



บริษัท กันยงอีเลคทริก จำกัด (มหาชน)  
KANG YONG ELECTRIC PUBLIC COMPANY LIMITED  
ผู้ผลิตเครื่องใช้ไฟฟ้าภายในบ้าน  
ELECTRIC HOME APPLIANCES MANUFACTURER

ONE KYE  
FOR OUR  
CUSTOMERS

ANNUAL REPORT  
**2015**



บริษัท กันยงอีเลคทริก จำกัด (มหาชน)  
KANG YONG ELECTRIC PUBLIC COMPANY LIMITED

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# FINANCIAL HIGHLIGHTS

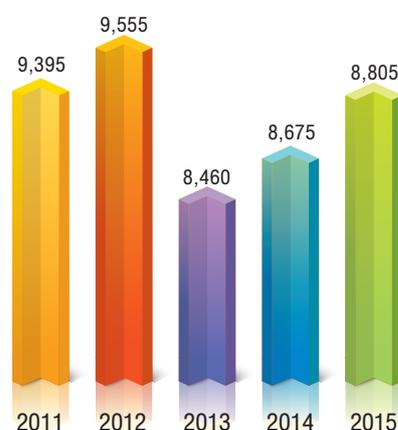
For the year ended March 31			
Financial Highlights (Million Baht)	2016	2015	2014
Total Sales	8,805	8,675	8,460
Total Revenues	9,511	9,428	8,883
Cost of Sales	7,524	7,416	7,386
Gross Profit	1,281	1,259	1,074
Selling and Administrative Expenses	1,080	1,008	934
Net Profit	842	927	506
Total Assets	7,376	6,877	6,120
Total Liabilities	1,955	1,831	1,735
Total Shareholder's Equity	5,421	5,046	4,385

Financial Ratio				
Net Profit Ratio	%	9.56	10.68	5.98
Return on Equity	%	16.09	19.66	23.08
Return on Assets	%	11.81	14.26	16.54
Dividend pay out Ratio	%	*	50.01	50.00
Liabilities per Equities Ratio	Times	0.36	0.36	0.40
Earning per Share	Baht	38.27	42.13	23.00
Dividend per Share	Baht	*	21.07	11.50
Book value per Share	Baht	246.40	229.37	199.30
Total Staff		2,324	2,093	2,055

\* In the process of seeking approval from the 2016 Annual General Meeting of shareholders

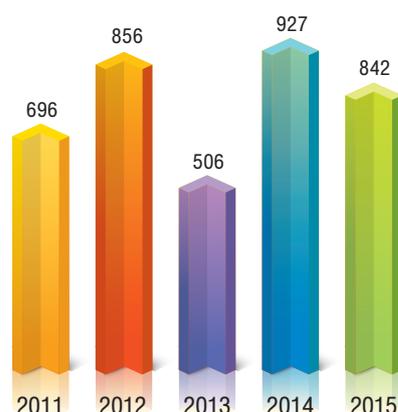
Total sales year 2011 - 2015

Unit : Million Baht

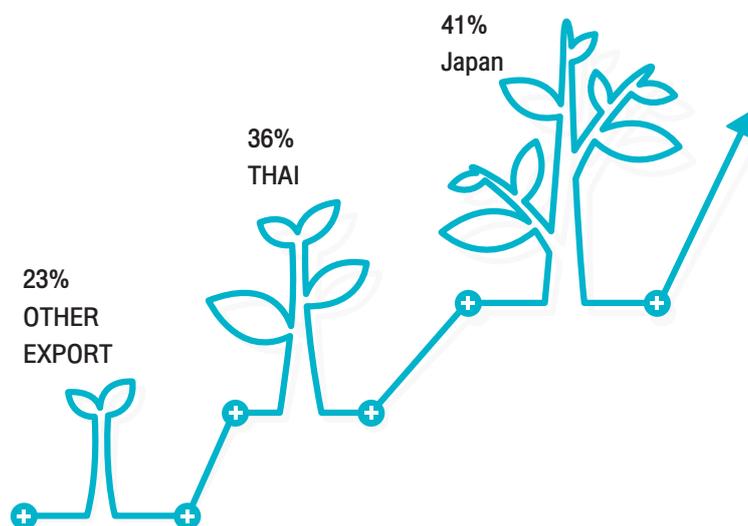


Net profit year 2011 - 2015

Unit : Million Baht



Sales by market  
April 2015 - March 2016



**THE BOARD  
OF DIRECTORS'  
REPORT**



The year 2015 witnessed ongoing global and domestic economic volatility. Slackened retail trade and manufacturing production prevailed while falling oil prices successively pressed down consumer product prices. Amidst fluctuations in currency exchange rates, international trade faltered with lessened purchasing power of trading partners and consumer confidence. For Thailand, the continuously slowing export, the consumer and agricultural price slump, the persisting drought in several areas, and the surge in household debt culminated in an economic growth of only 2.8% in 2015.

Despite numerous negative factors weighing on business operations throughout 2015, Kang Yong Electric Public Company Limited (KYE) continued to grow its sales revenues to 8,805 million baht, a growth of 1.5% year-on-year. We pursued our efforts in reduction of product costs and administrative expenses. However, with oil price and exchange rate fluctuations, and intensifying competition due to broad ranging sales promotion campaigns in the market, it was a tough task to manage costs and expenses in the past year. The Company accordingly recorded a net profit after tax of 841.8 million baht, shrinking 9.2% compared with 2014, and constituting earnings per share of 38.27 baht. Considering such operating results and financial position as well as the overall economic conditions, the Board of Directors has resolved to propose to the 2016 Annual General Meeting of Shareholders for approval of dividend payment for fiscal 2015 at 19.14 baht per share or 50.02% of net profit after tax which is in line with the Company's dividend payment policy.

For 2016, we predict oil price and currency exchange fluctuations will remain. However, ASEAN economies, which are our main targets for sales expansion, tend to gradually recover due to active implementation of infrastructure development megaprojects and stimulus measures taken by their respective governments. In this regard, Thai economy is expected to expand slightly by 3.0%-3.5% supported by the export sector which should pick up to some extent, the increase in public spending and investment, the continued expansion in tourism, and the gradually improving agricultural product prices, which are considered positive factors for our business operation. To align with the mentioned positive factors, in 2016, we will continue to strive for the growth of sales revenues and profit, focus on product research and development, and explore new business opportunities, product-wise and market-wise, in parallel with social responsibility under corporate governance principles and code of ethics, and with due regard to sustainable benefits to the shareholders and stakeholders.

On behalf of the Board of Directors, the management, and all staff members of the Company, I would like to convey our gratitude to the shareholders and stakeholders for your trust in and continued support of the Company until we could achieve a consistent business success. Again, thank you all very much.



(Mr. Praphad Phodhivorakhun)  
Chairman of the Board of Directors

# BOARD OF DIRECTORS

## 01 Mr. Praphad Phodhivorakhun

Chairman of the Board of Directors /  
Chairman of the Board of Executive Directors /  
Member of Nomination and  
Remuneration Committee



## 02 Mr. Tsutomu Shimizu

Vice Chairman of the Board of Directors /  
Vice Chairman of Executive Directors /  
President /  
Member of Product Pricing Committee /  
Member of Nomination and  
Remuneration Committee



## 03 Mr. Komol Vongsthongsri

Director / Executive Director /  
Executive Vice President

## 04 Mr. Akira Nakamichi

Director / Executive Director /  
Member of Product Pricing Committee /  
Executive Vice President



## 05 Mr. Hirotaka Abo

Director / Deputy General Manager

## 06 Mr. Chackchai Panichapat

Independent Director /  
Chairman of Audit Committee /  
Member of Nomination and  
Remuneration Committee



## 07 Mr. Arthakrit Visudtibhan

Independent Director /  
Member of Audit Committee /  
Chairman of Product Pricing Committee



**08 Mr. Manu Leopairote**

Independent Director /  
Member of Product Pricing Committee /  
Chairman of Nomination and  
Remuneration Committee



**09 Police Major General  
Sahaschai Indrasukhsri**

Independent Director /  
Member of Nomination and  
Remuneration Committee



**10 Mr. Tanabodee Kusinkert**

Independent Director /  
Member of Audit Committee /  
Member of Product Pricing Committee



**11 Mr. Shinji Sasaki**

Director



**12 Mr. Yasumichi Tazunoki**

Director



**13 Mr. So Susuki**

Director



**14 Mr. Praphon Potivorakun**

Director



**15 Associate Professor  
Dr. Issaree Hunsacharoonroj (Ph.D)**

Director

# BOARD OF DIRECTORS



## **Mr. Praphad Phodhivorakhun**

Chairman of the Board of Directors /  
Chairman of the Board of Executive Directors /  
Member of Nomination and  
Remuneration Committee

**Age 70 year**

### **Education**

- Business Management Sheffield College of Technology England
- Master Degree in Public Administration (MPA) and  
Master Degree in Business Administration (MBA) Ramkhamhang University
- Honorary Doctorate Degree in Business Administration Rajabhat University of Lampang

### **Training**

RCP/2004, DCP/2005, RCC/2007

**Shareholding (%) :** -None-

### **Family Relationship with Executives in other company, which may cause a conflict of interest :**

Elder Brother of Mr. Praphon Potivorakun

### **Working Experience in the last 5 years**

- Jun. 1994-Present Director, Kulthorn Kirby Public Company Limited
- Nov. 1995-Present Chairman of the Board of Directors, Mitsubishi Electric Kang Yong Watana Company Limited
- Jul. 1996-Present Chairman of the Board of Directors, Yokohama Rubbers (Thailand) Company Limited
- Oct. 1999-Present Chairman & Chairman of Executive Directors, Kang Yong Electric Public Company Limited
- 2004-Present Independent Director, Polyplex Public Company Limited
- Aug. 2008-Present Member of Nomination and Remuneration Committee, Kang Yong Electric Public Company Limited



**Mr. Tsutomu Shimizu**

Vice Chairman of the Board of Directors /  
 Vice Chairman of Executive Directors /  
 President / Member of Product Pricing Committee /  
 Member of Nomination and Remuneration Committee

**Age 52 year**

**Education**

- Bachelor of Law, Keio University Japan

**Shareholding (%)** : -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest** :-None-

**Working Experience in the last 5 years**

- Apr. 2005-Nov. 2009 Deputy Senior Manager, Marketing Department, Mitsubishi Electric Corporation, Shizuoka Works
- Nov. 2009-Mar. 2011 Deputy Senior Manager, Marketing Department, Mitsubishi Electric Corporation, Nakatsugawa Works
- Apr. 2011-Mar. 2015 Senior Manager, Marketing Department Mitsubishi Electric Corporation, Nakatsugawa Works
- Apr. 2015-Present Vice Chairman of the Board of Directors / Vice Chairman of Executive Directors /  
 Member of Product Pricing Committee / Member of Nomination and Remuneration Committee /  
 President, Kang Yong Electric Public Company Limited



**Mr. Komol Vongsthongsri**

Director / Executive Director /  
 Executive Vice President

**Age 71 year**

**Education**

- Mechanical Engineering (Dipl.-Ing.) Germany

**Training**

DCP/2005, ACP/2009

**Shareholding (%)** : 2,000 Shares or 0.009%

**Family Relationship with Executives in other company, which may cause a conflict of interest** :-None-

**Working Experience in the last 5 years**

- 1993-2005 Director, Kang Yong Electric Public Company Limited
- Feb. 2005-Feb.2009 Chairman of Product Pricing Committee, Kang Yong Electric Public Company Limited
- Feb. 2005-Mar. 2014 Independent Director, Kang Yong Electric Public Company Limited
- Feb. 2005-Mar. 2014 Chairman of Audit Committee, Kang Yong Electric Public Company Limited
- Feb. 2007-Mar. 2014 Member of Nomination and Remuneration Committee, Kang Yong Electric Public Company Limited
- Feb. 2009-Jul. 2010 Member of Product Pricing Committee, Kang Yong Electric Public Company Limited
- Apr. 2014-Present Director / Executive Director / Executive Vice President, Kang Yong Electric Public Company Limited



**Mr. Akira Nakamichi**

Director / Executive Director /  
Member of Product Pricing Committee /  
Executive Vice President

**Age 54 year**

**Education**

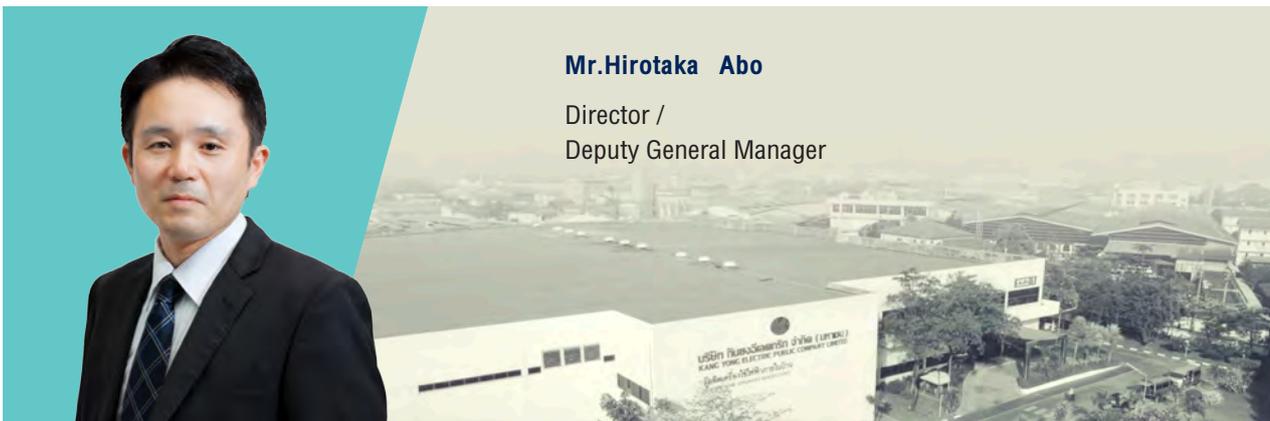
- B.A. in Engineering Tokyo Metropolitan University, Japan

**Shareholding (%) :** -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest :** -None-

**Working Experience in the last 5 years**

- Dec. 2008-Mar. 2012 Director / General Manager, Kang Yong Electric Public Company Limited
- Apr. 2012-Oct. 2012 Senior Manager, Refrigerator Production Department, Mitsubishi Electric Corporation, Shizuoka Works
- Nov. 2012-Mar. 2014 Manager, Quality Innovation Project, Mitsubishi Electric Corporation
- Apr. 2014-Present Director / Executive Director / Member of Production Pricing Committee / Executive Vice President, Kang Yong Electric Public Company Limited



**Mr. Hirotaka Abo**

Director /  
Deputy General Manager

**Age 48 year**

**Education**

- Master of Energy Engineering Toyohashi University, Japan

**Shareholding (%) :** -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest :** -None-

**Working Experience in the last 5 years**

- Oct. 2011-Jun. 2013 Manager , Residential Ventilation Engineering Section 2 Mitsubishi Electric Corporation, Nakatsugawa Works
- Jun. 2013-Sep. 2015 Manager, Residential Ventilation Manufacturing Dept., Quality Control Section Mitsubishi Electric Corporation Nakatsugawa Works
- Oct. 2015-Apr. 2016 Manager, Residential Ventilation Manufacturing Dept. Mitsubishi Electric Corporation Nakatsugawa Works
- Apr. 2016-Present Deputy General Manager, Kang Yong Electric Public Company Limited
- May 2016-Present Director, Kang Yong Electric Public Company Limited



**Mr.Chackchai Panichapat**

Independent Director /  
Chairman of Audit Committee /  
Member of Nomination and Remuneration Committee

**Age 77 year**

**Education**

- Master Degree in Electrical Engineering University of Texas Austin, Texas, U.S.A.

**Training**

DAP/2003, FND/2005, DCP/2006, RCC/2007, ACP/2009

**Shareholding (%)** : -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest** :-None-

**Working Experience in the last 5 years**

Listed Companies

- Dec.1999 - Present Chairman of the Audit Committee / Independent Director / Member of the Nomination and Remuneration Committee, City Sports and Recreation Public Company Limited
- Jul.2003 - Present Director / Executive Director, Amata Corporation Public Company Limited
- 2001 - Present Independent Director, Kang Yong Electric Public Company Limited
- 2001 - Mar.2014 Audit Committee, Kang Yong Electric Public Company Limited
- Feb.2007-Mar.2014 Chairman of Nomination and Remuneration Committee, Kang Yong Electric Public Company Limited
- Apr.2014-Present Chairman of Audit Committee, Kang Yong Electric Public Company Limited
- Apr.2014 - Present Member of Nomination and Remuneration Committee, Kang Yong Electric Public Company Limited

Companies not in the Stock Exchange

- Chairman of the Board of Directors, Magnecomp Precision Technology Company Limited
- Chairman of the Board of Directors, Amata Water Company Limited
- Chairman of the Board of Directors D-Jig Co., Ltd.
- Director, Amata City Co., Ltd.
- Director, San Miguel Marketing (Thailand) Company Limited
- Director, San Miguel Beer (Thailand) Company Limited
- Director, Thai San Miguel Liquor Company Limited
- Director, Amata Asia Co., Ltd.



**Mr. Arthakrit Visudtibhan**

Independent Director /  
Member of Audit Committee /  
Chairman of Product Pricing Committee

**Age 60 year**

**Education**

- Master of Public Administration University of Southern California U.S.A

**Training**

DAP/2006, ACP/2009

**Shareholding (%)** : -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest** :-None-

**Working Experience in the last 5 years**

- Apr. 1998-Oct. 2003 Head of Human Resources, Standard Chartered Bank / Standard Chartered Nakornthon Bank
- Nov. 2003-Present Human Resources Director, Serm Suk Public Company Limited
- Dec. 1999-Present Member of Audit Committee, Kang Yong Electric Public Company Limited
- Feb. 2009-Present Chairman of Product Pricing Committee, Kang Yong Electric Public Company Limited



**Mr. Manu Leoparote**  
 Independent Director /  
 Member of Product Pricing Committee /  
 Chairman of Nomination and Remuneration Committee

**Age 73 year**

**Education**

- B.Sc. (Honors) Thammasat University
- Ph.D Business Administration (Honorary) Thammasat University
- M.Sc.(Econ.), University of Kentucky, U.S.A.
- The National Defense College Class 34

**Training**

DCP30/2013, RCP3/2001

**Shareholding (%)** : -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest** :-None-

**Working Experience in the last 5 years**

- 2004-Present Independent Director /member of Audit Committee  
Thai Beverage Public Company Limited (Registered in the Singapore Stock Exchange )
- 2004-Present Chairman, Bangkok Union Insurance Public Company Limited
- 2004-Present Chairman, Polyplex (Thailand) Public Company Limited
- 2004-Present Chairman, Khon Kaen Sugar Industry Public Company Limited
- 2006-Present Chairman of Audit Committee, Siam Steel International Public Company Limited
- May 2010-Present Independent Director /member of Product Pricing Committee, Kang Yong Electric Public Company Limited
- May 2010-Mar.2014 Member of Nomination and Remuneration Committee, Kang Yong Electric Public Company Limited
- 2010-Present Chairman, ARIP Public Company Limited
- 2010-Present Chairman, Jubilee Enterprise Public Company Limited
- 2011-Present Chairman, T.M.C. Industrial Public Company Limited
- Apr. 2014-Present Chairman of Nomination and Remuneration Committee, Kang Yong Electric Public Company Limited



**Police Major General Sahaschai Indrasukhsri**  
 Independent Director /  
 Member of Nomination and Remuneration Committee

**Age 67 year**

**Education**

- Bachelor of Business Administration, Major in Economics, Franklin Pierce College, U.S.A
- Bachelor of Law, Major in Law, Sripatum University

**Training**

DAP34/2004

**Shareholding (%)** : -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest** :-None-

**Working Experience in the last 5 years**

- 2005-President Independent Director & Audit Committee, Permsin Steelwork Public Company Limited
- Jul. 2012-Present Independent Director, Kang Yong Electric Public Company Limited
- Jul. 2012-Mar. 2014 Product Pricing Committee, Kang Yong Electric Public Company Limited
- Aug. 2013-Oct. 2013 Independent Director & Audit Committee, Asia Corporate Development Public Company Limited
- Nov. 2013-Feb. 2014 President, Asia Corporate Development Public Company Limited
- Feb. 2014-Present Chairman, Green Resource Public Company Limited
- Apr. 2014-Present Member of Nomination and Remuneration Committee, Kang Yong Electric Public Company Limited



**Mr. Tanabodee Kusinkert**

Independent Director /  
Member of Audit Committee /  
Member of Product Pricing Committee

**Age 71 year**

**Education**

- Master of Business Administration, Texas A&I University Kingsville, Texas U.S.A.

**Training**

DCP24/2002

**Shareholding (%)** : -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest** :-None-

**Working Experience in the last 5 years**

- 1990-2015 Director / President & Executive Director, Siam City Leasing and Factoring Public Company Limited
- Feb. 2012-Mar. 2014 Director, Kang Yong Electric Public Company Limited
- Apr. 2014-Present Independent Director, Kang Yong Electric Public Company Limited
- Apr. 2014-Present Member of Audit Committee / Member of Product Pricing Committee, Kang Yong Electric Public Company Limited
- Jan. 2015-Present Director / Chairman of Board of Executive Director, Siam City Service Company Limited



**Mr. Shinji Sasaki**

Director

**Age 53 year**

**Education**

- B.A. in Commerce Waseda University, Japan

**Shareholding (%)** : -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest** :-None-

**Working Experience in the last 5 years**

- Apr. 2010 Senior General Manager, Overseas Division, Building Systems Group, Mitsubishi Electric Corporation
- Apr. 2014 Group Senior Vice President of Building Systems Group, Mitsubishi Electric Corporation
- Apr. 2016-Present Chief Representative for Asia Pacific Region, Mitsubishi Electric Corporation
- Apr. 2016-Present Managing Director, Mitsubishi Electric Asia Pte. Ltd.
- May. 2016-Present Director, Kang Yong Electric Public Company Limited



**Mr. Yasumichi Tazunoki**

Director

**Age 53 year**

**Education**

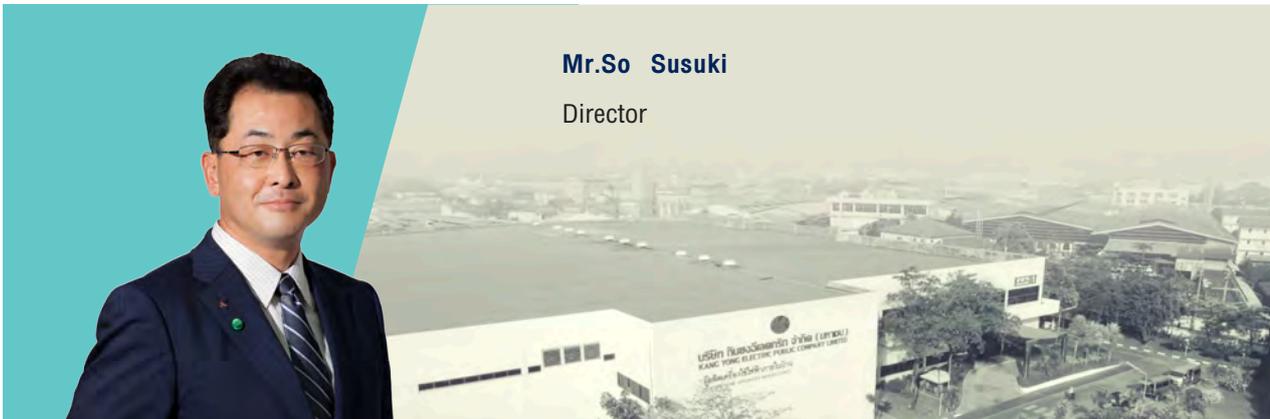
- Bachelor of Literature Tokyo University, Japan

**Shareholding (%) :** -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest :**-None-

**Working Experience in the last 5 years**

- Oct. 2005-Jan. 2010     Manager, Corporate Strategic Planning Division, Mitsubishi Electric Corporation
- Feb. 2010-Mar. 2015   General Manager, Strategy & Business Planning Department, Air-Conditioning & Refrigeration Systems Division, Mitsubishi Electric Corporation
- Apr. 2015-Present     Senior General Manager, Planning & Administration Department, Mitsubishi Electric Corporation
- Apr. 2015-Present     Director, Kang Yong Electric Public Company Limited



**Mr. So Susuki**

Director

**Age 53 year**

**Education**

- Bachelor of Engineering Tohoku University, Japan

**Shareholding (%) :** -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest :**-None-

**Working Experience in the last 5 years**

- 2010-2012             President, Mitsubishi Electric (Guangzhou) Compressor Co., Ltd.
- 2012-2013             Deputy General Manager, Air-Conditioning & Refrigeration Systems Division , Living Environment & Digital Media Equipment Group, Mitsubishi Electric Corporation
- 2013-Apr.2016        Managing Director, Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.
- April 2016-Present   General Manager, Mitsubishi Electric Corporation Shizuoka Works (Shizuoka, Japan)
- May 2016-Present     Director, Kang Yong Electric Public Company Limited



**Mr. Praphon Potivorakun**

Director

**Age 66 year**

**Education**

- Bachelor of Electrical Engineering Meisei University, Japan

**Shareholding (%) :** 33,145 Shares or 0.15 %

**Family Relationship with Executives in other company, which may cause a conflict of interest :**

Younger brother of Mr. Praphad Phodhivorakun

**Working Experience in the last 5 years**

- 1982-1987 Director & Sales Department Manager, Kang Yong Watana Co., Ltd.
- 1987-Present Deputy Managing Director, Mitsubishi Electric Kang Yong Watana Co., Ltd.  
(Former namely : Kang Yong Watana Co., Ltd.)
- May 2011-Present Director, Kang Yong Electric Public Company Limited



**Associate Professor**

**Dr. Issaree Hunsacharoonroj (Ph.D)**

Director

**Age 62 year**

**Education**

- Doctoral Degree (Ph.D. in Mechanical Engineering), University of Wisconsin, U.S.A.

