

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

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**Notes to the interim financial statements**  
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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 7 November 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 September 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:

<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 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
<b>Associates</b>	
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 nine-month periods ended 30 September 2017 and 2016 with related parties were as follows:

<i>For the three-month periods ended 30 September</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
<b>Subsidiaries</b>				
Sale of goods	-	-	121	205
Rendering of service	-	-	19	22
Other income	-	-	4	4
Purchases of goods	-	-	701	579
Dividend income	-	-	561	603
Commission expense	-	-	14	13
Other expenses	-	-	6	4
<b>Associates</b>				
Sales of goods	527	523	326	251
Purchase of raw materials	36	30	27	20
Purchases of property, plant and equipment	1	4	-	-
Commission expense	29	1	19	-
Other expenses	4	1	5	-
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefit	27	26	11	10
Retirement benefit obligations	-	-	-	1
Total key management personnel compensation	<u>27</u>	<u>26</u>	<u>11</u>	<u>11</u>

<i>For the nine-month periods ended 30 September</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
<b>Subsidiaries</b>				
Sale of goods	-	-	446	593
Rendering of service	-	-	68	57
Other income	-	-	16	15
Purchases of goods	-	-	1,999	1,519
Purchases of property, plant and equipment	-	-	13	9
Dividend income	-	-	1,067	1,164
Commission expense	-	-	47	38
Other expenses	-	-	9	11
<b>Associates</b>				
Sales of goods	1,558	1,483	888	747
Purchase of raw materials	97	160	68	105
Purchases of property, plant and equipment	1	7	-	1
Dividend income	26	11	26	11
Commission expense	79	2	44	-
Other expenses	7	3	6	2

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<i>For the nine-month periods ended 30 September</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefit	87	83	32	30
Share-based payments	2	4	-	2
Retirement benefit obligations	1	1	-	1
Total key management personnel Compensation	<u>90</u>	<u>88</u>	<u>32</u>	<u>33</u>

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

<i>Trade receivables - related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	158,446	258,671
K.C.E. International Co., Ltd.	-	-	7,405	7,918
KCE (Thailand) Co., Ltd.	-	-	5,025	3,596
Thai Laminate Manufacturer Co., Ltd.	-	-	550	276
KCE Singapore Pte. Ltd.	-	-	16,514	7,775
<b>Associate</b>				
KCE America, Inc.	<u>706,369</u>	<u>628,768</u>	<u>414,760</u>	<u>338,458</u>
<b>Total</b>	<b><u>706,369</u></b>	<b><u>628,768</u></b>	<b><u>602,700</u></b>	<b><u>616,694</u></b>

  

<i>Other current receivables - related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	1,867	1,708
Chemtronic Technology (Thailand) Co., Ltd.	-	-	5,568	2,941
K.C.E. International Co., Ltd.	-	-	835	1,125
KCE (Thailand) Co., Ltd.	-	-	5	745
Thai Laminate Manufacturer Co., Ltd.	-	-	526	489
<b>Associate</b>				
KCE Taiwan Co., Ltd	<u>938</u>	<u>-</u>	<u>938</u>	<u>-</u>
<b>Total</b>	<b><u>938</u></b>	<b><u>-</u></b>	<b><u>9,739</u></b>	<b><u>7,008</u></b>

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<i>Trade payables</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
Thai Laminate Manufacturer Co., Ltd.	-	-	565,487	561,245
K.C.E. International Co., Ltd.	-	-	179,190	189,734
KCE Technology Co., Ltd.	-	-	307,369	200,540
Chemtronic Chemical Co., Ltd.	-	-	14,138	11,275
KCE Singapore Pte. Ltd.	-	-	25,395	30,977
<b>Associates</b>				
KCE Taiwan Co., Ltd	34,500	24,625	27,668	17,625
KCE America, Inc.	679	170	-	119
<b>Total</b>	<b>35,179</b>	<b>24,795</b>	<b>1,119,247</b>	<b>1,011,515</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>	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b>Subsidiary</b>				
KCE Technology Co., Ltd.	-	-	35	10
<b>Associate</b>				
KCE Taiwan Co., Ltd.	453	1,171	-	869
<b>Total</b>	<b>453</b>	<b>1,171</b>	<b>35</b>	<b>879</b>
<i>Other current payables</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE (Thailand) Co., Ltd.	-	-	31	136
KCE Singapore Pte. Ltd.	-	-	1	1,029
<b>Associate</b>				
KCE America, Inc.	31,760	304	15,725	23
<b>Total</b>	<b>31,760</b>	<b>304</b>	<b>15,725</b>	<b>1,188</b>

