31 December 2016: Baht 153 million*), as collateral for loans from banks, as described in Note 10.

10 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Current				
Bank overdrafts - secured	3,696	179	2,242	179
Short-term borrowings from financial institutions - secured	218,000	130,000	90,000	100,000
Packing credits - secured	1,127,231	1,390,116	600,117	575,958
Trust receipts - secured	303,092	287,975	-	7,548
Total bank overdrafts and short-term borrowings from financial institutions	1,652,019	1,808,270	692,359	683,685
Current portion of liabilities under hire-purchase and finance lease agreements	6,891	14,692	3,877	12,019
Current portion of long-term borrowings - secured	506,634	550,441	397,823	343,304
Total current interest-bearing liabilities	2,165,544	2,373,403	1,094,059	1,039,008
Non-current				
Liabilities under hire-purchase and finance lease agreements	6,680	7,730	2,016	2,451
Long-term borrowings - secured	1,836,733	2,147,646	1,626,162	1,969,346
Total non-current interest-bearing liabilities	1,843,413	2,155,376	1,628,178	1,971,797
Total	4,008,957	4,528,779	2,722,237	3,010,805

- 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.

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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.
- 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 six-month period ended 30 June 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	400,562	315,662
Decrease	(673,309)	(523,274)
Unrealised gain on exchange rate	(81,973)	(81,053)
Balance at 30 June 2017	<u>2,343,367</u>	<u>2,023,985</u>

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11 Trade and other current payables

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
<i>(in thousand Baht)</i>					
Trade payables					
Related parties	3	27,868	24,795	1,091,753	1,011,515
Other parties		1,738,881	1,607,495	450,951	433,200
Other payables for purchase of machinery and equipment					
Related parties	3	153	1,171	13,486	879
Other parties		178,536	138,621	122,534	75,472
Other current payables					
Related parties	3	38,994	304	20,300	1,188
Other parties		81,156	100,686	29,173	33,067
Accrued expenses		505,147	647,072	239,917	234,813
Total trade and other current payables		2,570,735	2,520,144	1,968,114	1,790,134

12 Share capital

*Six-month periods ended
30 June*

	Par value per share <i>(in Baht)</i>	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
Reduction of shares	1	(1,030)	(1,030)	-	-
At 30 June					
- ordinary shares	1	586,397	586,397	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	11,248	11,248
At 30 June					
- ordinary shares	1	586,397	586,397	586,011	586,011

Reduction of shares

On 27 April 2017, the Company's shareholders at the Annual General Meeting approved the reduction of the Company's authorised share capital in the amount of Baht 1,029,713 from the authorised share capital of Baht 587,426,511 to Baht 586,396,798 by cancelling 1,029,713 unissued ordinary shares with Baht 1 par value per share. The Company registered the reduction of authorised share capital with the Ministry of Commerce on 15 May 2017.

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Issue of new shares

During the six-month periods ended 30 June 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	-	-	10,273	10,273
The exercise of warrants ESOP-W5	292	292	975	975
Total	292	292	11,248	11,248

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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 and six-month periods ended 30 June 2017 and 2016 is as follows:

	Consolidated financial statements															
	For the three-month periods ended 30 June 2017 and 2016															
	Prepreg and Laminate business		Printed Circuit Board business								Chemical business		Eliminating entries		Total	
			America		Europe		Asia		Total							
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	28,509	17,057	549,840	456,736	1,866,044	1,882,640	1,127,135	1,155,612	3,543,019	3,494,988	91,977	66,593	-	-	3,633,505	3,578,638
Inter-segment revenues	610,027	590,320	-	-	-	-	861,395	712,004	861,395	712,004	27,383	24,901	(1,498,805)	(1,327,225)	-	-
Total revenues	638,536	607,377	549,840	456,736	1,866,044	1,882,640	1,988,530	1,867,616	4,404,414	4,206,992	119,360	91,494	(1,498,805)	(1,327,225)	3,633,505	3,578,638
Segment operating profit	96,790	132,453							1,037,250	1,154,758	47,060	33,573	(45,794)	(50,755)	1,135,306	1,270,029
Unallocated profit and expenses:																
Other income															73,833	60,493
Distribution costs															(177,701)	(150,138)
Administrative expenses															(306,938)	(304,238)
Finance costs															(32,764)	(45,712)
Share of profit from investments in associates															6,433	7,065
Corporate income tax															(21,070)	(20,262)
Profit for the period															677,099	817,237

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	Printed Circuit Board business															
	Prepreg and Laminate business		America		Europe		Asia		Total		Chemical business		Eliminating entries		Total	
	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	44,608	28,083	1,038,589	976,539	3,700,418	3,736,755	2,245,885	2,228,784	6,984,892	6,942,078	170,424	137,674	-	-	7,199,924	7,107,835
Inter-segment revenues	1,179,664	1,187,716	-	-	-	-	1,659,606	1,315,318	1,659,606	1,315,318	54,671	52,597	(2,893,941)	(2,555,631)	-	-
Total revenues	<u>1,224,272</u>	<u>1,215,799</u>	<u>1,038,589</u>	<u>976,539</u>	<u>3,700,418</u>	<u>3,736,755</u>	<u>3,905,491</u>	<u>3,544,102</u>	<u>8,644,498</u>	<u>8,257,396</u>	<u>225,095</u>	<u>190,271</u>	<u>(2,893,941)</u>	<u>(2,555,631)</u>	<u>7,199,924</u>	<u>7,107,835</u>
Segment operating profit	196,094	255,510							2,027,333	2,237,721	86,130	71,064	(90,330)	(96,263)	2,219,227	2,468,032
Unallocated profit and expenses:																
Other income															135,782	92,752
Distribution costs															(338,969)	(286,892)
Administrative expenses															(589,212)	(590,492)
Finance costs															(63,100)	(92,187)
Share of profit from investments in associates															10,874	12,956
Corporate income tax															(31,069)	(30,176)
Profit for the period															<u>1,343,533</u>	<u>1,573,993</u>
Segment assets as at 30 June 2017/																
31 December 2016	<u>2,274,115</u>	<u>2,073,389</u>							<u>22,627,961</u>	<u>22,167,623</u>	<u>440,422</u>	<u>409,672</u>	<u>(7,798,831)</u>	<u>(7,322,998)</u>	<u>17,543,667</u>	<u>17,327,686</u>