**Training**

DCP/2012

**Shareholding (%) :** -None-

**Family Relationship with Executives in other company, which may cause a conflict of interest :-None-**

**Working Experience in the last 5 years**

- 2005-Aug. 2013 President, Rajamangala University of Technology Rattanakosin
- Sep. 2013-Present Chairman, Rajamangala University of Technology, Rattanakosin Foundation
- Apr. 2014-Present Director, Kang Yong Electric Public Company Limited

Under Corporate Motto

# “ONE KYE FOR OUR CUSTOMERS”

To be united in creation toward technical and marketing capability and product quality development as committed for a better society and environment.

## KYE MANAGEMENT POLICY



1. Drive strategy for sustainable growth in the global market to secure business operation balancing.
2. Create solid management system (product innovation, production, product quality, safety, procurement, cost reduction, environment improvement, human resource, intellectual property, finance, and labor relations).
3. Contribute utmost importance to safety and quality as well as strict compliance with relevant laws and code of ethics



## VISION

“KYE is committed to strengthening a solid operational foundation, internationalizing its corporate image, achieving a continuous export growth target, and forging ahead to become a genuine world-class operator under the business concept,

**We Balance for the Best.”**



# BUSINESS OPERATION

## Policy and Overview of Business Operation

Kang Yong Electric Public Company Limited (“KYE” or “the Company”) was established on January 12, 1964 by Mr. Sitthiphol Phodhivorakhun with a start-up registered capital 10 million baht in the name “Kang Yong Electric Manufacturing Company Limited” under a Thai-Japanese joint venture between Phodhivorakhun family group and Mitsubishi Electric Corporation, Japan, in order to manufacture and distribute home electrical appliances under “Mitsubishi Electric” trademark. In 1993, the Company was approved to be listed on the Stock Exchange of Thailand (SET) and transformed into a public limited company in the name “Kang Yong Electric Public Company Limited,” with stock symbol “KYE.” It has a registered and paid-up capital of 220 million baht divided into 22 million ordinary shares with a par value of 10 baht per share.

Presently, the Company’s office and factory are located on an area of 73 rai 3 ngan 53 square wah, at address No. 67 Moo 11, Bangna-Trad Road Km. 20, T.Bangchalong, A. Bangplee, Samutprakan 10540. The Company is a manufacturer and distributor of home electrical appliances such as refrigerators, electric fans, ventilating fans, water pumps and jet towels (hand dryer) under the license and production technology provided by its joint venture partner, Mitsubishi Electric Corporation, Japan.

## Vision and Mission

### Vision:

“KYE is committed to strengthening a solid operational foundation, internationalizing its corporate image, achieving a continuous export growth target, and forging ahead to become a genuine world-class operator under the business concept, “We Balance for the Best.” Its goal is to constantly increase production capacity to be aligned with its export target for overseas customer base expansion in parallel with the forthcoming establishment of sales companies in global markets, including ASEAN, by Mitsubishi Electric Corporation, Japan.

In the future, moreover, the Company is aspiring to introduce new products in addition to the existing five products. To such end, the Company will speedily reinforce its manufacturing capability and standard as well as focus on cost efficiency in a bid to increase its competitiveness and accommodate other product lines to be transferred from Mitsubishi Electric Corporation, Japan.

### Mission:

“The Company is steadfast in developing its organization by upholding a three-pillar operational philosophy to meet the requirements in all aspects of Modern Technology, Quality, Safety & Environmental Friendliness.”

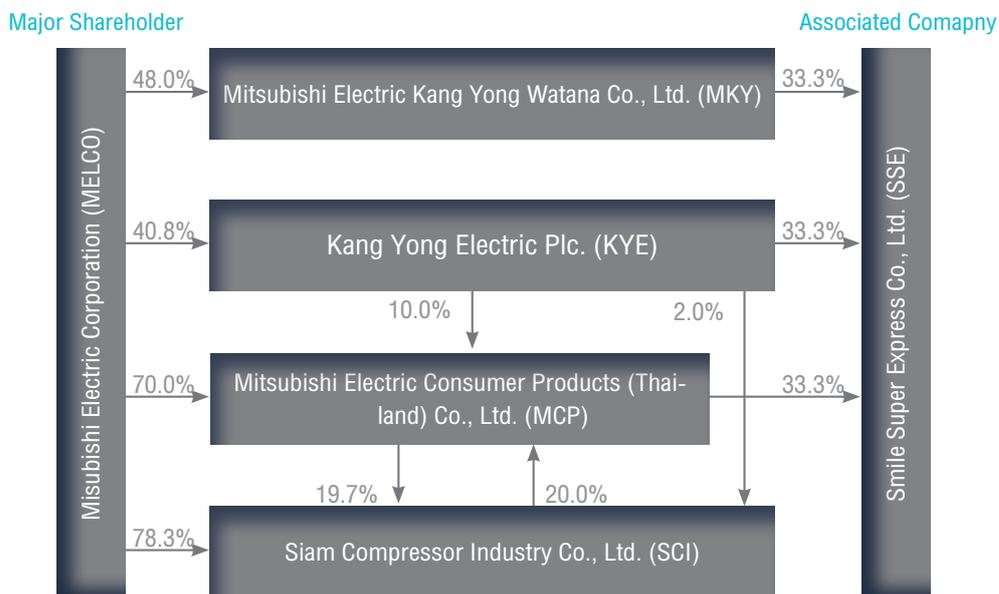
## Significant Changes and Developments in 2015

- On July 24, 2015, the Annual General Meeting of Shareholders resolved to approve profit appropriation for dividend payment at 21.07 baht per share, totaling 463.5 million baht, to shareholders on August 20, 2015.
- The Company developed and launched new product models both at domestic and overseas to meet customers' diverse demand and better serve utilization needs, with focus on energy saving and quality, hence increase in sales.
  - March 2015: Started production of desk fan with direct current motor (DC-Fan) and 12-inch blade (R30J) as well as innovative design of spiral grille pattern, for export to Japan.
  - June and September 2015: Started production of new models of refrigerator with compressor of Neuro Inverter system, i.e. 3-door model Top Freezer: V50EH (448 liters) for export to Vietnam, and V45EH (423 liters) for export to Hong Kong and Singapore.
  - July 2015: Started production of a new model of refrigerator, i.e. 4-door (L4 Mini) of 580 liters, which is smaller than L4 Grande, for export to Australia, Vietnam and New Zealand.
  - September 2015: Won "Good Design Award" in Japan for four consecutive years for the following products:
    - 2-door refrigerator of 300-500 liters for Asian and Oceania markets, with such feature of usage convenience, and being Inverter model which has been a new product developed for energy saving and environmental protection purposes.
    - Desk fan using DC motor (DC-Fan): R30J-DS designed to serve diverse usage conditions with 3D vibration and high quietness.
  - November 2015: Started production of a new model of refrigerator, i.e. 2-door refrigerator (FV Series) of larger capacities: 204, 231 and 274 liters, with compressor options of Neuro Inverter system and Non Inverter system, for domestic market and export to Vietnam as the major market.
  - December 2015: Started production of a new model of desk fan with 16-inch blade for domestic market and export to Malaysia.
  - December 2015: Started production of duct type ventilator fan , offer high airflow with 10 cm. and 15 cm. blade (VD Series) and super slim cover, for domestic market and export to Vietnam. In January 2016: Started production of duct type ventilator fan with 23 cm. blade, a larger size for high ventilation power (high airflow type)
  - January 2016: Started production of a new model of refrigerator, i.e. 1-door refrigerator of 140, 170 and 180 liters respectively, offering elegant and aesthetic door of flat design, for domestic market.

- KYE invested 56 million baht in purchase of vacuum forming machine to boost production efficiency and reduce refrigerator production waste.
- On September 16, 2015: The Company entered into an MOU on No. 5 Automatic Water Pump Project with the Electricity Generating Authority of Thailand (EGAT) who has initiated adoption of the No. 5 Energy Saving Label with water pumps. Generating Altogether 14 models of the Company's water pump products have undergone energy saving test according to EGAT criteria and been certified to be labeled No. 5, commencing in 2016.

## Relationship with Major Shareholder's Business Group

Shareholding structure in the group of companies as of March 31, 2016



Details of the above shareholding structure are as follows:

- **Investment in associated company**

The Company entered a joint venture with MKY and MCP in setting up SSE in an equal amount of 33.33% to undertake inventory storage management for the three companies in order to enhance efficiency in product management and curtail transport costs.

- **Major shareholder's group of companies**

KYE is a manufacturer and distributor of home electrical appliances under "Mitsubishi Electric" trademark, including products such as refrigerators , electric fans, ventilating fans, water pumps and jet towels, under a license and technical know-how provided by Mitsubishi Electric Corporation (MELCO), the Company's major shareholder. As such, its core business relates significantly to the major shareholder's business group.

- **Distribution of products**

The Company sells products through MELCO's subsidiary or associated companies such as through MKY, which is a highly skilled distributor, thereby enabling the Company to experience ongoing growth in its sales.

- **Procurement of parts and raw materials**

The Company procures parts and raw materials via a MELCO subsidiary, which in 2015 made up 18% of its total procurement. MELCO's high bargaining power obtained from massive purchase volumes enables it to buy products at a low price, to be assured of punctual delivery and also to control product quality to the standard determined by MELCO.

- **Product development**

Without readiness for high-technology product development, the Company has to rely on MELCO's technology in design and product development for modern model while ensuring safety, environmental friendliness and energy saving.

# NATURE OF BUSINESS OPERATION

Main income structure The Company mainly generates income from distribution of refrigerators, electric fans, ventilating fans, water pumps and hand dryer (jet towels). Its income structure for fiscal years ended March 31, 2016, 2015 and 2014 was as follows:

Value: Million baht

Product	For the year ended March 31					
	2016		2015		2014	
	Sales	%	Sales	%	Sales	%
Domestic and Export Sales						
Electric fans and ventilating fans	1,574.2	17.9	1,384.6	16.0	1,198.8	14.2
Refrigerators	6,196.9	70.4	6,267.7	72.2	6,267.9	74.1
Water pumps	918.2	10.4	894.8	10.3	868.6	10.3
Hand dryer (Jet towels)	55.5	0.6	74.6	0.9	77.5	0.9
Others	60.4	0.7	53.6	0.6	46.8	0.5
<b>Total value</b>	<b>8,805.2</b>	<b>100</b>	<b>8,675.3</b>	<b>100</b>	<b>8,459.6</b>	<b>100</b>

Remark: Other income is revenue from sales of parts.

## Description of Products and Services

The Company manufactures and distributes home electrical appliances comprising refrigerator, electric fan, ventilating fan, water pump and jet towel under "Mitsubishi Electric" trademark. It has received technological cooperation and support from Mitsubishi Electric Corporation, Japan, in product development, designing and manufacturing, with an emphasis placed on product quality, safety, use of cutting-edge technology, energy saving, and environmental friendliness to ensure responsiveness to customers' requirements and strengthen competitiveness against other producers.

### Refrigerators

The Company still focuses on research and development, aiming to obtain true consumers' demand. In 2015, refrigerators were designed to meet diversified consumers' demand and preferences as follows:

- Unique Design: The refrigerator is designed to be clearly recognizable and to bear an attractive, elegant and beautifully-colored appearance so that it will look more like a piece of furniture that suits perfectly with interior home decoration. Moreover, refrigerators of all designs are simple to open whether by top or side edge.

- Easy to Use: The product offers model diversity, number of doors, capacity, and either top or bottom freezer to match consumers' preferences and allow for convenience, time-saving and efficient usage to store food.
- Healthy Technology: Combination of food preservation technologies is employed for good food hygiene, food freshness, and clean interior space, as below:
  - Anti-bacteria Foodliner: Anti-bacteria substance is contained in the food liner of freezer and cooling compartment in order to stop the growth of bacteria (silvery inorganic anti-bacteria material) according to Society of Industrial Anti-bacterial Articles (SIAA) No. JIS Z 2801 from Japan, hence cleaner freezer and longer food freshness.
  - Vitamin factory: Vegetable compartment with the orange light (LED) technology and humidity control button to help keep vegetables and fruits fresh and preserve vitamin C in green vegetables for a longer period.
  - Minus ion surround cooling system: Cooling and minus ion are distributed to all shelves including bottle compartment to help increase moisture in inner compartments and preserve foods for longer period.
  - Neuro fuzzy system: The system is controlled by intelligent microchips and sensors to measure interior and exterior temperature with data sent to the intelligent processor microchips, ensuring efficient operating performance of a refrigerator in all conditions of use.
- High Quality with Environmental Friendliness & Energy Saving: The Company offers a high standard of product quality that could gain customer trust, together with environmental friendliness and energy saving.
  - Neuro Inverter system: The system is operated by intelligent microchips to identify users' behavior in combination with sensors to measure interior and exterior temperature, and data from which is sent to intelligent processor microchips of neuro fuzzy system and inverter compressors to ensure maximum efficiency of a refrigerator in all conditions of use.
  - Premium safety: It signifies the specific Mitsubishi Electric standard that accentuates the maximum safety of all users. All parts and materials are carefully selected for the products, including nonflammable material, an added component to prevent electric current leakage, a built-in circuit breaker to prevent over-limit power, and over-heating protection device.
  - Products are developed in line with the safety standards in each country and energy saving requirements, with the use of environmentally friendly raw materials that meet RoHS requirements.

In 2015, the Company developed new models of refrigerators using Neuro Inverter compressors to enhance energy saving, hence a larger array of models than in 2014, i.e. from five models to nine models. The new models cover 2-door, 3-door and 4-door refrigerators to respond to customers' demand for environmentally friendly and energy saving products. Also, to serve customers who prefer large size refrigerators, a new model with Neuro Inverter compressor was launched for 4-door refrigerator of 580 liters or 20.5 cubic feet in addition to the only existing one of 635 liters or 22.4 cubic feet. The Company set a new distribution strategy for the new product models by collaborating with domestic and overseas dealers in channel expansion covering both dealers and modern trade.

## Electric Fans

The Company has further developed electric fan line-up to suit diverse applications, comprising desk fan, floor fan, semi-desktop fan, wall fan, cycle fan, and ceiling fan. The blade of the fan is of the size that suits each fan type. Fan motor has been developed to be of the enclosed design which is Mitsubishi Electric's exclusive patent invention to prevent dust and undesirable matters from sneaking inside and damaging the motor, hence ideal for all sorts of applications.

In 2015, new electric fan models were launched, i.e. 16-inch desk fan to boost sales in domestic market, and 12-inch DC desk fan for export to Japan, which has been well accepted by customers due to lower operating noise than AC-fan, thus pushing up sales to be higher than in the previous year.

## Ventilating Fans

Living in the polluted environment with numerous airborne diseases, people today are in hidden danger and could fall ill anytime. Especially in rooms or houses with poor ventilation or where there are lots of facilities and equipment, heat could build up and directly affect indoor thermal comfort. Therefore, good ventilation in houses will help circulate polluted air out and fresh air in, offering better comfort and health for the people who live there.

The Company's ventilating fan is considerably a useful product helping improve quality of life of consumers. Meticulous attention has been paid to the product development process to ensure good and efficient air circulation and ventilation, whether it is whole-room ventilating fan, spot ventilating fan, or hybrid ventilating fan which is the mixed type of the first two types. The Company has increased product line-up to offer diversity of products to well suit consumers' conditions of use and locations, e.g. buildings, houses or rooms which are in different landscape and decorations, comprising wall mounted type, window mounted type, ceiling mounted type and duct ventilators. Moreover, the fan is specially designed to optimize aerodynamic characteristics, with five propeller blades that can accurately control the rotation without having a problem with reverse air, air resistance and operating noise.

In 2015, new models of VD Series duct ventilating fans were developed and launched, comprising VD-23ZPP4T5, VD-10Z4T5-S/15Z4T5-S, with the following features:

- New look with ceiling mounted body grille designed to be aesthetic in alignment with the ceiling design.
- Rectangular louvers on both sides blocking airflow from outside more tightly for efficiency leakage prevention.

## Water Pumps

With enhanced comfort and convenience for consumers, the Company's water pumps continue to be popular among consumers. It has remained committed to pursue ongoing developments of its products with focus on durability, safety, energy saving, and environmental friendliness. Its water pumps are in design variety to accommodate different applications, including the suck-from-well/tank type, automatic based on water tap operation type, constant pressure type and, inverter type, an energy saver using electronics board to measure water level.

In 2015, the Company enhanced product development with focus on energy saving features. Its Mitsubishi Electric water pumps have undergone energy saving test of the Electricity Authority of Thailand with all the 14 models of the Company's water pumps have been certified to be labeled No. 5, hence a concrete proof of the Company's leadership in innovating new products in response to consumers' demand. In addition, another two models of automatic and constant pressure type have been developed, i.e. EP-255Q5 and EP-355Q5, as additional options for the customers.

## Hand dryers / Jet Towels

The Company maintained in continuously increasing sales of jet towels both in domestic and export markets. The jet towel is designed for being truly environmentally friendly by being of compact size, featuring strong air blower and being convenient to install and use. The main characteristics of the jet towel are adjustable high air blower speed, on/off switch of hot air function, low operating noise, lessening use of resource with replacement of toilet paper, hence no garbage, low energy consumption, easy maintenance and short time of toilet cleaning required. Moreover, the jet towel is worth investing in as it offers cost reduction opportunity for toilets in various places such as restaurants, offices, hospitals, hotels and public sites as well.

## Market and Competition

In 2015, domestic sales of electrical appliances dropped compared with the previous year due to economic recession which dampened domestic purchasing power. However, with significantly hotter weather, demand for cooling or refrigeration products recorded a growth to some extent.

### Market and Sales Situation

The Company sells products in three principal markets, i.e. domestic market, Japanese market and other export markets. In fiscal 2015, its sales to these markets were in a proportion of 36:41:23 respectively, a change from 2014 proportion of 35:43:22. The change was in line with the Company's plan, set prior to the start of the fiscal year, to increase sales ratio in other export markets.

#### Distribution channels

- Domestic market: The Company distributes its products through Mitsubishi Electric Kang Yong Wattana Co., Ltd., its sole distributor, which has dealers of its own across the country.
- Export markets: The Company exports its products mostly through its subsidiaries in Mitsubishi Electric Group, which have dealers around the world, comprising Asia, Oceania, and Middle East, etc.

### Domestic Market

In 2015, the overall domestic economy expanded from the second quarter of the year fueled by the increase in domestic spending, export of services, and public sector investment. Particularly, household and public sector spending expanded consistently as the government stimulated year-end spending through tax privilege during New Year festival thereby actual spending for goods were personal income tax deductible up to 15,000 baht, and accelerated purchase of cars before increase in excise tax in the following year, thus pushing up household spending. However, concerns over prevailing domestic drought and global economic slowdown remained to be constraints to the economic growth.

Domestic market situation in fiscal 2015 is summarized for each type of products as follows:

- Refrigerator: Overall demand growth in 2015 was 8.4% from the previous year. Overall domestic market was on an increasing trend for all refrigerator types. Particularly, 1-door and 4-door refrigerators recorded a growth of 12.6% and 29.3% respectively, while 2-door and 3-door refrigerators grew by only 5% as a result of price competition. Several competitors launched sales promotion campaigns with special or low price setting for the inverter model in order to increase market share.
- Electric Fan: Overall demand for electric fan in 2015 grew by 9.7% from the foregoing year supported by the unusually hotter weather. In this regard, with lowered purchasing power, consumer purchasing behavior changed from air-conditioners to electric fans or electric fans with larger blades, i.e. from 12-inch to 16-inch. Moreover, sales through modern trade channel continued to rise as a result of expansion of branches in the provinces. .

- **Water Pump:** Overall demand declined slightly as a result of the decrease in expansion of residential constructions in Bangkok and suburban Bangkok by 9% in line with domestic economic slump, especially a drop in construction of houses of the general public. Despite this, the Company has increased the number of dealers and expanded distribution channels to provincial areas especially via modern trade. Moreover, in December 2015, a new Q5 Series water pump model was launched and has well welcome by the customers. Thus, the Company's sales moved up by 3%.

In 2015, the Company adopted proactive marketing strategies by cooperating with local dealers to promote sales via various distribution channels and developed new product models that have met consumer needs. For instance, it introduced a new model of water pump labeled No. 5 energy saving, a new model of desk fan with 16-inch propeller blades (D16) with modern design, and increased line-up of refrigerators with inverter system which are popular among consumers. As a result, the Company recorded sales of 3,167.4 million baht, or a growth of 5.3 % from the foregoing year.

### Japanese Market

Japan's overall economy in 2015 continued its growing pace, especially in quarters 3 and 4 supported mainly by the government's Quantitative Easing (QE) measure which aimed at increasing money supply in the economic system and achieving a 2% core inflation rate. This helped maintain Japan's financial costs at low levels further on, hence weakening Japanese yen. Despite positive impact on exports, imports had to bear higher costs. In addition, in January 2016, the Bank of Japan announced its policy of negative interest rate at -0.1% to stimulate inflation and economic growth with increased lending by financial institutions, promotion of investments, and the general public encouraged to save less and spend more. This helped push up private sector consumption and investments in constructions.

At present, the Company exports four types of products to Japan comprising refrigerators, electric fans, ventilating fans and hand dryers (jet towels). In fiscal 2015, the Japanese markets for the Company's products were as below:

- **Refrigerator:** Overall demand grew by 4% in line with the Japanese economic growth and also as a result of the development of products that better fulfilled consumers' requirements with offering of more choices, such as model with higher capacity, more energy saving with inverter model.
- **Electric fan:** Overall demand decreased by 3% due to the decline in school earthquake prevention scheme. However, with the launch of a new model, DC-fan, which was well accepted by the market, the Company's sales of electric fan in 2015 surged by 73%.

Viewing the change in consumers' requirements, the Company collaborated with Mitsubishi Electric Corporation, Japan, to rationalize its marketing strategy including sales management and balancing for each distribution channel including sales and production planning to cope with the rapidly changing situations. Therefore, the Company achieved its sales in overall as targeted.

## Other Export Markets

In 2015, the Company worked out a strategic plan to expand its exports to other countries to accommodate business expansion particularly among the ASEAN Economic Community (AEC) countries.

- The Company has currently managed to expand its export markets to cover all of the 10 ASEAN member countries. In 2015, it was successful in its sales expansion strategy. The Company's distribution channels have been expanded and broader ranging products displayed to a greater extent. Although competition is intense among AEC countries in respect of product design, price, and energy saving features, the Company has rationalized its marketing strategy for each country to suit the competitive environment.
- For export market expansion to Oceania, Middle East and Russia, the Company has developed products to specifically serve these markets, with focus on durability and cost aiming to enhance its competitive edge. Ongoing launches of new product development models have also been made to respond to the changing market demand.

In 2015, the Company came up with a distribution channel expansion plan and collaboration on which was made with distributor companies in Mitsubishi Electric Group in each country to drive its sales and increase its market share, especially in Malaysia, Vietnam, Indonesia and Oceania in line with the Company's policy to expand its export network beyond the existing ones. As a result, its sales in other export markets were recorded at 2,009.5 million baht, or export growth of 6.6% from previous year with all its products, i.e. refrigerators, electric fans, and ventilating fans at 1%, 21% and 83% respectively.