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**4 Trade and other current receivables**

	Note	Consolidated financial statements		Separate financial statements	
		30 September 2017	31 December 2016	30 September 2017	31 December 2016
<i>(in thousand Baht)</i>					
<b>Trade receivables</b>					
Related parties	3	706,369	628,768	602,700	616,694
Other parties		3,271,003	3,399,195	1,786,394	1,828,787
<b>Total</b>		<b>3,977,372</b>	<b>4,027,963</b>	<b>2,389,094</b>	<b>2,445,481</b>
Less allowance for doubtful accounts		-	-	-	-
<b>Net</b>		<b>3,977,372</b>	<b>4,027,963</b>	<b>2,389,094</b>	<b>2,445,481</b>
<b>Other current receivables</b>					
Related parties	3	938	-	9,739	7,008
Other parties		75,897	51,730	39,018	31,771
<b>Total</b>		<b>76,835</b>	<b>51,730</b>	<b>48,757</b>	<b>38,779</b>
<b>Total trade and other current receivables</b>		<b>4,054,207</b>	<b>4,079,693</b>	<b>2,437,851</b>	<b>2,484,260</b>
		2017	2016	2017	2016
<i>(in thousand Baht)</i>					
Bad and doubtful debts expense for the three-month periods ended 30 September		-	-	-	-
Bad and doubtful debts expense for the nine-month periods ended 30 September		-	-	-	-

Aging analysis for trade receivables were as follows:

	Consolidated financial statements		Separate financial statements	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
<i>(in thousand Baht)</i>				
<b>Related parties</b>				
Within credit terms	520,038	366,199	485,195	405,460
Overdue:				
Less than 3 months	171,117	241,227	108,709	190,280
3 - 6 months	15,107	20,434	8,712	20,505
6 - 12 months	107	908	84	449
Over 12 months	-	-	-	-
	<b>706,369</b>	<b>628,768</b>	<b>602,700</b>	<b>616,694</b>
Less allowance for doubtful accounts	-	-	-	-
	<b>706,369</b>	<b>628,768</b>	<b>602,700</b>	<b>616,694</b>



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	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b>Other parties</b>				
Within credit terms	2,387,132	2,224,831	1,347,530	1,282,719
Overdue:				
Less than 3 months	824,718	1,010,250	422,800	532,730
3 - 6 months	11,034	35,840	4,447	13,203
6 - 12 months	19,152	108,307	9,857	-
Over 12 months	28,967	19,967	1,760	135
	<b>3,271,003</b>	<b>3,399,195</b>	<b>1,786,394</b>	<b>1,828,787</b>
<i>Less</i> allowance for doubtful accounts	-	-	-	-
	<b>3,271,003</b>	<b>3,399,195</b>	<b>1,786,394</b>	<b>1,828,787</b>
<b>Net</b>	<b>3,977,372</b>	<b>4,027,963</b>	<b>2,389,094</b>	<b>2,445,481</b>

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

## 5 Inventories

Inventories as at 30 September 2017 included finished goods (made to order) of Baht 490 million (31 December 2016: Baht 376 million) in the consolidated financial statements and Baht 410 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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Equity Method</b>		<b>Cost Method</b>	
<i>Nine-month periods ended 30 September</i>	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Associates</b>				
At 1 January	122,536	105,178	1,862	1,862
Share of profit from investments in associates using equity method	16,284	22,495	-	-
Dividend income	(26,493)	(10,630)	-	-
Foreign currency translation differences for foreign operations	(6,090)	(3,029)	-	-
<b>At 30 September</b>	<b>106,237</b>	<b>114,014</b>	<b>1,862</b>	<b>1,862</b>