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14 Gain on exchange rate and hedging activities

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<i>For the three-month periods ended 30 June</i>				
Included in other income				
- Gain on exchange rate and hedging activities - net	56,237	43,490	36,019	14,468
<i>For the six-month periods ended 30 June</i>				
- Gain on exchange rate and hedging activities - net	95,399	66,639	83,726	53,927

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 and six-month periods ended 30 June 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 and six-month periods ended 30 June 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:

	Consolidated financial		Separate financial	
	statements	statements	statements	statements
	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
<i>Three-month periods ended 30 June</i>				
Profit attributable to ordinary shareholders of the Company (basic)	<u>672,285</u>	<u>811,798</u>	<u>772,973</u>	<u>873,022</u>
Number of ordinary shares outstanding at 1 April	586,397	576,260	586,397	576,260
Effect from ordinary shares issued during the period	-	371	-	371
Weighted average number of ordinary shares outstanding (basic)	<u>586,397</u>	<u>576,631</u>	<u>586,397</u>	<u>576,631</u>
Earnings per share (basic) (in Baht)	<u>1.15</u>	<u>1.41</u>	<u>1.32</u>	<u>1.51</u>

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	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<i>Six-month periods ended 30 June</i>	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>1,334,487</u>	<u>1,562,840</u>	<u>1,067,211</u>	<u>1,145,461</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	<u>176</u>	<u>1,095</u>	<u>176</u>	<u>1,095</u>
Weighted average number of ordinary shares outstanding (basic)	<u>586,281</u>	<u>575,858</u>	<u>586,281</u>	<u>575,858</u>
Earnings per share (basic) (in Baht)	<u>2.28</u>	<u>2.71</u>	<u>1.82</u>	<u>1.99</u>

Diluted earnings per share

The calculations of diluted earnings per share for the three-month and six-month periods ended 30 June 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:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<i>Three-month periods ended 30 June</i>	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	<u>672,285</u>	<u>811,798</u>	<u>772,973</u>	<u>873,022</u>
Weighted average number of ordinary shares outstanding (basic)	586,397	576,631	586,397	576,631
Effect of share warrants	<u>-</u>	<u>9,847</u>	<u>-</u>	<u>9,847</u>
Weighted average number of ordinary shares outstanding (diluted)	<u>586,397</u>	<u>586,478</u>	<u>586,397</u>	<u>586,478</u>
Earnings per share (diluted) (in Baht)	<u>1.15</u>	<u>1.38</u>	<u>1.32</u>	<u>1.49</u>

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<i>Six-month periods ended 30 June</i>	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	<u>1,334,487</u>	<u>1,562,840</u>	<u>1,067,211</u>	<u>1,145,461</u>
Weighted average number of ordinary shares outstanding (basic)	586,281	575,858	586,281	575,858
Effect of share warrants	<u>-</u>	<u>10,475</u>	<u>-</u>	<u>10,475</u>
Weighted average number of ordinary shares outstanding (diluted)	<u>586,281</u>	<u>586,333</u>	<u>586,281</u>	<u>586,333</u>
Earnings per share (diluted) (in Baht)	<u>2.28</u>	<u>2.67</u>	<u>1.82</u>	<u>1.95</u>

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19 Commitments

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Capital commitments				
Contracted but not provided for buildings and other constructions	25,948	53,030	23,175	51,395
Unrecognized purchase orders for machinery and equipment	426,447	403,737	423,072	286,246
Total	452,395	456,767	446,247	337,641
Future minimum lease payments under non-cancellable operating leases				
Within one year	39,998	27,723	13,975	2,131
After one year but within five years	4,495	3,144	833	1,507
Total	44,493	30,867	14,808	3,638
Other commitments				
Unrecognized purchase orders for raw materials	550,096	691,441	83,921	109,983
Bank guarantees	89,968	92,802	49,092	49,126
Total	640,064	784,243	133,013	159,109

Forward exchange contracts

As at 30 June 2017, the Group had outstanding forward exchange contracts as follows:

Currency	Consolidated financial statements		
	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
Buying contract			
US dollar	9,390	12 July 2017 - 12 December 2017	Baht 33.8650 - 35.6500
Selling contract			
US dollar	192	22 December 2017	Baht 33.9688
Euro	65	21 December 2017	Baht 38.3100

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

Currency	Consolidated financial statements		
	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
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

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Currency	Amount (Thousand)	Separate financial statements Maturity date	Contract exchange rate (Per unit of foreign currency)
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 contract

KCE Technology Co., Ltd, a subsidiary, had a cross currency and interest rate swap contract 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 30 June 2017, the subsidiary had outstanding balance of borrowing amounted to Baht 208.4 million (equivalent to EUR 5.3 million).

20 Event after the reporting period

On 8 August 2017, the meeting of the Company's Board of Directors approved interim dividend payment to the ordinary shareholders at Baht 1.10 per share. The dividend will be paid on 8 September 2017 and recognised dividend payment in the third quarter of the current year.