## Procurement of Products and Services

### Nature of Product Procurement

The Company's factory is located at No. 67 Moo 11, Bang Na-Trad Road Km. 20, Bangchalong, Bangplee, Samutprakarn 10540. At this factory, its products comprising refrigerator, electric fan, ventilating fan, water pump and hand dryers (jet towel) are manufactured.

#### (a) Manufacturing Process

For new product development of the Company has receiving cooperation in product design and technical know-how from Mitsubishi Electric Corporation, Japan. The Company's manufacturing process begins with study and survey on market demand are conducted so that product specifications can be customized to suit customers' needs. After that, new product models are designed and developed, then produced according to customers' purchase orders

Products are manufactured in the form of mass production. The process starts from receiving customers' orders, followed by production planning; procurement of raw materials, components and parts; and manufacturing of products according to production plan of each individual production line. The important sub-process includes parts production, manufacturing equipment preparation, assembling and packaging, etc.

Recognizing the reliable product quality, the Company conducts quality inspection at every step of the production process to ensure that all marketable products meet the high quality standards and customers' requirements.

**(b) After-sales Services**

The Company set up a department to be responsible for product quality warranty and after-sales service provision. The department is to coordinate with local and overseas distributors in providing technical

information on each product, arranging technical training for new products, analyzing causes of problems and identifying approaches to problem solving, rendering advice and suggestion on product installation and application, procurement of parts and equipment, and after-sales service provision, as well as coordinate and work jointly with the distributors in promptly addressing any possible quality-related problems.

**Production Capacity and Production Output**

The Company's production capacity and production output in 2013-2015 are tabulated below:

Products	Unit	2015	2014	2013
<b>Refrigerator</b>				
Rated capacity	units	1,200,000	1,200,000	1,200,000
Actual production	units	885,382	842,355	929,881
Capacity utilization rate	%	74%	70%	77%
<b>Electric fan &amp; ventilating fan</b>				
Rated capacity	units	1,700,000	1,600,000	1,600,000
Actual production	units	1,601,693	1,493,673	1,228,619
Capacity utilization rate	%	94%	93%	77%
<b>Water pump</b>				
Rated capacity	units	250,000	250,000	250,000
Actual production	units	230,012	227,554	175,795
Capacity utilization rate	%	92%	91%	70%
<b>Hand dryer (Jet towel)</b>				
Rated capacity	units	50,000	50,000	50,000
Actual production	units	19,621	25,756	25,350
Capacity utilization rate	%	39%	51%	51%

## Raw Material Procurement

Raw materials used for production:

	Proportion of Purchase/Usage (%)	Supply Sources	
		Local	Import
1. Compressor	17.5	√	
2. Steel for parts making	13.6	√	√
3. Foaming agent	6.0	√	
4. Copper	5.1	√	
5. Resin	11.3	√	√
6. Electric cord	4.4	√	√
7. Motor	2.3	√	√
8. Die cast	2.2	√	
9. Electronic parts	10.9	√	√
10. Paper carton	2.7	√	

## Proportion of Domestic and Overseas Supply of Raw Materials

The Company still has to import 12.3% of total raw materials, entailing compressor, steel for parts making, and electronic parts. Since all finished products must meet quality standards specifically defined by MELCO, the Company cannot procure locally available parts. After all, by procuring parts and raw materials in a massive volume through a MELCO subsidiary, the Company is able to lower its production cost.

## Environmental Impacts from Manufacturing Process or Limitation on Waste Materials

Being aware of impacts on the environment arising from its manufacturing process and service operation, the Company has outlined an environmental policy highlighting the building of environmental balance at the global and local levels. To achieve this, it has set up the Environmental Management System (EMS) based on the ISO 14001 guideline.

Based on the 2015 annual environmental management report of the Environmental Management Committee (EMC), the Company has conducted the following activities to meet the environmental policy:

- Phased out the use of ozone-depleting refrigerant by using R600a in place of R134a to help reduce and prevent rise of atmospheric temperature.
- Avoided posing impacts on the surrounding community:
  - Improved stack that releases odor of paint to the surrounding community by increasing its height from 16 meters to 20 meters for better dissipation of odor in the air, hence less disturbance to the surrounding community, and remaining harmless to the atmosphere.
  - Lessened paint residue by changing paint from oil paint to tempera, and due to frequent paint changing in the manufacturing process which led to large volume of paint residue, adding one more paint tube to reduce paint color shading stages.

- Improved waste water disposal by keeping it in waste water tank before discharging as hazardous waste.
- Controlled discharged water before releasing to public waterway, with all parameter values set at 20% lower than the maximum values prescribed by law, such as biological oxygen demand (BOD) value set at 16 mg/liter compared with 20 mg/liter set by law.
- Managed and sorted out industrial garbage into general garbage, chemicals contaminated containers, and oil stained gloves and cloth remnants before further treatment and elimination by a company authorized by Department of Industrial Works, Ministry of Industry, for this purpose.
- Changed refrigerator insulation foaming agent formula aiming to reduce the volume of insulation foaming agent use while maintaining the product structure solidity and efficiency as specified.

The Company has communicated its environmental policy to all staff members through training and PR campaign, as well as joint activities with employees, trade partners, affiliates and related entities. Moreover, it has set up the Environmental Working Committee and put in place the environment management system (EMS) to ensure its policy is adhered to and regularly updated in an efficient and ongoing manner.

## Outstanding Works

- None -

# RISK FACTORS

The Company attaches importance to risk management which is crucial to the achievement of its objectives and business operation target with sustainable growth. Its risk management is under the governance by its Board of Directors, Audit Committee, and Internal Audit Control Office. The Company has reviewed and monitored emerging risks and uncertainties arising from internal and external factors that are changing rapidly amidst the global economic slowdown, as well as other risk facing the Company at present. This aims to ensure that the Company has sound risk management which can help prevent any possible damage to its business operation. In fiscal 2015, the Company drew up measures for and approaches to assessment and management of risks that may arise and affect its business operation, as follows:

## Risk associated with technology changes and product development

The Company is a manufacturer and distributor of home electrical appliances which are products with ongoing design and development of new models every year, hence vulnerable to risk from technological changes and product development that could cause faster product obsolescence and rapid replacement by new models. The Company must therefore keep abreast of all changing circumstances closely and consistently to mitigate such risk.

The Company has studied product trends to match market demand regularly on a yearly basis and focused more on ongoing application of new environmentally friendly and energy saving technologies to its products. In 2015, the Company used energy-saving Neuro Inverter compressor with its small-size 2-door refrigerator and changed the door panel design of large-size 2-door refrigerator to be grander and more aesthetic. It also developed small-size 4-door refrigerator (L4 Mini) to penetrate new customer groups, especially in export markets, where good responses to its product have been received. Both the energy saving feature and new door design can compete well in the markets.

To cope with risk from faster product obsolescence due to technology changes, for the purpose of control expenses and mitigate such risk the Company will not manufacture products until orders are confirmed by customers and will stock products efficiently according to the inventory management plan which is in line with the monthly business plan. Risk is also managed to respond to unexpected or urgent orders or to replace any defected items during production.

## Risk concerned with trade liberalization and the upcoming advent of ASEAN Economic Community (AEC)

The advent of the AEC by the end of 2015 will bring about drastic changes, i.e. free movements of human resources, capital, labor and trade among ASEAN member countries. The company has assessed potential risks include:

- Price competition: As Thailand has not adopted any non-tariff barriers, imported goods from several ASEAN countries and China are sold at low prices and have no control standards, thus putting consumers at risk of consuming unsafe products and heightening price competition in the domestic market. However, with its rigid quality policy, the Company produces each product at every stage of the process in line with quality and energy-saving specifications and standards. Therefore, it has been able to maintain its market leading position and consumers' confidence all along.
- Restriction in export expansion: Different Customs clearance procedure, sanitation measures and industrial standards prescribed by each country and changes of which every year can be regarded as hindrance to the Company's exports. The Company has to conduct study so as to have in-depth understanding of such procedures and measures before applying to its products. This has made study development and flows of goods between countries take a longer time, and sometimes exports cannot be made to some certain countries, hence loss of sales and market expansion opportunities to other countries. However, with its flexible policy of developing and producing products consistent with international standards, the Company has been able to develop diverse products, with design flexibility, and export its products to all ASEAN member countries by applying product standard certifications of the respective countries before exports.

In addition, the Company has actively expanded and strengthened collaboration with its business partners in each country and each region. It will continue to introduce high quality products that are safe for use and save energy, as well as being attractive and carrying high technology to tap into the markets where possession rates of certain products are still low, which have opened up ample sales opportunities for the Company up to date.

## Risk involved with raw materials and supply chain

- In the past year, risk concerned with raw material prices in the global market became increasingly heightened, notably prices of major raw materials such as plastic, copper and aluminum. Moreover, world oil price fluctuation relatively affected retail prices in the domestic market and pushed up production cost and expense of each product. Such risk has inevitably dampened competitiveness in both local and overseas markets. However, the Company has continued to conduct activity to lower its costs amidst the rising raw material cost, such as exploring raw materials of similar quality and specifications but at lower prices
- Risk from natural disasters at home and abroad will pose impact on the supply chain system, which involves suppliers of parts and raw materials, such as earthquakes in Japan and natural perils in some countries where the Company exports its products. The Company has devised a business continuity plan and adjusted its production strategy to enable delivery of products as planned. In 2014, the Company commenced self-production of printed circuit boards (PCBs) as a way to mitigate risk from shortage of such critical component parts used for production of refrigerators. The Company used to experience shortage of such parts during Thailand big floods in 2011 when suppliers of the parts were hard hit and eventually closed down businesses. The Company's own production line of PCBs will not only safeguard it against lacking critical component parts for the production but also allow it to control the volume of PCBs to vary in line with the refrigerator production plan and also lower its production cost, as well as enhancing employees' high technology skills.

## Financial risk

- Foreign exchange risk to which the Company is exposed arises from sales of products and settlement of purchase prices of goods, raw materials, and machinery and equipment in foreign currencies. The Company has executed a forward contract for a period not longer than one year as a measure to hedge against risk from financial liabilities denominated in foreign currencies.
- Interest rate risk refers to risk arising from any future change in market interest rates which will hurt the Company's operation and cash flow because interest is charged at a floating rate. The Company's management believes that risk incidental to interest rates is insignificant because the Company does not raise any loan and its deposits and other financial assets carry a short maturity period with interest based on the market rate. Therefore, the Company has not made any forward contract to safeguard against such risk.
- Credit risk is risk arising from failure by customers or counterparties to repay debts to the Company as scheduled according to the agreed terms and conditions. The Company has mapped out a credit policy to manage and control this risk by conducting a financial soundness analysis on all customers who apply for credit lines at some levels. However, the Company is confident that there will be no material impact from any uncollectible debts from its customers.

- Liquidity risk is managed by means of maintaining an adequate amount of cash and cash equivalents as required for business operation in order to minimize impact from cash flow fluctuation.

## Labor risk

Labor shortage is a problem facing all sectors in Thailand, especially the private manufacturing sector. The major cause of this problem is the country's very low increase rate of population and workers' increased preference for higher education which accordingly drives them away from the labor sector. This leads to a situation where employers have to compete for labor by offering better compensation and welfare in order to attract more people to work with them. The Company has adopted numerous measures, including competitive pay and welfare, and thus has been able to retain its labor and recruit new workers.

In addition, the Company has built collaboration with vocational educational institutes aiming to enhance their teaching, learning and practical skills, hence relieve the risk of labor shortage to some extent.

## Risk concerned with changes in laws

Thailand has enacted a number of new laws and regulations, pertaining to adjustment to corporate income tax for the designated accounting periods, revision of minimum wage rate based on labor skill, law governing environment, safety and occupational health, energy conservation, regulations on industrial standards, as well as laws and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand with which listed companies must comply, etc. Realizing the importance of this matter, the Company has assigned a work unit to be responsible for following up on the enforcement of the said laws and regulations including reporting to the top management to further command that these applicable laws and regulatory rules be complied with in all respects.

# KYE INFORMATION

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Name in Thai	: บริษัท กั๊นยงอีเลคทริก จำกัด (มหาชน)
Name in English	: KANG YONG ELECTRIC PUBLIC COMPANY LIMITED
Registered No.	: 0107536001257
Main Business	: Manufacturer and exporter of Electric Home Appliance such as refrigerator, Electric Fan , Ventilating Fan, Water Pump and Jet Towel under "Mitsubishi Electric" trademark
Office and Factory	: 67 Moo 11 Bangna-Trad Rd, Km.20, T.Bangchalong, A. Bangplee, Samutprakarn 10540 Tel : 0-2337-2900 (Automatic) Fax : 0-2337-2349-40
Registered Capital	: As at March 31, 2016 : 220 million baht
Home Page	: <a href="http://www.mitsubishi-kye.com">www. mitsubishi-kye.com</a>
Company's Co-ordinator	: Corporate Strategic Planning Office Tel : 0-2-337-2900 (Automatic) Fax : 0-2337-2439-40 E-mail address : <a href="mailto:information@kye.meap.com">information@kye.meap.com</a>

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Reference	
Registrar	: Thailand Securities Depository Co., Ltd. 93 Ratchadaphisek Rd., Dindaeng, Bangkok 10400 Tel : 0-2-009-9000 Fax : 0-2-009-9991
Certified Public Accountant	: Ms.Orawan Sirirattanawong Registration No.3757 and /or Ms.Boonsri Chotpaiboonpun Registration No. 3756 and/or Ms.Patamavan Vadhanakul Registration No. 9832  KPMG Phoomchai Audit Ltd. 48 <sup>th</sup> Ampire Tower, 195 South Sathorn Rd., Bangkok 10120 Tel : 0-2677-2000 Fax : 0-2677-2222 <a href="http://www.kpmg.com">www.kpmg.com</a>
Corporate's Secretary	: Mr.Aniwat Saelim Kang Yong Electric Public Company Limited 67 Moo 11 Bangna-Trad Rd., Km. 20, Bangchalong, Bangplee, Samutprakarn 10540 Tel : 0-2337-2900 ext. 510 Fax : 0-2337-2439-40
Company's Law Advisor	: Mr.Prachak Dokphut Kang Yong Electric Public Company Limited 67 Moo 11 Bangna-Trad Rd., Km.20, Bangchalong, Bangplee, Samutprakarn 10540 Tel : 0-2337-2900 ext. 612 Fax : 0-2337-2439-40

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# CAPITAL STRUCTURE

## Shareholders Structure

The Company has a registered and paid up capital 220 million baht, number of ordinary shares 22 million shares from a par value of 10 baht per share.

Group of 10 Major Shareholders as of March 31, 2016 consists of:

Name	Shares	% of Total Shares
1. Mitsubishi Electric Corporation	8,978,020	40.81
2. Phodhivorakhun Company Limited	1,960,024	8.91
3. K.Y. Intertrade Company Limited	1,773,024	8.06
4. Kang Yong Company Limited	697,324	3.17
5. Mrs. Kamolwan Phodhivorakhun	683,879	3.11
6. Mr. Supachai Suthipongchai	650,000	2.95
7. Mr. Somjin Leelakate	610,000	2.77
8. Mrs. Penchantra Visudtibhan	479,089	2.18
9. Mr. Somchart Sottimai	477,100	2.17
10. Mr. Chayanind Phodhivorakhun	265,583	1.21
<b>Total</b>	<b>16,574,043</b>	<b>75.34</b>

The shareholder group as of March 31, 2016 as follows :

	Total	Total shares	%
1. Mitsubishi Electric Group <sup>*1</sup>	3	9,053,020	41.15
2. Phodhivorakhun Group <sup>*2</sup>	9	5,430,306	24.68
3. Other shareholders	2,413	7,516,674	34.17
<b>Grand Total</b>	<b>2,425</b>	<b>22,000,000</b>	<b>100.00</b>

Remark : - The company has Thai Shareholders 2,389 names or 58.02% of total shares and Foreign Shareholders 36 names or 41.98% of total shares.

\*1. Mitsubishi Electric Group consist of :

- Mitsubishi Electric Corporation	8,978,020	40.81
- Mitsubishi Electric Asia Pte. Ltd.	70,000	0.32
- Setsuyo Astec Corporation Co.,Ltd.	50,000	0.02

\*2. Phodhivorakhun group consist of :

- Phodhivorakhun Co., Ltd.	1,960,024	8.91
- K.Y.Intertrade Co., Ltd.	1,773,024	8.06
- Kang Yong Co., Ltd.	697,324	3.17
- Mrs.Kamolwan Phodhivorakhun	683,879	3.11
- Mr.Chayanind Phodhivorakhun	265,583	1.19
- Mrs.Wattanee Phodhivorakhun	30,672	0.13
- Ms.Lapaslada Phodhivorakhun	9,600	0.04
- Mr.Vorapas Phodhivorakhun	5,600	0.03
- Ms.Bussakorn Phodhivorakhun	4,600	0.02

## Dividend payment policy :

The company has a payment policy to pay dividend approximately 50% of net profit after tax of financial statements in which the equity method is applied which upon the company's operating results and economics situation.

Five years dividend payment history of the Company

Fiscal Year	2014	2013	2012	2011	2010
Earning per Share (EPS)	42.13	23.00	39.08	31.63	28.45
Dividend per Share (DPS)	21.07	11.50	19.55	15.82	14.25
Dividend payment policy (D/P)	50.01%	50.00%	50.02%	50.02%	50.08%

# MANAGEMENT STRUCTURE

The Company's management structure is composed of the Board of Directors and the management. The Board of Directors has altogether 15 members, i.e. five executive directors and 10 non-executive directors. Of all the members, five are independent directors, representing one-third of the total Board members.

The Board has appointed four Board committees, namely Board of Executive Directors composed of four members, Audit Committee composed of three members (all of whom are independent directors), Nomination and Remuneration Committee composed of five members, and Product Pricing Committee composed of five members. Chairmen of Audit Committee, Nomination and Remuneration Committee, and Product Pricing Committee are all independent directors.

## The Board of Directors

The Company's Board of Directors is composed of 15 members, appointed by resolution of the Shareholders' Meeting and 5 independent directors. List of the members of the board of directors as of March 31, 2016, is shown below:

Name	Position	Board of Director Meeting	
		Number of Meeting	Number of Attendance
1. Mr.Praphad Phodhivorakhun	Chairman	6	6
2. Mr.Tsutomu Shimizu	Vice Chairman	6	6
3. Mr.Komol Vongsthongri	Director	6	6
4. Mr.Akira Nakamichi	Director	6	6
5. Mr.Ryuzo Kuro*	Director	6	6
6. Mr.Chackchai Panichapat	Independent Director	6	6
7. Mr.Arthakrit Visudtibhan	Independent Director	6	5
8. Mr.Manu Leopatrote	Independent Director	6	6
9. Pol.Maj.Gen.Sahaschai Indrasukhsri	Independent Director	6	6
10. Mr.Tanabodee Kusinkert	Independent Director	6	6
11. Mr.Minoru Hagiwara*	Director	6	4
12. Mr.Yasumichi Tazunoki	Director	6	4
13. Mr.Tadachi Matsumoto*	Director	6	4
14. Mr.Praphon Potivorakun	Director	6	3
15. Assoc.Prof.Dr.Issaree Hunsacharoonroj (Ph.D)	Director	6	6

Remarks : The Board of Directors' Meeting No.1/2016 on May 25,2016 had appointed new directors replace resigned directors\*.  
(new directors name : Mr.Hirotaka Abo Mr. Shinji Sasaki and Mr. So Suzuki)

## Directors authorized to sign in binding the Company

Authorized directors: Either Mr. Praphad Phodhivorakhun or Mr. Komol Vongsthongsri to co-sign with either Mr. Tsutomu Shimizu or Mr. Akira Nakamichi, making up two signatories to bind the Company, with the Company seal affixed.

## Responsibility of the Board of Directors

The Board of Directors has accountability to the shareholders in relation to the Company's business operation and monitor to ensure business is administered as targeted and brings maximum benefits to the shareholders with upholding of the code of business ethics and due consideration of the interests of all stakeholders.

The Board of Directors is duty-bound to comply with the laws, objectives and articles of association of the Company, and resolutions of the shareholders' meeting, as well as the criteria and regulations of the Stock Exchange of Thailand, Office of the Securities and Exchange Commission, and Capital Supervisory Board established pursuant to the Securities and Exchange Act, B.E. 2535 and the amendment by the Securities and Exchange Act (No. 4), B.E. 2551, and to discharge duties with integrity and prudence and in the best interests of the shareholders both at present and in the long run.

## The Company's management

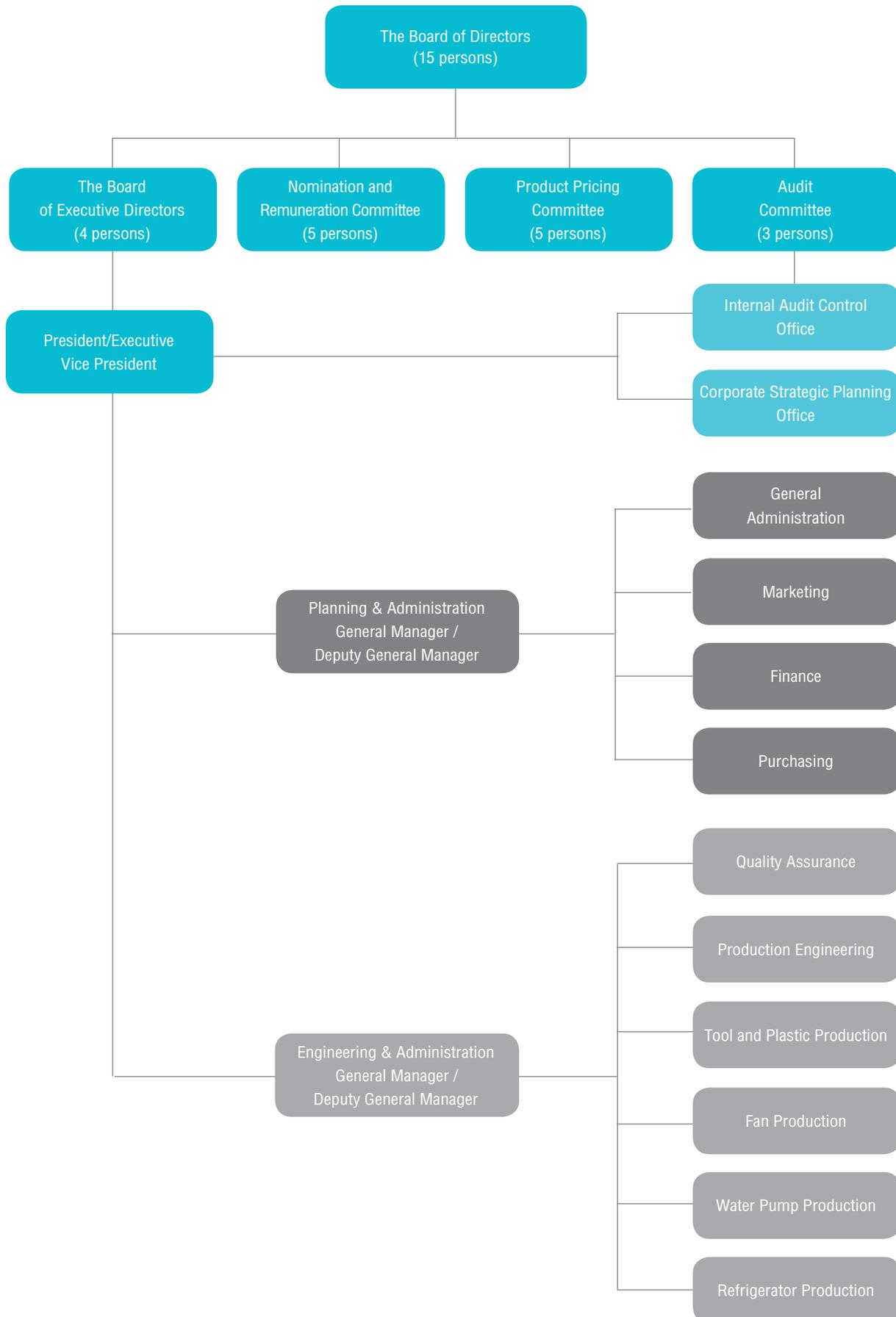
The Company's management\* compose of 17 persons as below:

- |                   |                   |  |
|-------------------|-------------------|--|
| 1. Mr. Praphad    | Phodhivorakhun    | Chairman of The Board of Executive Director  |
| 2. Mr. Tsutomu    | Shimizu           | Vice Chairman of The Board of Executive Director and President                                     |
| 3. Mr. Komol      | Vongsthongsri     | Executive Director and Executive Vice President  |
| 4. Mr. Akira      | Nakamichi         | Executvie Director and Executive Vice President  |
| 5. Mr. Atakrit    | Siwasarit         | Deputy General Manager (Administration) and<br>General Administration Department Manager           |
| 6. Mr. Sinchai    | Kowitwatanapaisal | Deputy General Manager (Production) and<br>Production Engineering Department Manager               |
| 7. Mr. Hirotaka   | Abo               | Deputy General Manager (Production)  |
| 8. Mr. Katsuyoshi | Fujisawa          | Deputy General Manager (Production)  |
| 9. Mr. Aniwat     | Saelim            | Finance Department Manager and Corporate Strategic<br>Planning Office, Department Manager (acting) |
| 10. Mr. Kritsana  | Chatchaivorawong  | Internal Audit Control Office, Department Manager  |

- |                  |                 |  |
|------------------|-----------------|--|
| 11. Mr. Tsutomu  | Sekizawa        | Marketing Department Manager                   |
| 12. Mr. Tomokazu | Asagiri         | Purchase Department Manager                    |
| 13. Mr. Mongkol  | Thadtayatikom   | Quality Assurance Department Manager           |
| 14. Mr. Vinij    | Phromma         | Tool and Plastic Production Department Manager |
| 15. Mr. Pensak   | Plavuthithothai | Fan Production Department Manager              |
| 16. Mr. Arthit   | Manubud         | Water Pump Production Department Manager       |
| 17. Mr. Pornthep | Subromyeen      | Refrigerator Production Department Manager     |

Note: \*The first four executives descending from Chairman of Board of Executive Directors are as designated in the Company's organization structure announced on April 1, 2016, comprising President, Vice President, Deputy General Manager, and Department Manager,

## Management Structure as at April 1, 2016



## The Corporate Secretary

The Board of Directors has approved the appointment Mr. Aniwat Sae-Lim as a Corporate Secretary since May 25, 2016 to comply with the Securities and Exchange Act (No.4) B.E.2551 Section 89/15 and 89/16

### The duties and responsibility of the Corporate Secretary

1. Preparing and keeping the following documents:
  - 1.1 A register of directors
  - 1.2 A notice calling directors' meeting, the minutes of the board of directors and an annual report of the Company
  - 1.3 A notice calling shareholder meeting and the minutes of the shareholders' meeting;
2. Keeping a report on conflict of interests, reported by a director or an executive
3. Arrange the Board of Directors Meeting and Annual General Meeting of Shareholders
4. Orientation and advising the new director
5. Liaise with the regulatory agencies such as the Stock Exchange of Thailand
6. Disclosure and information reporting to the regulatory agencies and public which comply with the law properly.
7. Operating any act that is abided by the Capital Market Supervisory Board and assigned by the Board of Directors.