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

	Type of business	Country of incorporation	Ownership interest		Consolidated financial statements							
			30 September 2017	31 December 2016	Paid-up capital		Cost		Equity			
			(%)	(%)	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016		
<b>Associates</b>												
KCE America, Inc.	(1)	The United States	50.0	50.0	USD 50,000	USD 50,000	644	644	72,021	74,640		
KCE Taiwan Co., Ltd.	(2)	Taiwan	49.0	49.0	NTD 3,000,000	NTD 3,000,000	1,540	1,540	34,216	47,896		
<b>Total</b>							<b>2,184</b>	<b>2,184</b>	<b>106,237</b>	<b>122,536</b>		

- (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 nine-month period ended 30 September 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	30
	September	December	September	December	September	December	September	December	September	December	September	September
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(%)				<i>(in thousand Baht)</i>							
<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	26,493	10,630
<b>Total</b>					<b>1,862</b>	<b>1,862</b>	<b>-</b>	<b>-</b>	<b>1,862</b>	<b>1,862</b>	<b>26,493</b>	<b>10,630</b>

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**7 Investments in subsidiaries**

<i>Nine-month periods ended 30 September</i>	<b>Separate financial statements</b>	
	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	2,627,823	2,603,542
Additional investment	22,790	23,980
Warrant granted to subsidiaries' directors and employees	753	1,491
<b>At 30 September</b>	<b><u>2,651,366</u></b>	<b><u>2,629,013</u></b>

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 September 2017 and 31 December 2016, and dividend income from investments for the nine-month periods ended 30 September 2017 and 2016, were as follows:

	Type of business	Separate financial statements											
		Ownership Interest		Paid-up capital		Cost		Warrant granted to subsidiaries' directors and employees		Total		Dividend income	
		30	31	30	31	30	31	30	31	30	31	30	30
		September 2017	December 2016	September 2017	December 2016	September 2017	December 2016	September 2017	December 2016	September 2017	December 2016	September 2017	September 2016
		(%)						(in thousand Baht)					
<b>Direct subsidiaries</b>													
	(1)	100.00	100.00	1,600,000	1,600,000	1,600,000	1,600,000	23,536	23,395	1,623,395	1,623,395	760,000	720,000
	(1)	99.99	99.99	100,000	100,000	185,395	185,395	13,193	12,897	198,588	198,292	104,994	204,988
	(2)	94.75	94.75	48,000	48,000	227,810	227,810	1,885	1,885	229,695	229,695	54,576	58,091
	(2)	94.96	94.96	24,000	24,000	45,580	22,790	-	-	45,580	22,790	-	-
	(3)	74.80	74.80	250,000	250,000	368,460	368,460	13,971	13,669	382,431	382,129	84,150	158,950
	(4)	60.00	60.00	3,600	3,600	2,160	2,160	1,066	1,052	3,226	3,212	11,880	8,640
	(5)	75.50	75.50	SGD 500,000	SGD 500,000	168,310	168,310	-	-	168,310	168,310	51,698	13,141
	<b>Total</b>					<b>2,597,715</b>	<b>2,574,925</b>	<b>53,651</b>	<b>52,898</b>	<b>2,651,366</b>	<b>2,627,823</b>	<b>1,067,298</b>	<b>1,163,810</b>
<b>Indirect subsidiaries</b>													
	(2)	93.57	93.57	4,800	4,800	-	-	-	-	-	-	-	-
	(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 nine-month period ended 30 September 2017 were as follows:

*For the nine-month period ended 30 September 2017*

	<b>Consolidated financial statements</b>	<b>Separate financial statements</b>
	<i>(in thousand Baht)</i>	
Net book value at 1 January 2017	195,773	195,773
Depreciation charge for the period	(1,632)	(1,905)
Transfer to property, plant and equipment - cost	(27,968)	-
<b>Net book value at 30 September 2017</b>	<b>166,173</b>	<b>193,868</b>

During the nine-month period ended 30 September 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 nine-month period ended 30 September 2017 were as follows:

*For the nine-month period ended 30 September 2017*

	<b>Consolidated financial statements</b>	<b>Separate financial statements</b>
	<i>(in thousand Baht)</i>	
Net book value at 1 January 2017	9,137,328	4,965,242
Acquisitions during the period - cost	807,816	604,769
Transfer from investment properties - cost	27,968	-
Disposals during the period - net book value at the disposal date	(21,930)	(3,794)
Depreciation for the period	(658,542)	(316,116)
Reversal of impairment losses	2,442	-
Transfer	17,420	17,126
Difference from changes in foreign currency exchange rate	(2,310)	-
<b>Net book value at 30 September 2017</b>	<b>9,310,192</b>	<b>5,267,227</b>