## Remuneration for Directors and Executives

### Directors' remunerations

The Company paid monthly retainer fee and meeting allowance for during April 2015 -March 2016. The details of the directors' remunerations are as follows:

Name	Position	Remuneration (Thousand Baht )				Total
		BOD	AC	NRC	PPC	
1. Mr.Praphad Phodhivorakhun	Chairman	414		92		506
2. Mr.Tsutomu Shimizu	Vice Chairman	354		92	75	521
3. Mr.Komol Vongsthongsri	Director	282				282
4. Mr.Akira Nakamichi	Director	282			75	357
5. Mr.Ryuzo Kuro*	Director	282				282
6. Mr.Chackchai Panichapat	Independent Director	282	405	92		779
7. Mr.Arthakrit Visudtibhan	Independent Director	255	270		70	595
8. Mr.Manu Leopatrote	Independent Director	282		138	75	495
9. Pol.Maj.Gen.Sahaschai Indrasukhsri	Independent Director	282		92		374
10. Mr.Tanabodee Kusinkert	Independent Director	282	270		75	627
11. Mr.Minoru Hagiwara*	Director	228				228
12. Mr.Yasumichi Tazunoki	Director	228				228
13. Mr.Tadachi Matsumoto*	Director	228				228
14. Mr.Praphon Potivorakun	Director	201				201
15. Assoc.Prof. Dr.Issaree Hunsacharoonroj (Ph.D)	Director	282				282
Total		4,164	945	506	370	5,985

Acronyms :

BOD = The Board of Directors,

AC = Audit Committee,

NRC = Nomination and Remuneration Committee

PPC = Product Pricing Committee

### Management's Remuneration

During April 2015 - March 2016, the remunerations for 5 Executives (Executive directors and Executive managers) for remunerations (i.e. salary and other) are 19.03 million baht.

## Manpower

As of 31 March 2016, the company has 2,324 employees detailed as follows:

Employees of production department 2,084 persons

Employees of production support department 90 persons

Employees of administration department 150 persons

## Compensation of Employees

In the fiscal year 2015, the total payroll expense was 871.6 million baht that namely salary, wages, overtime and bonus. In addition, the Company has provided welfare for employees such as provident funds, medical expenses, and traveling expenses, etc

## Employee Development Policy

To develop company's organizational and employee's individual capabilities, in order to facilitate domestic and oversea business expansion, to cope with new technologies inaugurated to enhance employee skills, knowledge and competencies and also to prepare for more competitive environment in the future, the company has established an organization responsible particularly for employee development and training. Budget is appropriately and sufficiently allocated for development and training in accordance with objectives of each department.

Thus, development and training schemes are determined as follows;

1. Internal Training: The company examines training needs from among superintendent in every level, considers annual management policy together with market trend and environment to determine annual training plan. Internal training will be carried out by inviting instructors with expertise from external domestic or oversea organizations and institutes, to consecutively provide knowledge to employee in each level every year.
2. External Training: The company will let employees participate in training arranged by external organizations and institutes, regarding technical issues, administration, management, based on specialties needed in relevant with their duties.
3. Oversea Training : To enhance readiness and to provide employees with opportunities to learn new know-how and techniques, the company will send managers and staffs to attend meetings, seminars or training course both short and long term regarding technical and vocational issues, administration, management, safety, occupational health and environments arranged at Mitsubishi Electric Corporation in Japan.

In addition to development and training plan to increase employee skills and knowledge as stated above, the company has established rank and position determination regulation in order to clarify career path and increase employee morale in every level. The company will motivate, encourage and support employee to obtain career competencies and opportunities to grow and progress through career path in correlation with their knowledge, competencies and experiences.

# CORPORATE GOVERNANCE

## Policy on Corporate Governance

The Company is determined to operate business in a fair, transparent and examinable manner under its corporate governance policy. The Board of Directors and the Board of Executive Directors adopt and direct the operational policy of the Company by giving importance to internal control and audit systems and supervising management to ensure that the Company's objectives and policies are efficiently satisfied within the purview of the laws and the code of business ethics.

In fiscal 2015, the Company complied with the five categories of corporate governance principles as follows:

### 1. Rights of Shareholders

The Company recognizes the rights of shareholders to access correct and adequate information of the Company on a timely and equal basis. To such end, a shareholders' meeting is set to be held at an easily accessible venue, primarily for shareholders' convenience, to allow for the shareholders to attend and exercise their right at the meeting in an equitable manner. Those who are not convenient may appoint a proxy or any of the Company's independent directors, who also are members of the Audit Committee, to attend the meeting and cast votes on their behalf. Moreover, the Company's information is made available through the Stock Exchange of Thailand's SET Portal Straight Through system.

The Company submits notice of the shareholders' meeting together with documents containing complete and sufficient information for the meeting to the shareholders in advance as required by laws and also providing important details of the proposed issues, rationale and necessity, and opinion of the Board of Directors. In 2015, the Company convened one annual general meeting of shareholders on Friday, July 24, 2015 to enable the shareholders to consider, comment or vote on the proposed issues properly at the meeting. Members of the Board of Directors, the Audit Committee and other Board committees, as well as the certified public accountants and the management of the Company, were present at the meeting to answer all queries raised by the shareholders on an equitable basis. Questions and answers were correctly and completely recorded in the minutes of the shareholders' meeting. The Board of Directors establishes that the minutes of the shareholders' meeting are prepared and made available on the Company's website within 14 days after the meeting date for the shareholders' ease of reference and examination.

The meeting was carried out as in the order set in the agenda without addition of any items. Votes casting was through the ballot forms, and barcode was used in the registration and vote counting processes for time saving. Duty stamps were prepared for the shareholders' convenience in proxy appointment.

## 2. Equitable Treatment of Shareholders

The Company fully conforms to the code of best practices in relation to rights of the shareholders. In particular, the shareholders are given the right to propose agenda items for the annual general meeting and/or to nominate candidates for director election in advance, thus signifying a fair treatment of all shareholders. For the 2015 Annual General Meeting of Shareholders, the Company arranged for the shareholders to propose agenda items for the said meeting and/or nominate qualified persons for director election in advance during January 19-March 16, 2015 and so notified the shareholders through the SET. Moreover, the Company posted information on its website at [www.mitsubishi-kye.com](http://www.mitsubishi-kye.com), giving details about the procedure and method of consideration in a clear and transparent manner. For the 2015 Annual General Meeting of Shareholders, none of the shareholders proposed agenda items for such meeting and/or nominated qualified candidates for director election.

As for the 2016 Annual General Meeting of Shareholders, scheduled for this July, the Company has similarly given the shareholders the right to propose agenda items for the meeting and/or to nominate candidates for director election in advance, by forwarding their proposed agenda items and director nomination to e-mail address at [information@kye.meap.com](mailto:information@kye.meap.com) or by fax or registered mail during January 20-March 18, 2016, the matter of which was already notified by the Company to the SET, none of the shareholders proposed agenda items for such meeting and/or nominated qualified candidates for director election.

The Company has also provided convenience to non-Thai shareholders by making available meeting notice and relevant meeting documents in English version with due regard to their equitable rights as the shareholders of the Company.

## 3. Roles of Stakeholders

The Company is aware of and attaches importance to rights of all groups of stakeholders both in and outside the organization, including customers, shareholders and employees, in accordance with good corporate governance practices. The Company holds various meetings such as shareholders' meetings, meetings with customers and with vendors in order to strengthen mutual relationships to ensure fairness of price negotiation, and meetings with the Company's labor union. By doing so, all groups of stakeholders can be favorably treated and good relationships can be maintained between the Company and each group of stakeholders, as follows:

## Shareholders

The Company recognizes the caring and respect for rights of the shareholders in accordance with corporate governance principles, as described in the topics 'Rights of Shareholders' and 'Equitable Treatment of Shareholders.'

## Employees

1. Employees are provided with fair and reasonable compensation and welfare as follows:
  - Staff shuttle buses are provided for employee transport between the office and their residences.
  - There is a company canteen offering hygiene food at a reasonable price.
  - Annual scholarships are granted to employees' children from elementary school to bachelor's degree levels.
  - Other fringe benefits are also offered to employees at all levels, comprising wedding celebration, maternity leave, assistance in case of death of employees or any of their family members, provident fund, yearly health check-up, and savings cooperative.
2. A safe workplace has been maintained to ensure security of employees' life and properties.
3. Employee promotion, rotation, rewarding and punishment are conducted in a fair and ethical manner based primarily on the individual employees' educational background, competence and justification.
4. Importance is given to employees' equal opportunity of knowledge, capability and skill development on a consistent basis.
5. All applicable employee-related laws and regulations are strictly observed.

## Customers

1. Products of the quality that meets or exceeds customers' expectation are delivered to customers under fair terms and conditions.
2. Customers are provided with correct, adequate and up-to-date information about products and services to be a basis for their buying decision. No exaggerated message shall be sent, whether through advertising or any other communication media, which could cause misrepresentation of quality, quantity or any conditions about the products and services among the customers.
3. Customers' confidential information is strictly treated and is not unethically used for personal benefit or for the benefit of any related party.
4. Customers' requirements are promptly satisfied and an efficient communication system and channel is provided for customers to file their complaints about product and service quality.
5. Consistent efforts are made on research, development and production of quality and safe products.

### **Trade Competitors**

1. The Company abides by the fair competition rules.
2. The Company will not acquire its competitors' trade secrets by any unlawful or improper means.
3. The Company will not defame its competitors with any false or unethical accusation.
4. The Company has a policy in place to perform in compliance with the fair trade rules and laws, both at home and in the regions where its business is located, as well as anti-monopoly law and other trade competition laws.
5. The Company will not infringe the intellectual property rights or any other rights in relation to intellectual property of others.

### **Business Partners and/or Creditors**

1. Creditors are treated fairly and equitably with fair benefits to both parties.
2. All agreements and agreed terms and conditions are strictly honored. In the case where any condition cannot be fulfilled, the Company will promptly notify its business partners and/or creditors in order to jointly seek remedial measures.
3. In making any business deal, a demand, receipt or seeking of any improper benefit must be avoided.
4. If any such demand, receipt or seeking of improper benefit is discovered, it must be notified to the creditors in order to jointly solve the problem in a fast and fair manner.
5. In the acquisition, procurement and selection of a trade partner company, such factors as quality, price, delivery period, technology and consistency in product supply will be taken into consideration.
6. A correct, complete and punctual financial report must be regularly submitted to the creditors.

### **Society, General Public and Environment**

1. The Company has inculcated in its employees the social and environmental awareness and responsibility in accordance with the ISO 14001 standard.
2. The Company is responsible for and committed to preserving the environment as well as the custom and tradition of the local communities where it operates.
3. The Company regularly implements activities, both on its own and through joint effort with the government sector, for the development of the society, community and environment so as to upgrade quality of life in the communities where it operates.
4. Attempts are made to prevent an accident and control waste discharge to be better than the acceptable level.
5. The Company will promptly and efficiently address any issue arising from its operation that affects the environment and the community and will fully cooperate with the government sector and other concerned agencies.

## 4. Information Disclosure and Transparency

The Company has disclosed information as required by the SET such as financial reports, changes of directors and members of board committees, approval of connected transactions, etc. via the SET Portal Straight Through system after every Board of Directors' meeting or shareholders' meeting, and already published such information in the annual report (Form 56-2) and annual registration statement for 2015 (Form 56-1) covering report on operating results, financial statements, management's discussion and analysis, and report on the Board of Directors' responsibility for the financial statements to ensure transparency for the benefits of the shareholders. Investors can also ask for more information by contacting its Investor Relations Division at telephone number 02-337-2900 Ext. 510 or at e-mail: [information@kye.meap.com](mailto:information@kye.meap.com).

The Company has established that its directors, executives and persons related thereto are duty-bound to prepare and present to the Company report on changes in their holdings of the securities of the Company within three business days from the date of change. Directors, executives and persons related thereto are also required to report the Company of their beneficial interests and those of persons related thereto. The Company Secretary is tasked to compile report on their changes in securities holdings and put in the agenda for information at the Board meeting on a quarterly, and send a copy of report on beneficial interests to Chairman of the Board and Chairman of the Audit Committee on a semi-annual basis.

## 5. Responsibility of the Board of Directors

The Company operates business by upholding the code of business ethics and business administration philosophy and is well aware of its corporate responsibility for the society at large. It encourages the directors, the management and all staff members to discharge duty under eight aspects of business ethics, encompassing compliance with laws, respect for human rights, contribution to society, creation of unity in the local community, participation in environmental problem solving, awareness of one's duty as a workplace member, promotion of good cooperation with stakeholders, and management of conflict of interest by putting in place a rigid control process to ensure a fair and transparent business operation.

At present, five out of the total 15 board members of the Company are independent directors, which is in compliance with the corporate governance practices requiring that at least one-third of total number of directors should be independent directors. This helps to ensure that the shareholders' rights and benefits will be taken care of and the Company's benefits fully protected. It also leads to checks and balances in the board structure since 10 of them are non-executive directors and five are executive directors. Under such board composition, the non-executive directors are able to render opinion fully and independently in the consideration on all issues at the board meeting.

The Company has segregated the position, power and duty, and persons between the board chairman and the president in order to maintain checks and balances between them. It also established the Board of Executive Directors to consider crucial matters with due care and for the utmost benefit to the Company.

## Attendance of Directors

In fiscal 2015, the Company held a total of six Board of Directors' meetings. Meetings of other board committees consisted of five meetings of the Audit Committee, three meetings of the Product Pricing Committee, and two meetings of the Nomination and Remuneration Committee, whereas the Board of Executive Directors held the meeting twice a month in order to enable the Company to carry on its operation with flexibility and efficiency. Most of the directors regularly attended the meeting. Details of meeting attendance by the individual directors are as tabulated below:

Information as at March 31, 2016

Board of Directors	No. of attendance/No. of meetings held				
	BOD	AC	PPC	NRC	Total
1. Mr. Praphad Phodhivorakhun	6/6			1/1	7/7
2. Mr. Tsutomu Shimizu	6/6		3/3	1/1	10/10
3. Mr. Komol Vongsthongsri	6/6				6/6
4. Mr. Akira Nakamichi	6/6		3/3		9/9
5. Mr. Ryuzo Kuro	6/6				6/6
6. Mr. Chackchai Panichapat	6/6	5/5		1/1	12/12
7. Mr. Arthakrit Visudtibhan	5/6	5/5	2/3		12/14
8. Mr. Tanabodee Kusinkert	6/6	5/5	3/3		14/14
9. Mr. Manu Leopairote	6/6		3/3	1/1	10/10
10. Pol. Maj. Gen. Sahaschai Indrasukhsri	6/6			1/1	7/7
*11. Mr. Minoru Hagiwara	4/6				4/6
*12. Mr. Yasumichi Tazunoki	4/6				4/6
*13. Mr. Tadashi Matsumoto	4/6				4/6
14. Mr. Praphon Potivorakun	3/6				3/6
15. Asso. Prof. Dr. Issaree Hunsacharoonroj	6/6				6/6

Note Definition of each committee meeting:

\* = These directors live abroad and provide technology and overseas marketing support for the Company and, therefore, were unable to join all meetings.

BOD = Board of Directors

AC = Audit Committee

PPC = Product Pricing Committee

NRC = Nomination and Remuneration Committee

### Self Assessment of the Board of Directors

According to the good corporate governance for listed companies, it is suggested that listed companies' board of directors and committee members should assess their performance at least once a year so as to allow them to jointly evaluate their performance and seek rectification and improvement measures. The Company has properly reviewed its Board self-assessment guidelines and criteria to be consistent with those of the Stock Exchange of Thailand. The Board meeting on February 12, 2016 accordingly approved for the Company to have self assessment of the Board of Directors conducted at least once a year only as a whole Board in the first place as the Company has just implemented such assessment for 2015 as the first year. The Company by the Company Secretary sent the Board members the self-assessment form in April 2016 for the Board to evaluate their 2015 performance, and the result of which was reported to the Board meeting on May 25, 2016. The Board's self-assessment result for 2015 comprised three sections:

1. Board structure and qualifications
2. Board meeting
3. Roles, duties and responsibilities of the Board

In conclusion, the average score earned is 3.83 compared with the full score of 4. All criteria points have good average score (in a 3.0-4.0 range), reflecting the Board's performance of duties according to the good corporate governance principles at a very good level.

Note: Scoring system and definition:

0 = Strongly disagree or never conducted

1 = Disagree or seldom conducted

2 = Fair or moderately conducted

3 = Agree or well conducted

4 = Strongly agree or excellently conducted

## Board Committees

The Board of Directors appointed four board-level committees to help study and scrutinize matters as deemed necessary, details of which are as follows:

### 1. Board of Executive Directors

was appointed by the Board of Directors, composed of four members:

- |                |                |   |
|----------------|----------------|---|
| 1. Mr. Praphad | Phodhivorakhun | Chairman of the Board of Executive Directors      |
| 2. Mr. Tsutomu | Shimizu        | Vice Chairman of the Board of Executive Directors |
| 3. Mr. Komol   | Vongsthongsri  | Executive Director                                |
| 4. Mr. Akira   | Nakamichi      | Executive Director                                |

Authorized signatories: Either Mr. Praphad Phodhivorakhun or Mr. Komol Vongsthongsri is authorized to co-sign with either Mr. Tsutomu Shimizu or Mr. Akira Nakamichi, making up two authorized persons, with the Company's seal affixed.

#### Duty and Responsibility of the Board of Executive Directors

It has duty to manage the Company on behalf of the Board of Directors, determine all policies, monitor and supervise the management to ensure the established policies are fulfilled, as well as screen and endorse any business to be further submitted to the Board of Directors for acknowledgement and/or for approval pursuant to the relevant criteria.

### 2. Audit Committee

was appointed by the Board of Directors, composed of three independent directors:

- |                  |             |                                 |
|------------------|-------------|---------------------------------|
| 1. Mr. Chackchai | Panichapat  | Chairman of the Audit Committee |
| 2. Mr. Arthakrit | Visudtibhan | Member of the Audit Committee   |
| 3. Mr. Tanabodee | Kusinkert   | Member of the Audit Committee   |

#### Duty and Responsibility of the Audit Committee

It has duty to review the adequacy of the Company's internal control and management system and risk management system established by the management, review financial information, review the Company's legal and regulatory compliance to ensure the Company has in place a good corporate governance system and an appropriate, efficient and effective management as specified in the Audit Committee Charter, and then report the results to the Board of Directors for acknowledgement and/or for approval.

### 3. Nomination and Remuneration Committee

was appointed by the Board of Directors, composed of five members:

- |                             |                |   |
|-----------------------------|----------------|---|
| 1. Mr. Manu                 | Leopairote     | Chairman of the Nomination and Remuneration Committee |
| 2. Mr. Praphad              | Phodhivorakhun | Member of the Nomination and Remuneration Committee   |
| 3. Mr. Tsutomu              | Shimizu        | Member of the Nomination and Remuneration Committee   |
| 4. Mr. Chackchai            | Panichapat     | Member of the Nomination and Remuneration Committee   |
| 5. Pol. Maj. Gen. Sahaschai | Indrasukhsri   | Member of the Nomination and Remuneration Committee   |

#### Duty and Responsibility of the Nomination and Remuneration Committee

1. To establish, and ensure clarity and transparency of, the policy, rule and method for nomination and remuneration of the Directors, Executive Directors and members of other board committees and propose for the Board of Directors' approval.
2. To nominate, select and propose qualified persons, as defined by the Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), to serve as the Directors, Executive Directors and members of all board committees for approval by the Board of Directors.
3. To review the structure of the Board of Directors and remuneration in conformity with changes in rules and regulations of the SEC and the SET by basing on the core structure of the Board of Directors, Board of Executive Directors and all board committees, and to review and ensure that it fits with the Company's business status and is commensurate with their duties and responsibilities for further approval by the Board of Directors.
4. To review and amend the NRC Charter to conform to changes in rules and regulations of the SEC and the SET.
5. To perform any tasks as assigned by the Board of Directors and concerned with directors' nomination and remuneration.

## 4. Product Pricing Committee

was appointed by the Board of Directors, composed of five members:

**Group 1** Two committee members who represent the stakeholders, namely Kang Yong Electric Plc. and Mitsubishi Electric Kang Yong Watana Co., Ltd.:

- |                |           |   |
|----------------|-----------|---|
| 1. Mr. Tsutomu | Shimizu   | Member of the Product Pricing Committee |
| 2. Mr. Akira   | Nakamichi | Member of the Product Pricing Committee |

**Group 2** Three independent directors:

- |                  |             |   |
|------------------|-------------|---|
| 1. Mr. Arthakrit | Visudtibhan | Chairman of the Product Pricing Committee |
| 2. Mr. Manu      | Leopairote  | Member of the Product Pricing Committee   |
| 3. Mr. Tanabodee | Kusinkert   | Member of the Product Pricing Committee   |

### Duty and Responsibility of the Product Pricing Committee

- To monitor and ensure that the Company's management determines prices for Mitsubishi Electric Kang Yong Watana Co., Ltd. in compliance with the Company's pricing policy, whereby prices shall be set at standard production cost plus a weighted average margin on all product categories of at least 20%.
- To sign off every agreeable pricing with Mitsubishi Electric Kang Yong Watana Co., Ltd., whereby if there is any change in price that causes the Company to be unable to comply with the pricing policy, the Company shall add the standard production cost with an additional weighted average margin on all product categories of at least 10% and shall provide rationale thereof and seek unanimous approval from the Product Pricing Committee.
- To monitor and ensure that the Company's management implements the pricing policy with integrity and due care and for the benefit of the Company. In the event that the Board of Directors discovers any act or omission of an act that causes damage to the Company, the Board of Directors shall take action to ensure the Company is compensated for such damage.