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 September 2017 of Baht 1,286 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 September 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 September 2017 of Baht 150 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 September 2017	31 December 2016	30 September 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b>Current</b>				
Bank overdrafts - secured	-	179	-	179
Short-term borrowings from financial institutions - secured	173,000	130,000	100,000	100,000
Packing credits - secured	1,147,764	1,390,116	413,871	575,958
Trust receipts - secured	367,327	287,975	4,959	7,548
<b>Total bank overdrafts and short-term borrowings from financial institutions</b>	<b>1,688,091</b>	<b>1,808,270</b>	<b>518,830</b>	<b>683,685</b>
Current portion of liabilities under hire-purchase and finance lease agreements	4,601	14,692	1,683	12,019
Current portion of long-term borrowings - secured	547,128	550,441	463,928	343,304
<b>Total current interest-bearing liabilities</b>	<b>2,239,820</b>	<b>2,373,403</b>	<b>984,441</b>	<b>1,039,008</b>
<b>Non-current</b>				
Liabilities under hire-purchase and finance lease agreements	5,910	7,730	1,929	2,451
Long-term borrowings - secured	1,912,976	2,147,646	1,659,446	1,969,346
<b>Total non-current interest-bearing liabilities</b>	<b>1,918,886</b>	<b>2,155,376</b>	<b>1,661,375</b>	<b>1,971,797</b>
<b>Total</b>	<b>4,158,706</b>	<b>4,528,779</b>	<b>2,645,816</b>	<b>3,010,805</b>

- 10.1 Under the long-term borrowings 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 borrowings 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.

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Moreover, long-term borrowings 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 borrowings 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 borrowings 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 borrowings 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 borrowings 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 nine-month period ended 30 September 2017 of long-term borrowings were as follows:

	<b>Consolidated financial statements</b>	<b>Separate financial statements</b>
	<i>(in thousand Baht)</i>	
Balance at 1 January 2017	2,698,087	2,312,650
Increase	683,601	533,961
Decrease	(810,411)	(612,574)
Unrealised gain on exchange rate	(111,173)	(110,663)
<b>Balance at 30 September 2017</b>	<b><u>2,460,104</u></b>	<b><u>2,123,374</u></b>



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**11 Trade and other current payables**

	Note	Consolidated financial statements		Separate financial statements	
		30	31	30	31
		September 2017	December 2016	September 2017	December 2016
		<i>(in thousand Baht)</i>			
Trade payables					
Related parties	3	35,179	24,795	1,119,247	1,011,515
Other parties		1,548,665	1,607,495	454,762	433,200
Other payables for purchase of machinery and equipment					
Related parties	3	453	1,171	35	879
Other parties		187,793	138,621	151,042	75,472
Other current payables					
Related parties	3	31,760	304	15,757	1,188
Other parties		87,044	100,686	43,191	33,067
Accrued expenses		627,473	647,072	275,540	234,813
<b>Total trade and other current payables</b>		<b><u>2,518,367</u></b>	<b><u>2,520,144</u></b>	<b><u>2,059,574</u></b>	<b><u>1,790,134</u></b>

**12 Share capital**

*Nine-month periods ended  
30 September*

	Par value per share (in Baht)	2017		2016	
		Number	Amount	Number	Amount
		<i>(thousand shares / in thousand Baht)</i>			
<b>Authorised</b>					
At 1 January					
- ordinary shares	1	587,427	587,427	587,427	587,427
Reduction of shares	1	(1,030)	(1,030)	-	-
<b>At 30 September</b>					
- ordinary shares	1	<b><u>586,397</u></b>	<b><u>586,397</u></b>	<b><u>587,427</u></b>	<b><u>587,427</u></b>
<b>Issued and paid-up</b>					
At 1 January					
- ordinary shares	1	586,105	586,105	574,763	574,763
Issue of new shares	1	292	292	11,342	11,342
<b>At 30 September</b>					
- ordinary shares	1	<b><u>586,397</u></b>	<b><u>586,397</u></b>	<b><u>586,105</u></b>	<b><u>586,105</u></b>