# Nomination and Appointment of Directors and Top Management

## Nomination of Independent Directors

The Company considers its independent directors' qualifications based on the criteria set forth in notification of the Capital Market Supervisory Board, as follows:

1. Not holding shares more than 1% of the total number of voting shares of the company's its associates, major shareholders or controlling persons including shares held by related persons of the independent director.
2. Not being or having previously been an executive director, employee, staff or advisor who receives a regular salary of the Company , or a controlling person of the Company or its associates or major shareholder, unless the foregoing status ended not less than two years prior to the date of appointment.
3. Not being a person related by blood or registration under law, such as a father, mother, spouse, sibling, or child, including spouses of children of others directors, executives, major shareholders, controlling persons, or persons to be nominated as directors executives or controlling persons of the Company or its associates.
4. Not having or having previously had a business relationship with the Company, its subsidiary, major shareholder or controlling person, in a manner which may interfere with the independent director's independent judgment; and not being or having previously been a substantial shareholder or controlling person of the Company, unless the foregoing status ended not less than two years prior to the date of appointment.
5. Not being or having previously been an auditor of the Company, its associates, major shareholder or controlling person; nor being a substantial shareholder, controlling person or partner of an audit firm which employs auditors of the Company, its associates, major shareholder or controlling person, unless the foregoing relationship ended not less than two years from the date of appointment.
6. Not being or having previously been any kind of professional advisor including a legal advisor or financial advisor who receives an annual service fee exceeding two million baht from the Company, its associates, major shareholder or controlling person; and not being or having previously been a substantial shareholder, controlling person or partner of the professional advisor, unless the foregoing relationship ended not less than two years from the date of appointment.
7. Not being appointed as a representative of the Company's director, major shareholder or a shareholder who is a related person of the major shareholder.
8. Not conducting any business which is of the same nature as, or in competition with, the business of the Company or its associates in material aspect; nor being a substantial partner of a partnership, or an executive director, employee, staff or advisor who receives a regular salary, or a shareholder holding more than 1% of the total number of voting shares of any entity whose business is of the same nature as and in competition with the business of the Company or its subsidiary in any material aspect.
9. Not possessing any other characteristics which lead the independent director to be unable to render independent opinion regarding business affairs of the Company.

## Nomination of Directors

In the appointment of directors, the Nomination and Remuneration Committee (NRC), whose three members, out of its total five members, are independent directors, has duty and responsibility for selecting and screening qualified persons as prescribed in the Company's Articles of Association and nominating the qualified persons based on the structure, size and composition of the Board of Directors for independent directors' qualifications shall be set forth in notification of the Capital Market Supervisory Board.

The Company provides an opportunity for the minority shareholders to participate in nominating qualified persons within a specified timeframe and under the established conditions. Names of candidates proposed by NRC and minority shareholders will be considered through the nomination process, taking into account factors such as knowledge, competence and track record of the candidates. The said nomination is proposed to the Board of Directors for approval and then to the shareholders' meeting for further election of directors under the following rules:

1. Directors shall be elected at the meeting of shareholders under the following rules and procedures:
  - (1) A shareholder has votes equal to one share per one vote.
  - (2) In the director election, votes shall be cast for either an individual or total number directors to be elected at such meeting of shareholders, as deemed fit by the meeting. In the election of either an individual or several directors, each elected person shall receive votes from a shareholder in the full amount of shares held by that shareholder under (1). The shareholder shall not divide his or her votes to any person in any number.
  - (3) The candidates shall be appointed as directors in order descending from the highest number of votes received to the lowest, and in the number of directors required in such election. In the case where there is an equality of votes cast for candidates in lower order causing the number of directors to be greater than that required, the chairman shall have a casting vote.
2. In case of any vacancy of the Board of Directors occurring for any reason other than by rotation, the Board of Directors may elect any person having qualifications and not possessing any prohibited characteristics prescribed in Section 68 of the Public Limited Companies Act B.E. 2535 as amended by the Public Limited Companies Act B.E. 2544 as director to fill the vacancy in the next meeting.

Resolution of the Board of Directors in the first paragraph shall be passed by a vote of at least three-fourths of the total number of remaining directors. Nomination of candidates for director election shall be considered by the Nomination and Remuneration Committee before proposing to the meeting of shareholders to pass a resolution thereon, as the case may be.

## Monitoring of Associated Companies

The Board of Directors has a mechanism for overseeing and controlling associated companies with responsibility for their operation in order to protect the Company's interest in such investment. The meeting of the Board of Executive Directors shall appoint a director or executive as representative of the Company to serve as director of its associated company, having duty to determine policies that are crucial to business operation, give approval, express opinion and follow up on the operation of such entity.

## Control of Insider Information

The Company has in place measures for managing security of its confidential business information, including not only trade secrets but also other material information, so as to prevent any leak of such information as well as prevent any executive or work unit that has access to insider information from disclosing it to any third party or any person unrelated to the Company's business, except for the top executives or the persons designated by the Company. The said measures help to prevent the use of insider information for personal benefit or for the benefit of other parties, whether directly or indirectly.

In addition, the Company discloses the holding of securities by its directors, top management and finance department manager in the annual report. Any change in such securities holding shall be reported to the SEC in accordance with Section 59 of the Securities and Exchange Act, and also notified to the Company Secretary for preparing a report on change of securities holding and outstanding amount of securities holding by the directors and top management for further submission to the next meeting of the Board of Directors.

## Auditor's Remuneration

- **Audit fee**

The Company paid an audit fee for the past year to KPMG Phoomchai Audit Ltd., with which its auditor was working, in a total amount of 1,133,000 baht.

- **Non-audit fee**

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# CORPORATE SOCIAL RESPONSIBILITY (CSR)

## Overview Policy

The Company is well aware that the key factors contributing to a corporate success and sustainable development are gauged not only by profit and financial performance but also by value and benefit the Company can create for consumers and the society at large. As such, corporate social responsibility, or commonly cited as CSR, plays a pivotal role in the conduct of business and the survival of organizations in all sectors. The Company therefore incorporates CSR into one of its key management policies, titled "Enhancement of Business Security and Stability." The objective is to strengthen its management system fundamentals, encompassing quality system, environment, safety standard, legal compliance, code of conduct, corporate governance, corporate social responsibility, and fair treatment of stakeholders such as employees, customers, trade partners, shareholders and social community.

Having embedded CSR principles into its operation so as to enhance the overall management system, the Company in 2015 received distinguished awards from government agencies and internationally accepted private organizations. These awards bear testimony to the Company's achievements in workplace operation, employee caring, energy and environment conservation, and best home appliances design with highest safety standard.

- In 2015, the Company received Outstanding Workplace Award for Labor Relations and Welfare from Department of Labor Protection and Welfare, Ministry of Labor for nine consecutive years.
- In 2015, the Company received Good Design Award from Japan for its refrigerators from Reader's Digest for the fourth straight year. Its DC desk fans also won such award.



## Stakeholder Connecting

In assessing the stakeholders, the Company's work units in charge of dealing with groups of stakeholders have through joint meetings and communication via email: [information@kye.meap.com](mailto:information@kye.meap.com) compiled complaints, recommendations and comments from the stakeholders for use as guidelines in improving the Company's operations and response to meet the expectations of all groups of stakeholders appropriately and in line with the code of ethics no. 7 "relationship with stakeholders." It aims to operate business and foster relationship on the basis of integrity and fairness in order to promote good cooperation that would bring about sustainable development and growth.



## Sustainability Issues from stakeholder groups

Stakeholders	Requirements	Process	Guidelines and Strategy
Employees	<ul style="list-style-type: none"> <li>• Fair remuneration and proper welfare suited for economic conditions</li> <li>• Career stability and advancement</li> <li>• Well-being and safety at workplace</li> <li>• Access to ongoing skill and knowledge development</li> </ul>	<ul style="list-style-type: none"> <li>• Regular survey of remuneration pay market</li> <li>• Development of career path plan</li> <li>• Welfare Committee, and Occupational Health and Safety Committee</li> <li>• Preparation of personnel development roadmap</li> <li>• Communication channel between the Company and employees via Intranet</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of employees' fundamental rights pursuant to work regulations.</li> <li>• Providing remuneration and other benefits on a par with the industry</li> <li>• Arrangement of work environment to ensure safety and good sanitation supportive to good work performance</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Punctual delivery of safe and quality products in the required quantity</li> <li>• Offering of products at reasonable prices</li> <li>• Other services supportive to economic, social and environmental issues</li> <li>• Trade agreements under fair conditions</li> <li>• Keeping customers' information confidential</li> <li>• Accurate information on products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Survey of customer satisfaction</li> <li>• Making available system and channel for customers to lodge complaints on product and service quality and safety</li> <li>• Holding meetings for sharing of information and comments</li> <li>• Giving technical support to customers regarding use of the Company's products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Research, development and production of safe and energy-saving products</li> <li>• Quality policy</li> <li>• Training on technical knowledge and provision of products knowledge to dealers</li> <li>• Business contract regulation</li> </ul>

Stakeholders	Requirements	Process	Guidelines and Strategy
Supplier	<ul style="list-style-type: none"> <li>• Equitable treatment of business partners and fairness in procurement</li> <li>• Fair consideration and agreements</li> <li>• Strict observance of agreements and conditions agreed upon</li> </ul>	<ul style="list-style-type: none"> <li>• Making available transparent and examinable procurement system</li> <li>• Holding annual meetings to give explanation on the procurement policy for suppliers' information</li> <li>• Holding meetings to track work progress to be in line with the plan on a continuous basis</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with procurement rules and regulations , such as those regarding selection of procurement sources</li> <li>• Rules and regulations regarding inspection and follow-up of procurement sources</li> <li>• Compliance with fair trade conditions</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Bringing about worthwhile investment returns, both short-term and long-term</li> <li>• Build business growth and security</li> <li>• Transparency and fair of management, with adequate and timely disclosure of information</li> </ul>	<ul style="list-style-type: none"> <li>• Holding annual general meetings of shareholders to allow for shareholder to exercise voting rights and express opinions on an equitable basis</li> <li>• Making available contact channel through Corporate Secretary and Company website</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure of Company information in annual report, form 56-1, and press release</li> <li>• Provide a complaint channel filing</li> <li>• Additional channel for communication and disclosure of information, such as website</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Environment protection</li> <li>• Fostering of quality of life and good relationship with the community</li> <li>• Participation in community activity and respect for and preservation of local custom and tradition</li> </ul>	<ul style="list-style-type: none"> <li>• Social activities and campaigns</li> <li>• Hearing and sharing of opinions</li> <li>• General Administration Department is key in coordinating with the community</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous communication with community leaders regarding community development</li> <li>• Regular cooperation with government sector in running activities of social and environmental contribution</li> </ul>
Government agencies	<ul style="list-style-type: none"> <li>• Compliance with relevant laws, rules and regulations</li> <li>• Management of environmental quality and caring for the community</li> </ul>	<ul style="list-style-type: none"> <li>• Attending seminars and training courses arranged by government agencies and coordination with relevant government agencies</li> <li>• Official or unofficial meetings and consultation with government agencies regarding regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring abreast of developments of laws, rules and regulations</li> <li>• Making reports completely and by the regulations set forth</li> <li>• No payment to government officers without reasonable grounds</li> </ul>

## CSR in Process

CSR Practices according to the SET's principles are divided into eight categories as follows:

### 1. Fair Business Operation

The Company is steadfast in conducting business ethically and transparently based on its management philosophy with awareness of corporate responsibility for the society at large. It encourages the directors, management and all staff members to perform duty under the code of ethics and in line with the Mitsubishi Electric Group Conduct Guidelines, which the Company first communicated to its employees as work rules in 2007 and has revised from time to time to suit the circumstances, as below:

#### 1.1 Fair Competition

- The Company adheres to the principle of conducting business in strict conformity with rules and laws governing trade competition and monopolization, both domestically and overseas, as specified in the "Mitsubishi Electric Group Conduct Guidelines."The Company has put in place "criteria for compliance with trade competition law" for internal implementation regarding "do's and don'ts" about meetings of trade associations or meetings and transactions with competitors to prevent Cartel grouping under trade competition and anti-monopoly law in its handbook for meetings and transactions with competitors since December 24, 2015. To ensure right understanding and practice according to such criteria, it has planned for training to executives and staff across the organization in June 2016.
- The Company will not consent to, agree to, or exchange information with competitors in a way that could unreasonably restrict competition regarding products, prices, production, salability, sales conditions, bidding, or any other agreements, whether verbal or in writing, or expressed or implied. It will not have communication with competitors in any manner that could reasonably cause unfair competition.
- The Company has worked out "procedure regarding intellectual property" as follows:
  - The Company upholds its own entrepreneurial honor and dignity in its capacity as manufacturer and endeavors to create intellectual property to which it shall be entitled, and which it shall maintain and utilize in an efficient way by complying with the applicable laws, whether Thai or foreign. In 2015, the Company was awarded petty patent for the invention of propeller blade of its W85-405Q5 water pump and petty patent for the invention of steel pipe to fortify its W85-405Q water pipe. It also applied for registration of patent for its ventilating fan design on account of its continuous product development with product quality, safety and energy saving taken into consideration.
  - The Company shall not infringe any intellectual property or other relevant rights of other parties under any circumstances. Executives and employees are required to use products and services with patent and copyright.

## 1.2 Responsibility for Supply Chain

The Company has systematically, scrupulously and clearly formulated a socially responsible procurement policy, entailing procurement control, supply source assessment, supplier selection, and so on. In doing so, it adheres to the ethical standards on “discharge of duty with integrity and righteousness while maintaining cordial relationship with business partners” through mutually supporting cooperation as if being alliances in terms of technology, safety, output expansion, environmental problem reduction, and quality standard upgrade, so that they could move together toward business strength and stability.

## 2. Anti-Corruption

The Company has issued corruption prevention best practices in line with the code of ethics No. 6 Re: “Awareness of One’s Duty” and No. 8 Re: “Tackling of Conflict of Interest,” covering matters such as treatment of the Company’s properties and information and prevention of the use of power and duty for any personal benefit or for the benefit of one’s associates by adopting the principle for conducting business in a fair, transparent and examinable manner. Executives and employees are required to comply with Mitsubishi Electric Group Conduct Guidelines regarding regulation prohibiting improper payments, whether to public officials or private companies, directly or indirectly, for the purpose of unfairly obtaining benefit. They will accept gifts or otherwise from customers and trade partners only to the extent permitted by internal rules and procedures, laws and business practices and never for the purpose of personal benefit.

In 2015, The Company was assessed for its progress in prevention of involvement in corruption (Anti-Corruption Progress Indicator) from Thaipat Institute, with the assessment result at Level 3 Established (availability of communication with and training for employees on anti-corruption practice guidelines). This has exhibited the Board of Directors’ strong determination to fight corruption in the society. However, to get prepared for being certified as a member of the Private Sector Collective Action Coalition Against Corruption Council (CAC), the Company has participated as a member of Partnership Against Corruption for Thailand (PACT) in the first place, which would encompass stages from giving a pledge and preparing an anti-corruption policy to working out an action plan for translation into practice.

### Translating Code of Ethics into Practice

- Personnel and Training Section has formulated plans for training of all staff members on the code of ethics, aiming to instill in them the ethical standards in performing duty and enable them to apply the code efficiently and effectively to their work. It is thus necessary for the employees to understand and recognize the importance of compliance with the applicable rules, regulations and laws. For evaluation purpose, the trainees are required to do a test on the topic after completion of the training with a pass score of at least 80%. For 2015, the Company has developed its training and evaluation programs through e-learning system.

- The Company makes available channels for all groups of stakeholders to make complaint or report any incident or activity (whistle blowing) that could lead to a breach of laws, rules, regulations and/or moral and ethical standards and, hence, may cause damage to the Company. Under the guidelines that are communicated to them on a yearly basis as usual, those who come across any such misconduct shall gather as much information, clue and evidence as possible and forward them in documented format directly to the Company at the following address:

To: Chairman of the Board of Directors and/or President  
Kang Yong Electric Plc.  
P.O. Box 49, Bangna Tower 10541

Such information will be directed to the Chairman and/or President and be treated in strict confidence in order to protect, and prevent against any adverse impact on, the reporter. They will take investigative action in a fair manner by basing on the obtained information and evidence and decide on how to solve or deal with such issue without delay and as deemed appropriate. To ensure that the information is reported with sincerity and justice, to certify that it is truthful information, the reporter is to clearly indicate his/her full name and contact address. The Company may ask for more details from the reporter if deemed necessary. In the past year, there was no such information reported to the Company.

### 3. Respect for Human Rights

The Company operates business by fostering respect for human rights without discrimination as to nationality, race, religion, social status or disability of its employees. It makes certain that no harassment of human right or discriminative action takes place, while upholding a fair practice and ensuring job security for employees at all levels. Job opportunities are provided for non-Thai labor and the disabled alike, as part of its manpower and having them tasked with duties of their capability based on the labor structure under Thai labor laws. Proper welfare and benefits are made available under the same standards. Moreover, the Company arranges meetings with the labor union on a monthly basis, with a common goal to improve the quality of working life and build up good labor relations between the Company and the employees. As a testament to its relentless efforts in this issue, the Company has received the Outstanding Workplace Award for Labor Relations and Welfare for nine consecutive years from Department of Labor Protection and Welfare, Ministry of Labor, of which the Company, the labor union and the employees have been proud.

### 4. Fair Treatment of Labor

#### Salary and Welfare

The Company has adjusted its salary structure to be compatible with competition in the labor market and to a rate above the authority's minimum wage payment as a moral support for the employees' performance of duties. It has engaged an experienced external consultant to conduct a survey of and to give suggestions on pay structure to ensure fair compensation. Performance of employees of all levels is evaluated twice a year, and the results of which are used to determine annual promotion and salary increment.

Moreover, the Company has set up Workplace Welfare Committee in accordance with Labor Protection Act, B.E. 2541, Section 96, with employee committee members and management representatives appointed to coordinate with Workplace Welfare Committee in determining welfare structure guidelines beneficial to the employees. Such committee will jointly meet to consider rationalizing basic welfare package in each year in line with the rising cost of living as a way to help cut down expenses for the employees. Employees are also provided with cost of living allowance, diligence allowance, and lunch allowance, as well as improvement of welfare canteen by increasing food stalls and food variety to offer more choices for the employees, more coverage of medical expenses, annual health check-up, etc.

To improve employees' quality of life, the Company offers additional benefits apart from the basic welfare by

- Establishing Kang Yong Electric Saving Cooperatives since 2002 to enhance economic and social benefits to members through self-support and support for one another according to the cooperatives principle, comprising lending of loans at lower interest rates than commercial banks, financial assistance for members affected by natural disasters, and occupational training for retired employees.
- Organizing an outdoor market to sell low-priced products to employees.
- Arranging recreational activities for skill development and entertainment purpose which will have positive effects on their mental and physical wellness, etc.

#### **Occupational Health and Safety**

The Company is always aware that employees are a group of people who are the key to moving the organization forward to a success and prosperity. As such, a top priority is given to their safety from the moment they leave their residence for the workplace and vice versa, as well as while at work. "Zero Accident" is set as the target for strict implementation in business operation.

##### **1. Occupational Health, Safety and Environment**

The Company incorporates occupational health, safety and environment into the yearly policy and action plan so that the executives, supervisors and staff at all levels will cooperate in the implementation according to the policy consistently and efficiently. The Occupational Health, Safety and Environment Committee has been set up composed of senior executives, supervisors at all levels and the labor union to ensure compliance with ISO 14001 environmental management standards and occupational health, safety and environment rules and regulations, as follows:

- The 5S and Kiken Yoshi Training (KYT) programs are used as a basis for implementing tasks according to the organization structure with rectification of any risk-prone area that may cause danger, upholding the rules and regulations, and ensure staff wear personal safety equipment that are up to standards in risky area on a strict basis.

- All systems and measures are improved to prevent any danger from operation of machinery and tools, such as installation of equipment separating work space of machinery controller from machinery spot. Staff are supervised and trained about how to use newly procured tools and machines with new technology based on risk assessment so as to mitigate risks at the medium level or higher. Risks at all levels across the organization are contained, and set as annual occupational health, safety and environment objectives to be communicated to concerned staff to perform this task in a bid to consistently develop knowledge base in the operation.
- Safety knowledge and training are made available for all the employees and safety exhibition is regularly organized every year to instill awareness of occupational health, safety and environment, in both theoretical and practical aspects, new employees to get ready for actual operation.
- Traffic in the Company premises is improved to ensure safety for work operators and visitors, with clear specification of pedestrian path around the building and zebra crossing.

## 2. Safety Outside Office Hours

Individual employees are deemed not only as a driving force for the Company's business operation to move forward with success, but also as a tower of strength for their family. Therefore, they must be both mentally and physically healthy to always be ready for their work, especially for those who work in risk-prone and unsafe areas or even those whose working areas are risk-free. The Company provides welfare and arranges health-concern activities for the employees, such as anti-drug sports competition, don't drive drunk campaign, random drug and alcohol testing on staff shuttle bus drivers, and safety helmet campaign for staff who use motorcycles, to ensure their highest safety.

In addition, emergency report is put in place in case of staff having accident outside office so that first-aid and urgent support can be timely provided.



Safety helmet campaign is run to create awareness of prevention of accidental injuries for employees who use motorcycles out of office hours

With the Company's ongoing safety promotion campaigns, in 2015, 13 injured employees were recorded representing 0.6% of total employees, and such injuries were not serious ones. Nevertheless, the Company will pursue its efforts to develop safety awareness among its staff members rigidly and consistently in order to further lessen accidents and achieve its "zero accident" target.

## 5. Responsibility for Consumers

The Company adopts a policy on customer satisfaction management, which entails the following concept:

Q: Quality : Manufacture products of high quality

D: Delivery : Ensure product delivery of the type, in the quantity and by the time desired by customers

C: Cost : Offer products at a reasonable cost

### Health and safety for customers

The Company has conducted research and development, and produced safe and quality products, with management systems that meet standard specifications relating to quality, safety and environment. Its products are suitable for use and do no harm to life and properties of consumers. Product warranty and after-sale services are also made available under the conditions set forth.

As customers and repair technicians in general sometimes use substandard replacement spare parts which cause damage to the Company's products, the Company has leveled up its product safety by using non-flammable steel in the product structure to safeguard against spare parts that may spark fire.

### Procedures

1. Assess inflammable parts which result from use of parts with wrong specifications and not up to safety standards.
2. Add steel sheet to cover inflammable parts to prevent damage to the products.
3. Attach warning label on the products and in product manual, so that consumers will be aware and careful when having the products repaired by general technicians.

### Display of product and service labels

The Company gives priority to providing customers with accurate information on the products. It thus attaches labels giving instructions of use, caution, and other information that are consistent with legal provisions on all of its products for maximum safety and benefits of the consumers. For example, as its refrigerator uses such refrigerant as R600a which helps reduce global warming, but it is an inflammable substance, the Company requires having a label "Caution" attached to the refrigerator, with the description thereon to be clearly seen. It aims to ensure consumers are careful and concerned about any possible harmful effect when they have the products repaired or discharged if no longer in use. Therefore, only the "Instructions of Use" is not enough for safe use of products.



Display of product labels

### Marketing communication and customers' privacy

- Make available to customers together with the product a manual giving instructions of product use, care, and discharge when no longer in use, while information on product specifications is provided in catalog distributed to customers through dealers and product display booths.
- Deal with customers in a polite, efficient and trustworthy manner.
- Conduct investigation right after receiving customers' complaints on product quality and safety, and track the results after remedial and preventive measures have been taken.
- Keep customers' information confidential and use no customers' information wrongfully and for personal or related persons' benefits.

On the side of energy saving, the Company is strongly determined to be among the leading producers that offer the most energy-efficient products to push for an upgrade of the No. 5 energy-saving standard for the optimum benefit of consumers in the future.

## 6. Environmental Protection

Recognizing how significant the environment is, the Company has clearly set a policy and goal on environmental management and has a process to make yearly review for ongoing development. The Company also establishes that it is the duty of employees at all levels to translate such policy into practice

The Company's environmental management policy has been based upon its business philosophy, "KYE is committed to building a well-balanced society through continuous environmental conservation and development by applying the environmental management system under ISO 14001 standard to the Company's overall management system," communicated and disseminated according to the internal and external regulations to all stakeholders of the Company. The key elements of environmental conservation activities are incorporated into the operating system as follows:

- Promotion of resource-saving (M: Material) by reusing waste materials, reducing gross weight of finished products, and reducing wastes and scraps left from production process.
- Prevention of global warming (E: Energy) by promoting energy-saving in a factory, manufacturing process, logistics activities, and designing of energy-efficient products.
- Prevention of pollution (T: Toxicity) by properly controlling chemicals, replacing hazardous chemicals, reducing the use of hazardous and toxic chemicals, controlling quality of waste water and polluted air before discharge or emission to the environment, and conserving a community environment through control of disturbing noise and vibration.