**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 nine-month periods ended 30 September 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	1,069	1,069
<b>Total</b>	<b>292</b>	<b>292</b>	<b>11,342</b>	<b>11,342</b>

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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 nine-month periods ended 30 September 2017 and 2016 is as follows:

	Consolidated financial statements															
	For the three-month periods ended 30 September 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	3,079	11,948	537,566	531,749	1,919,269	1,871,287	1,054,814	1,037,793	3,511,649	3,440,829	87,268	62,390	-	-	3,601,996	3,515,167
Inter-segment revenues	617,259	572,265	-	-	-	-	755,489	773,469	755,489	773,469	29,210	26,559	(1,401,958)	(1,372,293)	-	-
Total revenues	620,338	584,213	537,566	531,749	1,919,269	1,871,287	1,810,303	1,811,262	4,267,138	4,214,298	116,478	88,949	(1,401,958)	(1,372,293)	3,601,996	3,515,167
Segment operating profit	100,643	119,633							976,016	1,152,865	45,817	30,748	(39,471)	(39,112)	1,083,005	1,264,134
Unallocated profit and expenses:																
Other income															66,709	42,508
Distribution costs															(174,360)	(151,458)
Administrative expenses															(310,762)	(285,492)
Finance costs															(32,246)	(42,433)
Share of profit from investments in associates															5,410	9,539
Corporate income tax															(20,833)	(47,143)
Profit for the period															616,923	789,655

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**Consolidated financial statements**

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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	47,687	40,031	1,576,155	1,508,288	5,619,687	5,608,042	3,300,699	3,266,577	10,496,541	10,382,907	257,692	200,064	-	-	10,801,920	10,623,002
Inter-segment revenues	1,796,923	1,759,981	-	-	-	-	2,415,095	2,088,787	2,415,095	2,088,787	83,881	79,156	(4,295,899)	(3,927,924)	-	-
<b>Total revenues</b>	<b>1,844,610</b>	<b>1,800,012</b>	<b>1,576,155</b>	<b>1,508,288</b>	<b>5,619,687</b>	<b>5,608,042</b>	<b>5,715,794</b>	<b>5,355,364</b>	<b>12,911,636</b>	<b>12,471,694</b>	<b>341,573</b>	<b>279,220</b>	<b>(4,295,899)</b>	<b>(3,927,924)</b>	<b>10,801,920</b>	<b>10,623,002</b>
Segment operating profit	296,737	375,143							3,003,349	3,390,586	131,947	101,812	(129,801)	(135,375)	3,302,232	3,732,166
Unallocated profit and expenses:																
Other income															202,491	135,260
Distribution costs															(513,329)	(438,350)
Administrative expenses															(899,974)	(875,984)
Finance costs															(95,346)	(134,620)
Share of profit from investments in associates															16,284	22,495
Corporate income tax															(51,902)	(77,319)
<b>Profit for the period</b>															<b>1,960,456</b>	<b>2,363,648</b>
Segment assets as at																
30 September 2017 /																
31 December 2016	2,193,593	2,073,389							22,420,284	22,167,623	472,872	409,672	(7,500,166)	(7,322,998)	17,586,583	17,327,686

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**14 Gain on exchange rate and hedging activities**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
<i>(in thousand Baht)</i>				
<b><i>For the three-month periods ended 30 September</i></b>				
Included in other income				
- Gain on exchange rate and hedging activities - net	45,167	30,418	41,612	24,507
<b><i>For the nine-month periods ended 30 September</i></b>				
Included in other income				
- Gain on exchange rate and hedging activities - net	140,566	97,057	125,338	78,434

**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. The Group's consolidated effective tax rate in respect of continuing operations for the three-month period ended 30 September 2017 was 3% (30 September 2016: 6%) and 3% for the nine-month period ended 30 September 2017 (30 September 2016: 3%). This change in effective tax rate, for the three-month period ended 30 September 2017, was mainly because the Group generated lower taxable income in 2017 than in 2016 since a subsidiary received additional tax exemption benefit from a new BOI certificate during 2017. For the nine-month period ended 30 September 2017, there was no significant change.