In 2015, the activities undertaken according to the environmental policy in the manufacturing process included:

Natural resource conservation Focusing on conservation of natural resources with worthwhile use of resources applying the 3Rs (Reduce, Reuse, Recycle) principle in undertaking the activity.

- Reduce use of foaming agent in the nozzle calibration process by installing the more stable flow meter together with a program to set and measure the volume of foaming agent flow as required through the control monitor, hence reduction of calibration frequency from once a day to be once a month.
- Reduce steel scraps, electricity consumption, and time spent in die-cast process of electric fan parts, with the mold designed to form parts in Cap plate A and Cap plate B concurrently.
- Reuse plastic waste in the plastic injection process .

Energy conservation: Focusing on energy conservation activity in the design and manufacturing process of energy-saving products.

- Change 900 light bulbs to be of T5 and LED type, hence saving electricity 66,268 KWh/year.
- Set up automatic turn-off of computer screens, hence saving electricity 35,112 KWh/year.

#### Pollution control

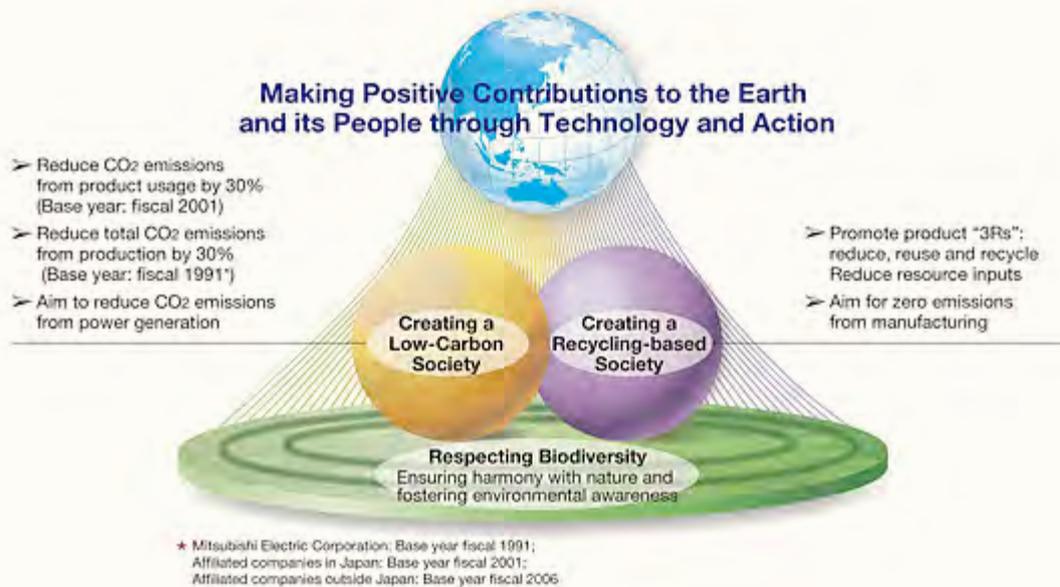
- Control volume of hazardous substances from the production process before emission to the environment by setting maximum volume of water pollutants at 30% and air pollutants at 40%, lower than those specified by law, and having a warning system in case where water pollutants exceed the maximum level set forth.
- Run campaign on garbage recycle segregation to reduce garbage to be disposed at the final stage, and set up garbage segregation center a clean and orderly
- Logistics proceeding:
  1. Reduce carbon dioxide (CO<sub>2</sub>) emissions by shortening driving distance of delivery trucks and having selected nearby delivery locations. In 2015, lowering CO<sub>2</sub> emission by 414,583 kg.CO<sub>2</sub> which was 139% of the target set forth.
  2. Reuse paper cartons left from manufacturing process as protectors for products against possible damage occurred during transportation, with reused volume recorded at 90 tons in 2015.

#### Green industry

The Ministry of Industry has initiated the Green Industry Project to promote the industrial sector's business operation in an environmentally friendly manner, focusing on continuous development and improvement of manufacturing process and environmental management. The Company has all along taken measures in environmental management according to the environmental policy, and responsibility for the society, internally and externally, as well as within the supply chain. As a result, it has been awarded Green Industry Level 4 or Green Culture, which reflects the cooperation in environmentally friendly operation by every party in the organization which has become part of organizational culture.

Environmental Vision 2021 of Mitsubishi Electric Group is a long-term environmental management vision in line with the conduct guideline of participation with positive impact to the world and the mankind through technology and action focusing on:

- 1) **Creating a low-carbon society** The Company is committed to reducing carbon dioxide (CO<sub>2</sub>) emissions from the overall manufacturing by 30% and from consumers' use of products by 30%.
- 2) **Creating a recycling-based society** The Company is committed to zero discharge of pollutants from its operating activities, and promotion of natural resource preservation and 3Rs (Reduce, Reuse, Recycle) activities.
- 3) **Respecting biodiversity** The Company is committed to ensuring harmony with nature and fostering environmental awareness.



Therefore, the Company has established environmental objective & target; EMP FY 2015-2017 to enhance its environmental management potential and serve as a mechanism to drive initiation of manufacturing process improvement activities and environmentally friendly products in conformity with the above vision of Mitsubishi Electric Corporation, Japan.

## 7. Community and Social Development

Being aware of the importance of all sectors that have given continued support of its business operation, the Company has consistently conducted a range of activities aiming to give back to the society, organizations, educational institutes and nearby communities, and to preserve local custom and tradition for fostering of a good society, as well as to inculcate into its employees at all levels the sense of responsibility and participation in CSR activities. In 2015, a number of activities were held as follows:

- Arrangement of a trainee program for students by cooperating with educational institutions, such as Thammasat University and Chulalongkorn University, in accepting students as trainees during school break to enhance their experience and allow them to earn extra income. They have received certificate as evidence of completion of the program.

- Ongoing provision of educational supports for bilateral students under the MOU with vocational institutions to accept vocational/higher vocational students from technical colleges in the Northeastern region. In 2015, the Company expanded the scheme to cover another four Vocational Colleges, i.e. Mahasarakham Technical College and Wapeepathum Technical College in Maha Sarakham, Phanna Nikhom Industrial and Community Education College in Sakon Nakhon, and Prasat Industrial and Community Education College in Surin, to gain occupational experience in their field of study with enhancement of skill and knowledge in new manufacturing technologies. Besides the experience of real practice, they are provided with specific know-how courses to enlarge their academic skill and knowledge out of classroom.
- Provision of the above four Northeastern Industrial and Community Education College and technical institutions with internal structural models of such products as refrigerator, electric fan and water pump, as well as refrigerator workshop kit to support their teaching and learning.
- Educational support for colleges with training of product knowledge provided to teachers for them to use in teaching students.
- Provision of 10 scholarships each of 2,000 baht to bilateral students having undergone internship as trainees with the Company.

## 8. Innovation and Publicizing of Innovation from CSR Activities

The Mitsubishi Electric's slogan "Changes for the Better", which denotes a strong commitment to relentless development, emerges as the major drive for the Company's dedication to and concentration on the use of innovation and new technology by embracing social and environmental responsibility and energy conservation in concurrence with continual product quality development and review of manufacturing process for higher efficiency. In 2015, the Company developed innovation for its products and manufacturing process as follows:

### Electric Fan

1. Innovative development of electric fan using DC motor (DC-Fan) aiming to:
  - 1.1 Less energy consumption: Energy is saved by 45% compared with AC-Fan.
  - 1.2 Health: Low level of operating noise (not exceeding 30 dB) and noise absorbability, hence no disturbance to a good night sleep, as well as natural wind flow adjustability.
  - 1.3 Safety: Control lock button to ensure safety for children and automatic turn-off system within 8 hours, hence safety assured even in case of forgetting to turn off the fan.
2. Reduction of raw material waste from production of insulation parts for new model of motor by 35% using plastic injection machine with installation automatic system of issuing and mixing plastic resin.

### Refrigerator

A change in refrigerator door panel forming process from manual to automatic machinery line with energy saving assessed at 1,115,771 KWh/year

### Water pump

1. Launch of new design of propeller blades with water pressure heightening feature, an outstanding identity of Mitsubishi water pump, thus regarded as its intellectual property to which the Company is entitled and awarded invention petty patent by Department of Intellectual Property.
2. Use of new technology in production of pressure tank for welding parts by robot to ensure production precision and efficiency.

## CSR Activities and Reporting

The Company has prepared a report based on the Global Reporting Initiative (GRI) with due regard to stakeholders such as employees, customers, business partners, shareholders, social community and concerned state agencies, all of whom are crucial to a sustainable success. Stakeholder connecting is deemed as a significant practice, prompting the Company to recognize the correlation with social responsibility in different dimensions, whether economic, social or environmental aspects, and to emphasize more on reporting and disclosure of its CSR activities. For 2015, the Company already disclosed a CSR report as part of its annual report.

## CSR-after Process

Being aware of the importance of all sectors that have given continued support of its business operation, the Company has consistently launched a range of projects aiming to give back to the society and protect the environment, and to inculcate into its employees at all levels the sense of responsibility and participation in activities for the society, as follows:

### Internal CSR activities

#### Promotion of ethics and morality among employees

- The Company and staff jointly hosting the Kathin Ceremony at Wat Khruemit Santitham, Kanchanaburi.
- The Company and staff jointly making merit and offering foods to the monks on the occasion of the Birthday Anniversary of His Majesty The King in realization of His Majesty's Graciousness, at KYE head office.

- Buddhist Lent candle offering and wat-build-happiness activity in collaboration with Thai Health Promotion Foundation to make a big cleaning in the temple premises at Wat Bang Chalong Nai, Bang Chalong, Bangphli, Samut Prakan, on July 25, 2015.



- Executives and staff jointly making donations to Pakkret Home for Children with Disabilities (Baan Nontapum), Pakkret, Nonthaburi, on January 16, 2016 on the occasion of KYE's 52nd Established Anniversary.



### Education

- The Company has a policy to promote education through provision of scholarships to its employees' children in order to help relieve their educational expense burden and extend educational opportunities for the youth. In 2015, altogether 27 scholarships were given classified by academic levels below:
 

1. Primary level	6 scholarships	2,500 baht each
2. Junior High School level	5 scholarships	3,000 baht each
3. Senior High School level	7 scholarships	3,500 baht each
4. Vocational Certificate level	1 scholarship	4,000 baht each
5. Tertiary level (Undergraduate)	8 scholarships	5,000 baht each

### Recreation

- The Company's New Year celebration party on December 12, 2015 to reward its employees for their contribution and dedication to its business operation throughout the year and to bond closer relationship between executives and staff of all departments, highlighted by a concert and lucky draw for presents.
- 2015 Annual Sports Day on November 7, 2015 to foster unity, build sportsmanship, and promote good health among the employees.

## External CSR activities

- Provision of scholarships, lunch allowance, and educational equipment to Baan Khiri Lom Border Patrol Police Learning Center, Changraek, Bang Saphanoi, Prachuap Khirikhan, on the occasion of National Children’s Day, January 10, 2015.



- Volunteering for big cleaning of bus stop shelters constructed by the Company along Bangna-Trad Road to support the community and commuters.



- Reforestation activity “Project of Citizens Volunteered to Develop a Lush Forest Area” in cooperation with Mitsubishi Electric Thai Foundation at National Forest Reserve Management Center (Khwaeng Rabom and Si Yat), Chachoengsao, on November 1, 2015.



# INTERNAL CONTROL AND RISK MANAGEMENT

## Opinion of the Board of Directors on the Company's Internal Control

The Company recognizes and places importance on continuous internal control and risk management. The Board of Directors has set up and assigned the Audit Committee to be responsible for reviewing adequacy and appropriateness of internal control and risk management to ensure efficiency and effectiveness in a conduct of business or discharge of duty in compliance with the policies, Articles of Association, and resolutions of the Board of Directors and the shareholders, including the applicable laws, notifications and regulations.

The Company's internal control and risk management can be summed up as follows:

### 1. Control within organization

- 1.1 The Company is well aware of its corporate responsibility for the society as a whole by ensuring its executive directors and employees conduct ethical business in line with the written Mitsubishi Electric Group Conduct Guidelines communicated to the employees organization-wide and training on which provided to the employees at all levels.
- 1.2 The Board of Directors has appointed four Board committees, namely the Board of Executive Directors, the Audit Committee, the Nomination and Remuneration Committee, and the Product Pricing Committee, with duties and responsibilities designated to monitor and control business operation in line with the objectives.
- 1.3 The Board of Directors has assigned the Board of Executive Directors to undertake business administration on its behalf, as well as to determine policies on business administration, quality assurance, the environment, security, and energy saving, and formulate the organizational structure by dividing administrative duties and responsibilities into three lines, namely production and production support line composed of six departments, administration line composed of four departments, and general administration line composed of two departments reporting directly to the top executive, all of which are under the control and supervision of the Board of Executive Directors. Reporting lines are put in place with relevant duties and responsibilities taken into consideration.
- 1.4 The Company has established a selection and nomination process to recruit personnel with required knowledge, skills and experience, from operating staff to supervisory and executive levels. It has also worked out a succession plan, with key talents selected to undergo a training course in Japan for 1-2 years and thereafter promoted to a higher position. Wages and salaries as well as other remuneration and benefits are made available as appropriate to employees at all levels without discrimination.

- 1.5 The Company has an independent work unit handling internal audit and following up on other work units' operations in terms of internal control, risk management and compliance with applicable laws. Such internal audit unit shall implement in line with the annual audit plan, and shall report the audit result and follow-up result of subsequent corrective action to both the Board of Executive Directors and the Audit Committee for acknowledgement, as well as comments and recommendation for the management's improvement and remedial action accordingly.
- 1.6 The Audit Committee shall perform duties with independence in the scope of power and duties prescribed in the Audit Committee Charter. It has reviewed financial reports, risk management, internal control and audit systems, proposed appointment of external auditor and auditor remuneration, and connected transactions or transactions that may have conflict of interest, on a quarterly and annual basis. Results of such review by the Audit Committee are also proposed to the meeting of the Board of Directors for acknowledgement and consideration on a quarterly basis and published in the Audit Committee's annual report. (See details in "Audit Committee's Report.")

## 2. Risk assessment

In risk management in the past fiscal year, all departments of the Company reviewed risk identification, risk assessment and risk management in line with risk assessment forms to fit with the Company's policies and cover all of its corporate targets.

Risk Management Committee reviewed risk identification and risk level assessment, as well as risk management measures, of working groups in all departments. It also reviewed risk management to ensure efficiency and suitability with the organization, closely followed up on risk management performance, and reported risk management activities of all departments as the significant agenda items to the meetings of the Audit Committee and the Board of Directors for acknowledgement and consideration on a semi-annual basis.

## 3. Control activities

- 3.1 The Board of Executive Directors and executives at various managerial levels map out yearly policies, objectives and targets of all departments, and communicate them to staff members for further translation into practice in order to achieve such targets. The operation monitoring system is in place based on meetings held at all levels on a weekly, monthly, quarterly and semi-annual basis so as for the staff to report progress of their operation and for the executives to give instructions and assignments to ensure that the Company's goals and objectives are completely achieved.
- 3.2 The Company has put in place written corporate rules to control operations in financial transactions, procurement and sales of goods, with scope of power, duties, responsibilities and approval amount limit for each level, and request of budget spending within the scope of authority subject to consideration and approval of the meeting of Budget Committee chaired by the President and held weekly to consider budget spending proposals.

3.3 The Company has appointed representatives as directors in associated companies to follow up operations of such companies.

3.4 Company Secretary has been assigned to keep and regularly update information on major shareholder, directors, executives, and connected persons, to facilitate monitoring and review of related transactions or transactions prone to conflict of interest.

#### **4. Information and communication**

The Company has established efficient information and communication system. It has prepared accurate, complete and reliable information within an appropriate period of time, and made it available to the Board of Directors, the management and staff members to support decision-making on a timely basis. Secure access to information in various work systems is determined clearly and as prescribed by relevant laws via such channels as e-mail, Intranet, and communication through activities and joint meetings to strengthen coordination and operation to achieve the targets set forth.

For external parties, the Company has disclosed and communicated its information comprehensively and equitably to the stakeholders through its communication channel, i.e. [www.mitsubishi-kye.com](http://www.mitsubishi-kye.com), and in case of disclosure according to the criteria of the Stock Exchange of Thailand (SET), such as financial report, annual report of operating results, and minutes of the annual general meeting of shareholders, via the SET's information system and the Company's website.

Moreover, the Company has made available a channel for its stakeholders to report any incident or any act prone to violation of the laws and rules as well as code of business ethics, which may cause damage to the Company. They may inform the Chairman or the President of the Company by post: P.O. Box 49, Bangna Tower 10541. The Company has a system in place to process such case and make investigation thereof before deciding on any appropriate action.

#### **5. Monitoring activities**

The Company has a process to monitor business operations at director, executive and managerial levels through various meetings, namely Board of Directors meeting (quarterly), Board Committee meetings, business plan meeting, departmental policy and implementation plan meeting, weekly manager meeting, monthly business unit meeting, weekly and monthly quality meeting, and so forth.

Directors and executives will acknowledge operating results covering achievements and/or problems from minutes of the meetings. They will then at the respective meetings instruct the relevant parties to take improvement or solution actions so as to meet the Company's objectives and targets.

At the Board of Directors meeting no. 1/2016 on May 25, 2016, which was also attended by the three Audit Committee members, the meeting assessed the Company's internal control system in five areas based on the Audit Committee's report, and expressed an opinion that the Company's internal control system has been adequate and appropriate, with efficient management system and transactions with persons that may have conflict of interest and connected persons, and without any deficiency in the internal control system that could cause a material impact on the Company.

## Head of Internal Audit Control

The Board of Executive Directors, with the consent of the Audit Committee, has appointed Mr. Kritsana Chatchaivorawong as Manager, Internal Audit Control Department, taking effect on October 1, 2013. Mr. Kritsana Chatchaivorawong has had internal audit work experience for six years, and obtained training relating to internal audit work, i.e. a course for Certificate of Internal Auditor of the Institute of Internal Auditors of Thailand and risk management course, and has knowledge and understanding of the Company's business activities and operations. He is thus considered qualified and appropriate to perform duties in this position.

Appointment, removal or rotation of Manager of Internal Audit Control Department shall be subject to approval or consent from the Audit Committee. Details of his qualifications are as shown in Attachment 3.

# AUDIT COMMITTEE'S REPORT

The Audit Committee of Kang Yong Electric Public Company Limited as appointed by the Company's Board of Directors is composed of three independent directors, namely Mr. Chackchai Panichapat as Chairman of Audit Committee, Mr. Arthakrit Visudtibhan and Mr. Tanabodee Kusinkert. A Board of Directors meeting resolved to appoint Mr. Tanabodee Kusinkert to join the Committee as he has adequate knowledge and experience to review the reliability of the Company's financial statements, and in which the advisor to the Audit Committee has also taken part.

The Audit Committee has performed the following duties independently in the scope of responsibilities prescribed in the Audit Committee Charter, which are consistent with the regulations of the Stock Exchange of Thailand (SET) and the Office of the Securities and Exchange Commission (SEC). The operations of the Audit Committee in the fiscal year 2015 can be summarized as below:

## 1. Financial Statement Review

The Audit Committee reviewed important information of quarterly financial statements and annual financial report for the fiscal year 2015, with explanation given by and enquiries made on significant points with the external auditor and the Finance Manager of the Company, and expressed an opinion that the Company's financial statements are accurate and complete, with adequate and reliable disclosure of information in accordance with the generally accepted accounting standards. The auditors have reported on the independence in the performance of duty and the audit findings for the consideration of the Audit Committee in all respects.

In addition, the Audit Committee acknowledged the salient points and implementation relating to the changes in the accounting standards.

## 2. Risk Management Review

The Audit Committee considered risk management policy, risk assessment, and risk management plan and approach. The Committee set up Risk Management Committee with the President as Chairman and working groups comprising management members. Risk Management Committee determined risk management policy and system, with the management's working groups in all work units to identify risks from both internal and external factors which might hinder business operations from achieving the Company's targets and objective, assess risk levels and potentiality to materially impact the organization, and worked out measures to deal with such risks by either managing, avoiding, mitigating, transferring or accepting them. These working groups of all work units shall report their risk assessment and management every six months.

Moreover, the Audit Committee reviewed the risk management from the quarterly internal audit report, with joint meeting held with the management and internal auditors of the Company. The Committee has also considered and reviewed the efficiency and appropriateness of risk management process regularly every half year from the management's risk assessment report and provided recommendations for further improvement.

### **3. Internal Control and Internal Audit Review**

The Audit Committee considered and endorsed the annual audit plan of internal audit work unit. It reviewed the internal control system, particularly regarding the operating results, to assess adequacy and appropriateness based on consideration of the quarterly internal audit report, and follow-up of the actions taken to make remedy or improvement as recommended from the internal audit report and the year-round internal control assessment report.

The Committee considered and viewed that the Company operated business with adequate and efficient internal control system. In the significant areas to the operations, the management managed and monitored material risks that might cause damage to the Company, as well as reviewed and improved work and operating systems to comply with the Securities and Exchange laws and regulations, the requirements of the Stock Exchange of Thailand, other applicable laws, and code of business ethics of the Company.

### **4. Proposal for Appointment of Auditor and Auditor Remuneration for 2015**

The Audit Committee considered to nominate for appointment an auditor from KPMG Phoomchai Audit Limited to be the Company's auditor for the fiscal year 2015, and to determine appropriate auditor remuneration, taking into account the qualifications, scope of responsibilities, audit work quality in the previous year, and independence in performing audit work, as well as audit knowledge, technique, and experience in the lead in this area.

Therefore, the Committee resolved to propose to the Board of Directors to seek approval from the meeting of the shareholders.

### **5. Consideration of Connected Transactions or Transactions with Potential Conflict of Interest**

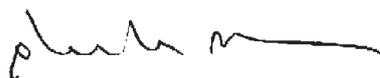
The Audit Committee considered to review and provide opinion on connected transactions that may cause conflict of interest with the Company. In the fiscal year 2015, the Committee considered connected transactions and disclosure of such information and opined that the management entered into such connected transactions in accordance with the criteria of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission, with appropriate reasonableness and for the maximum benefits to the Company.

## 6. Audit Committee Meeting

In the fiscal year 2015, the Audit Committee had a total of five meetings including co-meeting with the management and that with the external auditor without attendance by the management. No Committee members were absent from any of such meetings.

The Audit Committee arranged to have performance self-assessment as the entire Committee for the fiscal year 2015 using the criteria and the best practice of the Stock Exchange of Thailand as the guidelines to ensure compliance with good corporate governance. The assessment result was that its performance was at a complete and adequate level.

In conclusion, the Audit Committee performed duties completely in the scope of duties and responsibilities as prescribed in the Audit Committee Charter, and as assigned by the Board of Directors in order to ensure that the Company could run its business with good corporate governance, efficient management, sufficient and appropriate internal control for business operations, effective risk management, and reliable accounting system and financial report, as well as compliance with the laws, rules and regulations relevant to the Company's business operations.



(Mr. Chackchai Panichapat)  
Chairman of Audit Committee

May 18, 2016

# CONNECTED TRANSACTION

## Related Transaction

The Company has specified rule including guidelines clearly on the related transaction with the related persons, subject to strictly complied with the notification and regulation of the Stock Exchange of Thailand and the Securities and Exchange Commission is principal, summarized as followings.