**16 Earnings per share**

***Basic earnings per share***

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
<i>(in thousand Baht/ thousand shares)</i>				
<b><i>Three-month periods ended 30 September</i></b>				
<b>Profit attributable to ordinary shareholders of the Company (basic)</b>	<b>612,405</b>	<b>786,033</b>	<b>839,482</b>	<b>899,563</b>
Number of ordinary shares outstanding at 1 July	586,397	586,011	586,397	586,011
Effect from ordinary shares issued during the period	-	19	-	19
<b>Weighted average number of ordinary shares outstanding (basic)</b>	<b>586,397</b>	<b>586,030</b>	<b>586,397</b>	<b>586,030</b>
<b>Earnings per share (basic) (in Baht)</b>	<b>1.04</b>	<b>1.34</b>	<b>1.43</b>	<b>1.54</b>

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<i>Nine-month periods ended 30 September</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht/ thousand shares)</i>			
<b>Profit attributable to ordinary shareholders of the Company (basic)</b>	<b><u>1,946,892</u></b>	<b><u>2,348,873</u></b>	<b><u>1,906,693</u></b>	<b><u>2,045,024</u></b>
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>215</u>	<u>4,511</u>	<u>215</u>	<u>4,511</u>
<b>Weighted average number of ordinary shares outstanding (basic)</b>	<b><u>586,320</u></b>	<b><u>579,274</u></b>	<b><u>586,320</u></b>	<b><u>579,274</u></b>
<b>Earnings per share (basic) (in Baht)</b>	<b><u>3.32</u></b>	<b><u>4.05</u></b>	<b><u>3.25</u></b>	<b><u>3.53</u></b>

***Diluted earnings per share***

The calculations of diluted earnings per share for the three-month and nine-month periods ended 30 September 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 30 September</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht/ thousand shares)</i>			
<b>Profit attributable to ordinary shareholders of the Company</b>	<b><u>612,405</u></b>	<b><u>786,033</u></b>	<b><u>839,482</u></b>	<b><u>899,563</u></b>
Weighted average number of ordinary shares outstanding (basic)	586,397	586,030	586,397	586,030
Effect of share warrants	<u>-</u>	<u>274</u>	<u>-</u>	<u>274</u>
<b>Weighted average number of ordinary shares outstanding (diluted)</b>	<b><u>586,397</u></b>	<b><u>586,304</u></b>	<b><u>586,397</u></b>	<b><u>586,304</u></b>
<b>Earnings per share (diluted) (in Baht)</b>	<b><u>1.04</u></b>	<b><u>1.34</u></b>	<b><u>1.43</u></b>	<b><u>1.53</u></b>

<i>Nine-month periods ended 30 September</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht/ thousand shares)</i>			
<b>Profit attributable to ordinary shareholders of the Company</b>	<b><u>1,946,892</u></b>	<b><u>2,348,873</u></b>	<b><u>1,906,693</u></b>	<b><u>2,045,024</u></b>
Weighted average number of ordinary shares outstanding (basic)	586,320	579,274	586,320	579,274
Effect of share warrants	<u>-</u>	<u>7,093</u>	<u>-</u>	<u>7,093</u>
<b>Weighted average number of ordinary shares outstanding (diluted)</b>	<b><u>586,320</u></b>	<b><u>586,367</u></b>	<b><u>586,320</u></b>	<b><u>586,367</u></b>
<b>Earnings per share (diluted) (in Baht)</b>	<b><u>3.32</u></b>	<b><u>4.01</u></b>	<b><u>3.25</u></b>	<b><u>3.49</u></b>

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**17 Financial instruments**

**Carrying amounts and fair values of financial instruments**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities not measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>(in thousand Baht)</i>				
<b><i>Financial assets (liabilities) not measured at fair value</i></b>				
<b>30 September 2017</b>				
Foreign currency forward contracts	(2,262)	(1,484)	-	-
Cross currency and interest rate swap contract	(4,605)	(2,920)	-	-
<b>31 December 2016</b>				
Foreign currency forward contracts	4,114	3,740	5,481	4,166

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 are taken to approximate the carrying value because most of these financial instruments bear interest at market rate.

**18 Dividends**

On 27 April 2017, the Company's shareholders at the Annual General Meeting approved dividend payment to common shareholders based on operating results from 1 July 2016 to 31 December 2016 at Baht 1.10 per share, totaling Baht 645 million. The dividend was paid on 15 May 2017.