- Proposing a connected transaction under such the rules to the Board of Directors and/or the shareholders' meeting for the approval. Through the consideration of the Audit Committee for fairness, the pricing is reasonable and take into the best interests of the Company and the interest directors no right to cast vote at the meeting.
- Disclosure of connected transactions with related companies adequately both of financial statements and annual reports, comply with the regulations of the Securities and Exchange Commission. As well as the accounting standards on information disclosure about related parties or businesses, announced by the Federation of Accounting Professions

## Policy on Future Connected Transaction

The future connected transactions will be still strictly adheres to the connected transactions regulations, based on reasonableness, the pricing policy is appropriate and fairness. To maximize the benefits of the company by the connected transactions control operation as followings

- Normal business transactions and complementing normal business transactions, mostly is purchase and selling, and service, among the company and affiliated companies that complied with general trading term conditions. The Board of Directors has approved in principle such transaction
- Non normal business and / or none general trading conditions. The management ,by the Company Secretary and the Finance Department Manager acts as the administrator and review operations to ensure compliance with relevant regulatory requirements

## Connected Transaction

Relationships with related parties of 2015 and 2014 fiscal year were as follows:

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction	
					2015	2014		
1	Sale of Product and Spare parts			Sale of Product and Spare parts	8,558.5	8,367.0		
1.1)	Mitsubishi Electric Corporation	Japan	Parent, 40.81 % shareholding	KYE sell electric home	3,481.0	3,715.7	MELCO has determined	
1.2)	Mitsubishi Electric Kang Yong Watana Co., Ltd.	Thailand	A subsidiary of the Company's parent and common directors (MELCO was MKY 48.5% shareholding)	appliance products, comprising electric fans, exhaust fans, refrigerators, water pump, hand dryer and spare part to related parties company	3,159.7	2,996.2	distribution routing clearly by distribution of the products through subsidiary or associated company of MELCO which are specialist distributors. Its shall get benefit of sales growth throughout and there is pricing policy as "normal business market price or carrying general trading condition"	
1.3)	Mitsubishi Electric Life-Network Co., Ltd.	Japan	A subsidiary of the Company's parent		134.9	59.8		
1.4)	Mitsubishi Electric Taiwan Co., Ltd.	Taiwan				20.8	19.5	
1.5)	Mitsubishi Electric Asia Pte.Ltd	Singapore				164.1	168.0	
1.6)	Mitsubishi Electric Australia Pty.Ltd.	Australia				365.0	297.3	
1.7)	Mitsubishi Electric Ryoden Air-Conditioning & Visual Information System (Hong Kong) Ltd.	Hongkong				77.2	318.1	
1.8)	Mitsubishi Electric (Hong Kong) Limited	Hongkong				261.6	-	
1.9)	Mitsubishi Electric Sales Malaysia Sdn.	Malaysia				159.0	196.9	
1.10)	Mitsubishi Electric (Malaysia) Sdn. Bhd.	Malaysia				3.3	-	
1.11)	Mitsubishi Electric Vietnam Co., Ltd.	Vietnam				603.8	464.2	
1.12)	PT.Mitsubishi Electric Indonesia	Indonesia				79.7	89.4	
1.13)	International Elevator & Equipment Inc.	Philippines				6.7	-	
1.14)	Mitsubishi Electric Trading Corporation.	Japan				12.4	7.1	
1.15)	Meico Trading (Thailand) Co., Ltd.	Thailand				3.3	8.0	
1.16)	Mitsubishi Electric Europe B.V. (Moscow Branch)	Russia				-	26.5	
1.17)	Mitsubishi Electric (Russia) LLC	Russia				26.0	-	
1.18)	Mitsubishi Electric India Pvt. Ltd.	India				0.1	-	
1.19)	Smile Super Express Co., Ltd.	Thailand		Associate, 33.33% shareholding.		0.1	0.2	

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2015	2014	
2	Procurement parts and raw materials			Procurement parts and raw materials	1,163.8	1,199.3	
2.1)	Thai Refrigeration Components Co., Ltd.	Thailand	Common director was Mr. Praphad Phodhivorakhun	Evaporators used for assembly refrigerator	23.7	23.2	KYE had necessity to purchase part and raw materials from related companies. As its has produced of electrical appliances under the standard of "Mitsubishi Electric", for procurement from MELCO's subsidiaries in massive quantity which helps to reduce production cost and controllable as the quality standard specified. Pricing of
2.2)	Kulthorn Kirby Public Company Limited.	Thailand		Compressors for assembly refrigerator	181.1	160.7	
2.3)	Mitsubishi Electric Asia Pte. Ltd	Singapore		Electronic parts used for assembly electric fan and refrigerator	235.8	275.8	
2.4)	Setuyo Astec Corporation.	Japan		Electronic parts used for assembly refrigerator	63.7	76.6	
2.5)	Mitsubishi Electric Trading Corporation.	Japan			35.4	33.8	
2.6)	Melco Trading (Thailand) Co., Ltd.	Thailand	A subsidiary of the Company's parent		184.6	186.2	
2.7)	Mitsubishi Electric (Hong Kong) Ltd.	Hongkong				1.0	0.6
2.8)	Mitsubishi Electric & Electronics (Shanghai) Co., Ltd.	China		Aluminium tap for assembly refrigerator	4.3	10.5	
2.9)	Setuyo Astec (Thailand) Co., Ltd.	Thailand		steel plate for assembly refrigerator	72.1	3.3	Components and raw materials based on cost-plus or comparable market price
2.10)	Setuyo Astec Corporation Seoul Branch.	Korea			362.1	428.7	

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction	
					2015	2014		
3	<b>Complementing Fee</b>			<b>Complementing Fee</b>				
3.1)	Mitsubishi Electric Kang Yong Watana Co., Ltd.	Thailand	A subsidiary of the Company's parent and common directors (MELCO was MKY 48.5% shareholding)	Advertising support	11.4	11.1	Competition situation in each market has vary violent at each period time which the promotion support expense is a necessary tool for business operation. Currently, taking the expenditure for obtain better sales or maintain desired market share. Therefore it is reasonable and more necessary to such transaction under a clear-cut scope and certainly criteria.	
3.2)	Mitsubishi Electric Asia Pte. Ltd	Singapore	A subsidiary of the Company's parent		0.5	0.4		
3.3)	Mitsubishi Electric Sales Malaysia Sdn.	Malaysia				21.3	-	
3.4)	Mitsubishi Electric (Malaysia) Sdn. Bhd.	Malaysia				-	13.6	
3.5)	Mitsubishi Electric Taiwan Co., Ltd.	Taiwan				1.3	3.0	
3.6)	PT.Mitsubishi Electric Indonesia	Indonesia				7.5	1.4	
3.7)	Mitsubishi Electric Vietnam Co., Ltd.	Vietnam				7.1	7.2	
3.8)	Mitsubishi Electric Australia Pty. Ltd.	Australia				2.5	0.3	
3.9)	Mitsubishi Electric Ryoden Air-Conditioning & Visual Information System (Hong Kong) Ltd.	Hongkong				-	0.3	
3.10)	Mitsubishi Electric (Hong Kong) Limited	Hongkong				0.3		
3.11)	Mitsubishi Electric Life-Network Co., Ltd.	Japan				5.4	4.3	

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2015	2014	
3.12	Melco Logistics (Thailand) Co., Ltd.	Thailand	A subsidiary of the Company's parent	Logistic Fee	37.3	23.7	KYE has been dealing with this company in order to smoothen the operation progress of export shipment. Besides, KYE has also had contracts with other companies, unrelated to MELCO as well, upon to destination of each market.
3.13	K.G.M. Services Co., Ltd.	Thailand		0.1			
3.14	Mitsubishi Electric Factory Automation (Thailand) Co., Ltd.	Thailand	Common director was Mr. Praphad Phodhivorakhun	Maintenance costs of machinery and testing charge of parts and products	0.5		The use of spare parts that are unique and used of testing equipment with modern technology by a service fee comparable to the market price.
3.15	Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	Thailand		0.5			
3.16	Melco Trading (Thailand) Co., Ltd.	Thailand		0.1			
3.17	K.Y. Intertrade Co., Ltd.	Thailand			0.2		

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2015	2014	
3.18)	Mitsubishi Electric Corporation	Japan	Parent, 40.81 % shareholding	Royalty sale, After Service and Technician fee	285.9	289.6	KYE entered into Technical Assistant Agreement with MELCO under this agreement, KYE able to sales the products under "Mitsubishi Electric" trademark, is well known worldwide and obtained assistance of manufacturing technology and marketing including manufacturing technology training. By paying service fee to MELCO in the Royalty Fee on percentage of net sales, and Technician Fee on wages rate and service time.
				Development fee (inaccordance with Technical Assistance Agreement)	282.3	217.8	Research and development of products and are vital to the business operations of the company. For improvement modern products and meet consumers demand and because the company was not ready to develop by own high technology product. There is also a need to rely on MELCO technology, which is owned technology and trademark by paying service fee on actual cost.

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2015	2014	
3.19)	Smile Super Express Co., Ltd.	Thailand	Associate, 33.33% shareholding.	Storage, Handling and Transportation Charge	84.7	85.3	KYE needs a place for storing its finished goods before delivery to customers by hiring SSE for management with fairly rate by fixing service fee rate on the size of using space
<b>4</b>	<b>Giving or receiving of financial assistance</b>						
4.1)	Melco Thai Capital Co., Ltd.	Thailand	A subsidiary of the Company's parent Parent, 99.99 % shareholding	MTC provide management service related to Thai baht current account and the company earn the interest at the rate 1.3-1.48 % per year	Short-term loans 36.2	59.8	Increasing liquidity of cash flow and reduce financial costs from the Mitsubishi Group, to manage total funding of the group by the use of pooling accounts, at the interest rate of average deposit or loan interest rates offered by the bank causing highest benefit to the Company.
					Interest Received 0.5	0.7	

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2015	2014	
5	Lease or lease out of real estate for not over 3 years 5.1) Smile Super Express Co., Ltd.	Thailand	Associate, 33.33% shareholding.	SSE has rented land and buildings from KYE	15.3	15.3	KYE accordingly leases out its assets to SSE for business operation as the management and storage products for KYE by using the building as a warehouse. As a result, KYE able to reduce cost of management and storing goods by the rental fee is based on the market value.
6	Procurement of asset			Procurement of asset	1.7	2.1	
	6.1) Mitsubishi Electric Corporation (Nakatsugawa)	Japan	Parent, 40.81 % shareholding	Mold for electric fan inspection tool for Jet towels product	0.1	0.9	Procurement of unique machinery that has complex process for producing and installation. Therefore, KYE is required to hire such company representative which specializes in supply such equipment.
	6.2) Mitsubishi Electric Trading Corporation.	Japan		Inspection tool for refrigerator	1.3	1.1	
	6.3) Mitsubishi Electric Asia Pte. Ltd.	Singapore		Mold for electric fan and refrigerator	0.2	0.1	
	6.4) Setsuyo Astec Corporation.	Japan		Inspection tool for electric fan	-	0.1	

Balance as at 31 March 2016 and 31 March 2015 with related parties were as follows:

Unit : Million Baht

Name of entities	Trade Accounts Receivable		Other Accounts Receivable		Trade Accounts Payable		Other Accounts Payable	
	as at 31 March		as at 31 March		as at 31 March		as at 31 March	
	2016	2015	2016	2015	2016	2015	2016	2015
Melco Thai Capital Co., Ltd.	-	-	36.2	59.8				
Smile Super Express Co., Ltd.			1.3	1.3			13.4	9.1
Mitsubishi Electric Corporation	330.7	329.2	0.1	-	-	-	293.7	275.7
Thai Refrigeration Components Co., Ltd.					1.4	1.3		
Mitsubishi Electric Kang Yong Watana Co., Ltd.	456.5	386.7	-	-	-	-	-	5.3
Mitsubishi Electric Life Network Corporation.	45.3	17.5	-	-	-	-	-	0.3
Mitsubishi Electric Asia Pte. Ltd.	12.5	30.6			19.4	30.2	0.1	1.0
Mitsubishi Electric Australia Pty. Ltd.	72.6	79.0	-	-	-	-	1.5	0.3
Mitsubishi Electric (Hong Kong) Limited	42.5	-						
Mitsubishi Electric Ryoden Air-Conditioning & Visual Information System (Hong Kong) Ltd.		19.6					-	0.2
Mitsubishi Electric Sales Malaysia Sdn.	28.6	42.3	-	-	-	-	14.1	7.7
Mitsubishi Electric (Malaysia) Sdn., Bhd.	1.2							
PT.Mitsubishi Electric Indonesia	34.2	50.3					4.7	0.7
Mitsubishi Electric (Russia) LLC.	14.2							
Mitsubishi Electric Europe B.V.(Moscow Branch)	-	10.0						
Mitsubishi Electric Vietnam Co., Ltd.	190.6	98.6					1.8	4.2
Setsuyo Astec Corporation Japan					5.7	4.7	-	0.1
Setsuyo Astec Corporation Seoul Branch					43.2	52.4	-	-
Setsuyo Astec Thailand Co., Ltd.					19.8	1.9		
K.G.M. Services Co., Ltd.							0.2	0.1
Mitsubishi Electric & Eletronic (Shanghai) Co., Ltd.					0.5	0.9	-	-
Mitsubishi Electric Automation (Thailand) Co., Ltd.							-	0.01
Mitsubishi Electric Factory Automation (Thailand) Co., Ltd.							0.2	
Kulthorn Kirby Public Company Limited					45.4	41.1		
Mitsubishi Electric Trading Corporation	0.7		-	0.2	8.8	7.8	1.3	0.8
Melco Trading (Thailand) Co., Ltd.	0.1	0.1			16.9	17.7	-	-
Mitsubishi Electric H.K. Ltd.					0.1	0.01	0.3	-
Mitsubishi Electric Taiwan Co., Ltd.	0.01	0.01					0.3	2.7
Melco Travel Co., Ltd.							0.1	
Mitsubishi Electric Consumer Product (Thailand)			141.4	150.0			0.1	0.1
Siam Compressor Industry Co., Ltd.			12.2	9.9				
K.Y.Intertrade Co., Ltd.							0.1	
<b>Total</b>	<b>1,229.5</b>	<b>1,063.8</b>	<b>191.3</b>	<b>221.2</b>	<b>161.2</b>	<b>158.0</b>	<b>331.8</b>	<b>308.3</b>

# FINANCIAL POSITION AND OPERATING RESULTS

## Summary of financial information

	(Unit)	March 31	
		2016	2015
Total assets	Baht million	7,376	6,877
Total liabilities	Baht million	1,955	1,831
Shareholders' equity	Baht million	5,421	5,046
Revenues from sales and rendering of services	Baht million	8,805	8,675
Total revenues	Baht million	9,511	9,428
Costs of sales and rendering of services	Baht million	7,524	7,416
Gross profit	Baht million	1,281	1,259
Selling and administrative expenses	Baht million	1,080	1,008
Net profit	Baht million	842	927
<b>Financial ratios</b>			
<i>Liquidity ratios</i>			
Current ratio	time	3.70	3.78
Quick ratio	time	3.04	3.01
Cash flow liquidity ratio	time	0.36	0.30
Accounts receivable turnover ratio	time	7.32	7.91
Average collection period	day	50	46
Inventory turnover ratio	time	7.40	7.44
Average age of inventories	day	49	49
Accounts payable turnover ratio	time	7.46	8.24
Repayment period	day	49	44
Cash cycle	day	50	51
<i>Profitability ratios</i>			
Gross profit margin	%	14.55	14.52
Net profit to sales ratio	%	9.56	10.68
Return on equity	%	16.09	19.66
<i>Efficiency ratios</i>			
Return on total assets	%	11.81	14.26
Return on fixed assets	%	91.33	100.80
Assets turnover ratio	time	1.33	1.45
<i>Financial policy ratios</i>			
Debt to equity ratio	time	0.36	0.36
Dividend payout ratio	%	*	50.01

\* In process of seeking approval from the Annual General Meeting of Shareholders 2016

# MANAGEMENT'S DISCUSSION AND ANALYSIS

In reading the Management's Discussion and Analysis, investors should study the documentation, including the financial statements, financial information adjustments in conjunction with the notes to the financial statements and the information presented in this document.

## Operating results in FY2015 against FY2014

Unit: Baht million 2016	For the year ended March 31			
	2016	2015	+(-)	%
Revenues from sales and rendering of services	8,805.2	8,675.3	129.9	1.5%
Costs of sales and rendering of services	7,524.4	7,415.8	108.6	1.5%
Gross profit	1,280.8	1,259.5	21.3	1.7%
Selling expenses	395.6	382.2	13.4	3.5%
Administrative expenses	683.9	626.2	57.7	9.2%
Other revenues (including dividend income)	705.8	755.7	(49.9)	-6.6%
Profit before income tax	907.1	1,006.8	(99.7)	-9.9%
Income tax	65.2	79.9	(14.7)	-18.4%
Net profit for the year	841.9	926.9	(85.0)	-9.2%

## Revenues from sales and services, by business segment

Unit: Baht million 2016	For the year ended March 31			
	2016	2015	+(-)	%
Domestic market	3,167.4	3,008.2	159.2	5.3%
Japan	3,628.3	3,782.7	(154.4)	-4.1%
Others	2,009.5	1,884.4	125.1	6.6%
Export market	5,637.8	5,667.1	(29.3)	-0.5%
Total	8,805.2	8,675.3	129.9	1.5%

Other export markets include 20 countries, namely Taiwan, Hong Kong, Singapore, Malaysia, Myanmar, Laos, Cambodia, Vietnam, Indonesia, Australia, New Zealand, Pakistan, UAE, Jordan, Bahrain, Sri Lanka, Bangladesh, Brunei, the Philippines, and Russia.

## Revenues from sales and services

In FY2015, the Company's total sales increased by 1.5% from Baht 8,675.3 million in 2014 to Baht 8,805.2 million, broken down into three major business groups as follows:

Sales to domestic market grew by Baht 159.2 million or 5.3% from Baht 3,008.2 million in 2014 to Baht 3,167.4 million in 2015. Mainly, resulted from the rise in sales of refrigerators and electric fans

Exports to Japanese market saw a decline of Baht 154.4 million or 4.1% from Baht 3,782.7 million in 2014 to Baht 3,628.3 million in 2015. The majority resulted from the sales volume reduction of refrigerator, one door and three-door model.

Other export markets rose from Baht 1,884.4 million in 2014 to Baht 2,009.5 million in 2015, representing an increase of Baht 125.1 million or 6.6%. Such growth was driven by continuous export expansion to ASEAN region. Especially, in export to Vietnam market with rise in electric fans, exhaust fans and refrigerators by increasing the sale channels through the Modern Trade and increase the number of stores more.

## Other revenues

Other revenues in FY 2015 were Baht 705.8 million, declined by Baht 49.9 million or 6.6% relative to 2014, resulting from decreases in investment income of Baht 45.6 million, dividend income of Baht 37.3 million, and interest income of Baht 8.3 million.

## Selling costs and expenses

In fiscal year 2015, costs of sales represented 85.5 percent of revenue from sales and rendering of services, equivalent ratio to 2014 due to a decline in prices of major raw material such as plastic resin steel and copper. While the cost of production increases from the Company has invested in-house project is producing parts. However, total cost of sales ratio has remained unchanged.

Selling and administrative expenses to the revenue from sales and rendering of services stood at 12.3% in 2015, rising by 0.7% from 11.6% in 2014 caused by the following factors:

- Selling expenses went up by Baht 13.4 million from Baht 382.2 million in 2014 to Baht 395.6 million in 2015, resulting from expansion to ASEAN market especially Vietnam market which led to an increase in transport costs and also in advertising and sales promotion expenses.
- Administrative expenses rose by Baht 57.7 million from Baht 626.2 million in 2014 to Baht 683.9 million in 2015, attributed to new product innovations to respond to customer demand, thereby driving up costs of product development.

## Profit

The Company reported a gross profit margin of 14.5% in 2015, equivalent ratio to 2014. Taking into account the increase in selling expenses and administrative expenses, including the decrease in other revenues and income tax, the net profit for FY2015 amounted to Baht 841.9 million, representing 9.6% of revenue from sales and rendering of services which reduce from 10.7% in 2014. As a result, return on equity 16.1% in 2015. Which is also regarded as a good yield.

## Total assets

As of March 31, 2016, the Company had total assets of Baht 7,376.1 million, growing from March 31, 2015 by Baht 498.6 million or 7.2%, which can be broken down as follows:

Unit: Baht million 2016	For the year ended March 31			
	2016	2015	+(-)	%
Current assets	5,815.1	5,358.2	456.9	8.5%
Investments	188.3	187.3	1.0	0.5%
Property, plant and equipment	1,268.1	1,207.7	60.4	5.0%
Other non-current assets	104.6	124.3	(19.7)	-15.8%
Total assets	7,376.1	6,877.5	498.6	7.2%

Current assets as at March 31, 2016 amounted to Baht 5,815.1 million, up by Baht 456.9 million or 8.5%, consisting of following items:

- Cash and cash equivalents as of March 31, 2016 were Baht 1,063.9 million, rising from 2014 by Baht 255.4 million due to an increase in cash provided from operating activities of Baht 542.0 million and in cash from investing activities of Baht 176.9 million while a decrease in cash from financing activities for dividend payment of Baht 463.5 million.
- Current investments as at March 31, 2016 were Baht 2,200 million, increasing by Baht 120 million and consisting of short-term deposits with financial institutions for a period ranging from 4 to 12 months.
- Trade accounts receivable as at March 31, 2016 totaled Baht 1,272.6 million, an increase of Baht 138.6 million or 12.2% from 2014, mainly comprising accrued accounts not yet due. Trade accounts receivable made up 21.9% of current assets. The Company had an average collection period four days delay from 46 days in 2014 to 50 days in 2015. Trade accounts receivable mainly came from subsidiaries of the Company's major shareholders. The Company has closely assessed customers' financial status and, hence, has faced no problem in debt collection.
- Inventories as of March 31, 2016 were Baht 1,001.7 million, declining by Baht 31.4 million or 3.0% from 2014. The average age of inventories was 49 days in 2015, equal to that in 2014. The decrease in value of inventories did not have any impact on the Company's cash management.

Investments as at March 31, 2016 totaled Baht 183.3 million, up by Baht 1.0 million or 0.5% from 2014 due to an increase in available-for-sale investments.

Property, plant and equipment as of March 31, 2016 amounted to Baht 1,268.1 million, rising by Baht 60.4 million or 5.0% from 2014. the Company invested Baht 349.9 million in machinery, equipment and moulds. Its return on fixed assets 91.3%

Other non-current assets as of March 31, 2016 were Baht 104.6 million, down by Baht 19.7 million or 15.8% from 2014 as a result of a drop in deferred tax assets.

In 2015, the Company recorded return on total assets of 11.8%, declining by 2.5% from return on total assets of 14.3% in 2014. Nevertheless, it is also regarded as a good yield.

## Current liabilities and liquidity

As of March 31, 2016, the Company had total liabilities of Baht 1,955.2 million, up from March 31, 2015 by Baht 123.9 million or 6.8%, details of which can be tabulated as follows:

Unit: Baht million 2016	For the year ended March 31			
	2016	2015	+(-)	%
Current liabilities	1,571.6	1,416.2	155.4	11.0%
Non-current liabilities	383.6	415.1	(31.5)	-7.6%
Total liabilities	1,955.2	1,831.3	123.9	6.8%

Current liabilities as at March 31, 2016 amounted to Baht 1,571.6 million, up by Baht 155.4 million or 11.0% relative to 2014. This stemmed from an increase in trade and other payables due primarily to purchases of parts and raw materials and procurement of machinery and equipment for production.

Average payment period for trade accounts payable in 2015 delayed by five days, compared with in 2014 that from 44 days to 49 days in 2015. Cash cycle, an one day quicker from 51 days in 2014 to 50 days in 2015. The Company still had plentiful liquidity, with its current ratio still consistently rising from 3.78 times in 2014 to 3.70 times in 2015. Quick ratio also went up annually, from 3.01 times in 2014 to 3.04 times in 2015. The Company maintained adequate assets for short-term debt payment.

## Shareholders' equity

As at March 31, 2016, shareholders' equity stood at Baht 5,420.9 million, growing by Baht 374.7 million or 7.4% from 2014 which was attributed to performance in 2015. Resulting to the shareholders' equity, rising amounted to Baht 838.3 million and has decreased from the Company paid dividends to shareholders in August 2558 in the amount of 463.5 million baht. As a result, return on equity decreased from 19.7% in 2014 to 16.1% in 2015. Meanwhile, debt to equity ratio as of March 31, 2016 at a low level, 0.36 times, equal to that in 2014. Thereby demonstrating the Company's ability to maintain a suitable capital structure and a very low level of financial risk.

# REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements of Kang Yong Electric Public Company Limited including the financial information presented in the Annual Report. The financial statements have been prepared in accordance with the generally accepted accounting standards under the Accounting Act, B.E. 2543 and the requirements of the Securities and Exchange Commission regarding preparation and presentation of financial statements under the Securities and Exchange Act, B.E. 2535 by consideration to use of accounting policy appropriate and have been applied consistently including cautious discretion and reasonable estimates in the preparation, as well as disclosure of significant information adequate in the notes to the financial statements. The financial statements has been audited and expressed opinion in the auditor's report with unconditional by the independent certified public accountant.

The Board of Directors has put in place the risk management and internal control systems in order to assure that the accounting information is accurate , completely, timely and sufficiently to sustain the Company's assets including prevent frauds or any significant irregularities operation .

In this regard, the Board of Directors has appointed the Audit Committee comprising independent directors to be responsible for the quality of the financial report, the assessment of the internal control and internal audit to ensure efficiency, effectiveness and reliability. The Audit Committee has reported the performance to the Board of Directors, and given opinions on these issues in the Audit Committee's report presented in the Annual Report 2015.