On 8 August 2017, the meeting of Board of Directors of the Company approved interim dividend payment to common shareholders based on operating results from 1 January 2017 to 30 June 2017 at Baht 1.10 per share, totaling Baht 645 million. The dividend was paid on 8 September 2017.

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**19 Commitments**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b>Capital commitments</b>				
Contracted but not provided for buildings and other constructions	19,156	53,030	17,829	51,395
Unrecognized purchase orders for machinery and equipment	381,640	403,737	361,417	286,246
<b>Total</b>	<b>400,796</b>	<b>456,767</b>	<b>379,246</b>	<b>337,641</b>
<b>Future minimum lease payments under non-cancellable operating leases</b>				
Within one year	23,824	27,723	7,626	2,131
After one year but within five years	3,622	3,144	496	1,507
<b>Total</b>	<b>27,446</b>	<b>30,867</b>	<b>8,122</b>	<b>3,638</b>
<b>Other commitments</b>				
Unrecognized purchase orders for raw materials	415,655	691,441	74,411	109,983
Bank guarantees	79,645	92,802	49,092	49,126
<b>Total</b>	<b>495,300</b>	<b>784,243</b>	<b>123,503</b>	<b>159,109</b>

**Forward exchange contracts**

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

Currency	<b>Consolidated financial statements</b>		
	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
Buying contract			
US dollar	2,052	30 November 2017 – 2 February 2018	Baht 33.2970 – 34.1226
Selling contract			
US dollar	4,230	2 November 2017 – 2 April 2018	Baht 33.0000 – 33.4350
Euro	100	12 December 2017	Baht 39.9900

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

Currency	<b>Consolidated financial statements</b>		
	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



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Currency	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
Euro	1,000	21 - 22 February 2017	Baht 39.3500 - 39.4550
<b>Separate financial statements</b>			
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

**Commodity hedge agreement**

As at 30 September 2017, the Group had outstanding copper swap agreements, of which details are presented below.

Type of good	Quantity (Ton)	Contract price	Commodity's market price As at 30 September 2017 (US dollar per ton)	Maturity date
Copper	240	6,450 - 6,750	6,485	30 November 2017 - 28 February 2018

**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 September 2017, the subsidiary had outstanding balance of borrowing amounted to Baht 187.6 million (equivalent to EUR 4.8 million).

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

A number of revised TFRS have been issued but are not yet effective and have not been applied in preparing these interim financial statements. Those revised TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2018, are set out below. The Group does not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2017)	Presentation of Financial Statements
TAS 2 (revised 2017)	Inventories
TAS 7 (revised 2017)	Statement of Cash Flows
TAS 8 (revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2017)	Events after the Reporting Period
TAS 12 (revised 2017)	Income Taxes
TAS 16 (revised 2017)	Property, Plant and Equipment
TAS 17 (revised 2017)	Leases
TAS 18 (revised 2017)	Revenue
TAS 19 (revised 2017)	Employee Benefits
TAS 21 (revised 2017)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2017)	Borrowing Costs
TAS 24 (revised 2017)	Related Party Disclosures

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

<b>TFRS</b>	<b>Topic</b>
TAS 27 (revised 2017)	Separate Financial Statements
TAS 28 (revised 2017)	Investments in Associates and Joint Ventures
TAS 33 (revised 2017)	Earnings per Share
TAS 34 (revised 2017)	Interim Financial Reporting
TAS 36 (revised 2017)	Impairment of Assets
TAS 37 (revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2017)	Intangible Assets
TAS 40 (revised 2017)	Investment Property
TFRS 2 (revised 2017)	Share-based Payment
TFRS 3 (revised 2017)	Business Combinations
TFRS 8 (revised 2017)	Operating Segments
TFRS 10 (revised 2017)	Consolidated Financial Statements
TFRS 12 (revised 2017)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2017)	Fair Value Measurement
TSIC 15 (revised 2017)	Operating Leases – Incentives
TSIC 27 (revised 2017)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TFRIC 4 (revised 2017)	Determining whether an Arrangement contains a Lease
TFRIC 10 (revised 2017)	Interim Financial Reporting and Impairment
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

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