The Board of Directors is of the opinion that the internal control system and internal audit of the Company are adequate and appropriate , able to ensure rationally that the financial statements for the year ended March 31, 2016 of Kang Yong Electric Public Company Limited are reasonably reliable and accurate in material aspects in accordance with the generally accepted accounting standards.



(Mr. Praphad Phodhivorakhun)  
Chairman of the Board of Directors



(Mr. Tsutomu Shimizu)  
President

25 May, 2016

**FINANCIAL STATEMENTS AND  
NOTES TO THE FINANCIAL STATEMENTS**

KANG YONG ELECTRIC PUBLIC COMPANY LIMITED

# **Kang Yong Electric Public Company Limited**

Financial statements for the year ended  
31 March 2016  
and  
Independent Auditor's Report

## **Independent Auditor's Report**

### **To the Shareholders of Kang Yong Electric Public Company Limited**

I have audited the accompanying financial statements in which the equity method is applied and separate financial statements of Kang Yong Electric Public Company Limited, (the "Company"), which comprise the statement of financial position in which the equity method is applied and separate statement of financial position as at 31 March 2016, the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements in which the Equity Method is Applied and Separate Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in which the equity method is applied and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements in which the equity method is applied and separate financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements in which the equity method is applied and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements in which the equity method is applied and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements in which the equity method is applied and separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



(Orawan Sirirattanawong)  
Certified Public Accountant  
Registration No. 3757

KPMG Phoomchai Audit Ltd.  
Bangkok  
18 May 2016

# Kang Yong Electric Public Company Limited

## Statement of financial position

Assets	Note	Financial statements			
		in which the equity method		Separate financial statements	
		is applied		31 March	
		2016	2015	2016	2015
		<i>(in Baht)</i>			
<b>Current assets</b>					
Cash and cash equivalents	5	1,063,853,227	808,462,386	1,063,853,227	808,462,386
Current investments	10	2,200,000,000	2,080,000,000	2,200,000,000	2,080,000,000
Trade accounts receivable	4, 6	1,272,551,567	1,133,987,246	1,272,551,567	1,133,987,246
Other accounts receivable	4, 7	235,801,310	236,423,616	235,801,310	236,423,616
Short-term loans to related party	4	36,197,859	59,808,258	36,197,859	59,808,258
Inventories	8	1,001,698,723	1,033,109,657	1,001,698,723	1,033,109,657
Other current assets		5,039,545	6,455,468	5,039,545	6,455,468
<b>Total current assets</b>		<b>5,815,142,231</b>	<b>5,358,246,631</b>	<b>5,815,142,231</b>	<b>5,358,246,631</b>
<b>Non-current assets</b>					
Available-for-sale investments	10	13,665,725	11,331,618	13,665,725	11,331,618
Investment in an associate	9	17,314,532	18,584,145	3,000,000	3,000,000
Other long-term investments	10	157,361,700	157,361,700	157,361,700	157,361,700
Investment properties	11	4,970,666	4,970,666	4,970,666	4,970,666
Property, plant and equipment	12	1,268,108,709	1,207,736,139	1,268,108,709	1,207,736,139
Deferred tax assets	13	70,281,782	84,699,132	70,281,782	84,699,132
Other non-current assets	14	29,288,725	34,550,650	29,288,725	34,550,650
<b>Total non-current assets</b>		<b>1,560,991,839</b>	<b>1,519,234,050</b>	<b>1,546,677,307</b>	<b>1,503,649,905</b>
<b>Total assets</b>		<b>7,376,134,070</b>	<b>6,877,480,681</b>	<b>7,361,819,538</b>	<b>6,861,896,536</b>

The accompanying notes are an integral part of these financial statements.

# Kang Yong Electric Public Company Limited

## Statement of financial position

	Note	Financial statements			
		in which the equity method		Separate financial statements	
		is applied		31 March	
		2016	2015	2016	2015
		<i>(in Baht)</i>			
<b>Liabilities and equity</b>					
<i>Current liabilities</i>					
Trade accounts payable	4, 15	1,078,194,498	938,251,402	1,078,194,498	938,251,402
Other accounts payable	4, 16	465,434,258	448,770,153	465,434,258	448,770,153
Income tax payable		12,375,496	17,005,034	12,375,496	17,005,034
Other current liabilities		15,633,328	12,170,340	15,633,328	12,170,340
<b>Total current liabilities</b>		<b>1,571,637,580</b>	<b>1,416,196,929</b>	<b>1,571,637,580</b>	<b>1,416,196,929</b>
<i>Non-current liabilities</i>					
Provision for warranties	18	184,942,083	236,295,227	184,942,083	236,295,227
Employee benefit obligations	17	182,789,086	161,941,659	182,789,086	161,941,659
Provident funds	26	15,863,198	16,879,261	15,863,198	16,879,261
<b>Total non-current liabilities</b>		<b>383,594,367</b>	<b>415,116,147</b>	<b>383,594,367</b>	<b>415,116,147</b>
<b>Total liabilities</b>		<b>1,955,231,947</b>	<b>1,831,313,076</b>	<b>1,955,231,947</b>	<b>1,831,313,076</b>
<i>Equity</i>					
Share capital	19				
Authorised share capital		220,000,000	220,000,000	220,000,000	220,000,000
Issued and paid-up share capital		220,000,000	220,000,000	220,000,000	220,000,000
Additional paid-in capital	19				
Premium on ordinary shares		726,100,000	726,100,000	726,100,000	726,100,000
Retained earnings					
Appropriated					
Legal reserve	20	22,000,000	22,000,000	22,000,000	22,000,000
Others		420,000,000	420,000,000	420,000,000	420,000,000
Unappropriated		4,026,081,931	3,653,214,698	4,011,767,399	3,637,630,553
Other component of equity	20	6,720,192	4,852,907	6,720,192	4,852,907
<b>Total equity</b>		<b>5,420,902,123</b>	<b>5,046,167,605</b>	<b>5,406,587,591</b>	<b>5,030,583,460</b>
<b>Total liabilities and equity</b>		<b>7,376,134,070</b>	<b>6,877,480,681</b>	<b>7,361,819,538</b>	<b>6,861,896,536</b>

The accompanying notes are an integral part of these financial statements.

# Kang Yong Electric Public Company Limited

## Statement of comprehensive income

	Note	Financial statements			
		in which the equity method			
		is applied		Separate financial statements	
		For the year ended		For the year ended	
		31 March		31 March	
		2016	2015	2016	2015
(in Baht)					
<b>Income</b>					
Revenue from sale of goods					
and rendering of services	4	8,805,203,897	8,675,269,130	8,805,203,897	8,675,269,130
Investment income	4, 22	650,026,431	695,665,814	651,026,431	696,665,814
Net foreign exchange gain		32,594,251	20,674,628	32,594,251	20,674,628
Other income	4, 23	23,402,660	36,736,433	23,402,660	36,736,433
<b>Total income</b>		<b>9,511,227,239</b>	<b>9,428,346,005</b>	<b>9,512,227,239</b>	<b>9,429,346,005</b>
<b>Expenses</b>					
Cost of sale of goods	4				
and rendering of services		7,524,405,222	7,415,765,901	7,524,405,222	7,415,765,901
Selling expenses	24	395,600,189	382,168,402	395,600,189	382,168,402
Administrative expenses	25	683,869,986	626,156,108	683,869,986	626,156,108
<b>Total expenses</b>		<b>8,603,875,397</b>	<b>8,424,090,411</b>	<b>8,603,875,397</b>	<b>8,424,090,411</b>
Share of profit (loss) of an associate	9	(269,613)	2,502,309	-	-
<b>Profit before income tax expense</b>		<b>907,082,229</b>	<b>1,006,757,903</b>	<b>908,351,842</b>	<b>1,005,255,594</b>
Income tax expense	28	-65,232,146	-79,857,137	(65,232,146)	(79,857,137)
<b>Profit for the year</b>		<b>841,850,083</b>	<b>926,900,766</b>	<b>843,119,696</b>	<b>925,398,457</b>
<b>Other comprehensive income</b>					
<i>Item that will never be reclassified to profit or loss</i>					
Defined benefit plan actuarial losses	17, 28	-6,803,563	-16,929,737	-6,803,563	-16,929,737
Income tax on other comprehensive income		1,360,713	3,385,947	1,360,713	3,385,947
		<b>-5,442,850</b>	<b>-13,543,790</b>	<b>-5,442,850</b>	<b>-13,543,790</b>
<i>Item that is or may be reclassified to profit or loss</i>					
Net change in fair value of					
available-for-sale investments	10, 28	2,334,106	1,495,706	2,334,106	1,495,706
Income tax on other comprehensive income		-466,821	-299,141	-466,821	-299,141
		<b>1,867,285</b>	<b>1,196,565</b>	<b>1,867,285</b>	<b>1,196,565</b>
<b>Other comprehensive income for the year, net of income tax</b>		<b>-3,575,565</b>	<b>-12,347,225</b>	<b>-3,575,565</b>	<b>-12,347,225</b>
<b>Total comprehensive income for the year</b>		<b>838,274,518</b>	<b>914,553,541</b>	<b>839,544,131</b>	<b>913,051,232</b>
<b>Basic earnings per share</b>	30	<b>38.27</b>	<b>42.13</b>	<b>38.32</b>	<b>42.06</b>

The accompanying notes are an integral part of these financial statements.

# Kang Yong Electric Public Company Limited

## Statement of changes in equity

### Financial statements in which the equity method is applied

	Retained earnings				Other component of equity		Total equity
	Issued and paid-up share capital	Premium on ordinary shares	Legal reserve	Other reserve	Unappropriated investments	Fair value changes in available-for-sale investments	
<b>Year ended 31 March 2015</b>							
<b>Balance at 1 April 2014</b>	<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>2,992,857,722</b>	<b>3,656,342</b>	<b>4,384,614,064</b>
<b>Transactions with owners, recorded directly in equity</b>							
<i>Distributions to owners of the Company</i>							
Dividends to owners of the Company	-	-	-	-	(253,000,000)	-	(253,000,000)
<b>Total distributions to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(253,000,000)</b>	<b>-</b>	<b>(253,000,000)</b>
<b>Comprehensive income for the year</b>							
Profit	-	-	-	-	926,900,766	-	926,900,766
Other comprehensive income	-	-	-	-	(13,543,790)	1,196,565	(12,347,225)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>913,356,976</b>	<b>1,196,565</b>	<b>914,553,541</b>
<b>Balance at 31 March 2015</b>	<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>3,653,214,698</b>	<b>4,852,907</b>	<b>5,046,167,605</b>

Note

(in Baht)

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The accompanying notes are an integral part of these financial statements.

**Kang Yong Electric Public Company Limited**  
Statement of changes in equity

		Financial statements in which the equity method is applied						
		Retained earnings			Other component of equity			
	Note	Issued and paid-up share capital	Premium on ordinary shares	Legal reserve	Other reserve	Unappropriated	Fair value changes in available-for-sale investments	Total equity
<b>Year ended 31 March 2016</b>								
		<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>3,653,214,698</b>	<b>4,852,907</b>	<b>5,046,167,605</b>
<b>Balance at 1 April 2015</b>								
		-	-	-	-	(463,540,000)	-	(463,540,000)
<b>Total distributions to owners of the Company</b>								
	31	-	-	-	-	(463,540,000)	-	(463,540,000)
<b>Transactions with owners, recorded directly in equity</b>								
<i>Distributions to owners of the Company</i>								
		-	-	-	-	(463,540,000)	-	(463,540,000)
<b>Comprehensive income for the year</b>								
		-	-	-	-	841,850,083	-	841,850,083
		-	-	-	-	(5,442,850)	1,867,285	(3,575,565)
<b>Total comprehensive income for the year</b>								
		-	-	-	-	<b>836,407,233</b>	<b>1,867,285</b>	<b>838,274,518</b>
<b>Balance at 31 March 2016</b>								
		<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>4,026,081,931</b>	<b>6,720,192</b>	<b>5,420,902,123</b>

## Kang Yong Electric Public Company Limited

### Statement of changes in equity

	Separate financial statements							Total equity
	Retained earnings			Other component of equity		Fair value changes in available-for-sale investments	Total equity	
	Issued and paid-up share capital	Premium on ordinary shares	Legal reserve	Other reserve	Unappropriated			
<i>Note</i>								
<b>Year ended 31 March 2015</b>								
<b>Balance at 1 April 2014</b>	<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>2,978,775,886</b>	<b>3,656,342</b>	<b>4,370,532,228</b>	
<b>Transactions with owners, recorded directly in equity</b>								
<i>Distributions to owners of the Company</i>								
Dividends to owners of the Company	-	-	-	-	(253,000,000)	-	(253,000,000)	
<b>Total distributions to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(253,000,000)</b>	<b>-</b>	<b>(253,000,000)</b>	
<b>Comprehensive income for the year</b>								
Profit	-	-	-	-	925,398,457	-	925,398,457	
Other comprehensive income	-	-	-	-	(13,543,790)	1,196,565	(12,347,225)	
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>911,854,667</b>	<b>1,196,565</b>	<b>913,051,232</b>	
<b>Balance at 31 March 2015</b>	<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>3,637,630,553</b>	<b>4,852,907</b>	<b>5,030,583,460</b>	

The accompanying notes are an integral part of these financial statements.



# Kang Yong Electric Public Company Limited

## Statement of cash flows

	<b>Financial statements</b>			
	<b>in which the equity method is applied</b>		<b>Separate financial statements</b>	
	For the year ended 31 March		For the year ended 31 March	
	2016	2015	2016	2015
	<i>(in Baht)</i>			
<b><i>Cash flows from operating activities</i></b>				
Profit for the year	841,850,083	926,900,766	843,119,696	925,398,457
<i>Adjustments for</i>				
Depreciation	288,804,628	279,536,644	288,804,628	279,536,644
Amortisation	2,449,628	2,268,573	2,449,628	2,268,573
Investment income	(650,026,431)	(695,665,814)	(651,026,431)	(696,665,814)
Employee benefit expenses	21,887,406	12,552,838	21,887,406	12,552,838
Unrealised loss on exchange	3,656,260	94,289	3,656,260	94,289
Allowance for decline in value of inventories (reversal)	(15,848,389)	28,115,790	(15,848,389)	28,115,790
Impairment losses on land not used in operations	-	2,897,746	-	2,897,746
Provision for warranties	18,702,698	19,480,200	18,702,698	19,480,200
Share of (profit) loss of an associate	269,613	(2,502,309)	-	-
(Gain) loss on disposal of property and equipment	(822,509)	1,744,281	(822,509)	1,744,281
Income tax expense	65,232,146	79,857,137	65,232,146	79,857,137
	<u>576,155,133</u>	<u>655,280,141</u>	<u>576,155,133</u>	<u>655,280,141</u>
<b><i>Changes in operating assets and liabilities</i></b>				
Trade accounts receivable	(142,317,763)	(76,361,042)	(142,317,763)	(76,361,042)
Other accounts receivable	(766,915)	(12,176,307)	(766,915)	(12,176,307)
Inventories	47,491,379	(99,835,119)	47,491,379	(99,835,119)
Other current assets	1,415,923	(1,588,017)	1,415,923	(1,588,017)
Other non-current assets	6,402,072	(3,585,829)	6,402,072	(3,585,829)
Trade accounts payable	140,170,017	76,103,453	140,170,017	76,103,453
Other accounts payable	43,420,951	15,798,214	43,420,951	15,798,214
Other current liabilities	3,462,988	(6,613,103)	3,462,988	(6,613,103)
Warranties paid	(70,055,842)	(72,229,025)	(70,055,842)	(72,229,025)
Employee benefits paid	(7,843,542)	(7,602,261)	(7,843,542)	(7,602,261)
Provident fund paid	(1,016,063)	(1,425,282)	(1,016,063)	(1,425,282)
Cash generated from operating activities	596,518,338	465,765,823	596,518,338	465,765,823
Income tax paid	(54,550,442)	(56,039,372)	(54,550,442)	(56,039,372)
<b>Net cash from operating activities</b>	<b><u>541,967,896</u></b>	<b><u>409,726,451</u></b>	<b><u>541,967,896</u></b>	<b><u>409,726,451</u></b>

The accompanying notes are an integral part of these financial statements.

# Kang Yong Electric Public Company Limited

## Statement of cash flows

	<b>Financial statements</b>			
	<b>in which the equity method is applied</b>		<b>Separate financial statements</b>	
	For the year ended 31 March		For the year ended 31 March	
	2016	2015	2016	2015
	<i>(in Baht)</i>			
<b><i>Cash flows from investing activities</i></b>				
Interest received	59,271,665	72,286,881	59,271,665	72,286,881
Dividends received	578,674,120	457,750,937	578,674,120	457,750,937
Rental received	14,469,866	14,519,821	14,469,866	14,519,821
Short-term loans to related party	(459,237,128)	(435,923,725)	(459,237,128)	(435,923,725)
Cash proceeds from				
short-term loans to related party	482,847,527	427,448,270	482,847,527	427,448,270
Purchases of property and equipment	(376,762,388)	(278,844,023)	(376,762,388)	(278,844,023)
Sale of property and equipment	1,289,058	2,475,683	1,289,058	2,475,683
Purchase of computer software	(3,589,775)	(4,475,143)	(3,589,775)	(4,475,143)
Increase in current investments	(120,000,000)	(280,000,000)	(120,000,000)	(280,000,000)
<b>Net cash from (used in) investing activities</b>	<b>176,962,945</b>	<b>(24,761,299)</b>	<b>176,962,945</b>	<b>(24,761,299)</b>
<b><i>Cash flows from financing activities</i></b>				
Dividend paid	(463,540,000)	(253,000,000)	(463,540,000)	(253,000,000)
<b>Net cash used in financing activities</b>	<b>(463,540,000)</b>	<b>(253,000,000)</b>	<b>(463,540,000)</b>	<b>(253,000,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>255,390,841</b>	<b>131,965,152</b>	<b>255,390,841</b>	<b>131,965,152</b>
Cash and cash equivalents at 1 April	808,462,386	676,497,234	808,462,386	676,497,234
<b>Cash and cash equivalents at 31 March</b>	<b>1,063,853,227</b>	<b>808,462,386</b>	<b>1,063,853,227</b>	<b>808,462,386</b>
<b><i>Supplemental disclosure of cash flows information</i></b>				
Property and equipment purchased during the year are detailed as follows:				
Property and equipment purchased during the year	(349,875,803)	(305,541,707)	(349,875,803)	(305,541,707)
Increase (decrease) in payables on purchases of property and equipment	(26,886,585)	26,697,684	(26,886,585)	26,697,684
<b>Net purchase of property and equipment paid by cash</b>	<b>(376,762,388)</b>	<b>(278,844,023)</b>	<b>(376,762,388)</b>	<b>(278,844,023)</b>

The accompanying notes are an integral part of these financial statements.

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

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# Kang Yong Electric Public Company Limited

## Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the directors on 18 May 2016.

### 1 General information

Kang Yong Electric Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 67 Moo 11 Bangna-Trad Road, Km. 20, Bangchalong, Bangplee, Samutprakarn Province.

The Company was listed on the Stock Exchange of Thailand in October 1993.

The parent company during the financial year was Mitsubishi Electric Corporation, incorporated in Japan (40.81% shareholding).

The principal activities of the Company are manufacturing and distributing household electrical appliances under the “Mitsubishi” trademark. The Company obtains the production licence and technology from its parent company.

### 2 Basis of preparation of the financial statements

#### (a) *Statement of compliance*

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

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2015. The initial application of these new and revised TFRS has resulted in changes in certain of the Company’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2016 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Company’s operations are disclosed in note 34.

#### (b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

<i>Items</i>	<i>Measurement bases</i>
Available-for-sale financial assets	Fair value
Net defined benefit liability	Present value of the defined benefit obligation, as explained in Note 3 (m)

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### (c) *Functional and presentation currency*

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

### (d) *Use of judgements and estimates*

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

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

#### *Assumptions and estimation uncertainties*

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

Note 3(r)	Current and deferred taxation
Note 11	Key assumptions used in discounted cash flow projections for valuation of investment properties
Note 17	Measurement of defined benefit obligations
Note 18	Provision for warranties
Note 32	Valuation of financial instruments

#### *Measurement of fair values*

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

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

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

Significant valuation issues are reported to the Company Audit Committee.

When measuring the fair value of an asset or a liability, the Company 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).

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

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 Company 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 the following notes:

Note 11	Investment properties
Note 32	Financial instruments

### 3 Significant accounting policies

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

#### (a) *Basis of preparation of the financial statements in which the equity method is applied*

The financial statements in which the equity method is applied relate to the Company and the Company's interests in an associate.

##### *Interests in equity-accounted investee*

The Company's interests in equity-accounted investee comprise interest in associate.

Associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

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

#### (b) *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

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

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

Foreign currency differences are generally recognised in profit or loss.

#### (c) *Derivative financial instruments*

Derivative financial instruments are used to manage exposure to foreign exchange risk arising from operational activity. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

## **Kang Yong Electric Public Company Limited**

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

Attributable transaction costs of derivatives are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

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

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

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

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

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

#### **(f) *Inventories***

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

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

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

An allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.

#### **(g) *Investments***

##### *Investment in associate*

Investment in associate in the separate financial statements of the Company is accounted for using the cost method. Investment in associate in the financial statements in which the equity method is applied is accounted for using the equity method.

##### *Investments in other equity securities*

Marketable equity securities, other than those securities held for trading, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses on available-for-sale items, are recognised directly in equity. Impairment losses are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

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

The fair value of financial instruments classified as available-for-sale is determined as the quoted bid price at the reporting date.

# **Kang Yong Electric Public Company Limited**

## **Notes to the financial statements**

### *Disposal of investments*

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

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

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

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

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

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

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

Buildings	20 years
-----------	----------

No depreciation is provided on freehold land.

### **(i) *Property, plant and equipment***

#### *Recognition and measurement*

##### *Owned assets*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

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

### *Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at its book value.

### *Subsequent costs*

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

### *Depreciation*

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

Depreciation is charged to profit or loss on a straight-line basis (except for factory equipment - moulds and jigs using the double declining balance method) over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Land improvements	5 years
Buildings and improvements	5 - 20 years
Machinery and equipment	5 - 25 years
Factory equipment	5 years
Office equipment	5 years
Vehicles	5 years

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

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

## **(j) Intangible assets**

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

### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

### *Amortisation*

Amortisation is calculated over the cost of the asset, or other amount substituted for cost.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the

## **Kang Yong Electric Public Company Limited**

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

expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software licences	5 years
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Amortisation methods and useful lives are reviewed at each financial year-end and adjusted if appropriate.

#### **(k) Impairment**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### *Calculation of recoverable amount*

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

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

#### *Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

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

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

Trade and other accounts payable are stated at cost.

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### (m) *Employee benefits*

#### *Defined contribution plans*

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

#### *Defined benefit plans*

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

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

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

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

#### *Other long-term employee benefits*

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

#### *Short-term employee benefits*

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

### (n) *Provisions*

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

# **Kang Yong Electric Public Company Limited**

## **Notes to the financial statements**

### *Provision for warranties*

A provision for goods warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### **(o) Revenue**

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

#### *Sale of goods and rendering of services*

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

#### *Investments*

Revenue from investments comprises rental income from investment properties and dividend and interest income from investments and bank deposits.

#### *Rental income*

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

#### *Dividend income*

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

#### *Interest income*

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

#### *Other income*

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

### **(p) Finance costs**

Finance costs comprise interest expense on borrowings are recognised in profit or loss.

### **(q) Lease payments**

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

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

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

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

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

### **(r) Income tax**

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

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

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### (s) *Earnings per share*

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

### (t) *Segment reporting*

Segment results that are reported to the Company's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise assets, liabilities, investment income, gain/loss on foreign exchange, other income and certain items of selling and administrative expenses.

## 4 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company 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 Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
<b><i>Parent</i></b>		
Mitsubishi Electric Corporation	Japan	Parent, 40.81% shareholding
<b><i>Associate</i></b>		
Smile Super Express Co., Ltd.	Thailand	Associate, 33.33% shareholding
<b><i>Key management personnel</i></b>		
Key management personnel	Japanese, 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 Company
<b><i>Other related parties</i></b>		
Thai Refrigeration Components Co., Ltd.	Thailand	Common director
Kulthorn Kirby Public Company Limited	Thailand	Common director
Mitsubishi Electric Kang Yong Watana Co., Ltd.	Thailand	A subsidiary of the Company's parent and common director
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	Thailand	A subsidiary of the Company's parent and common director
Siam Compressor Industry Co., Ltd.	Thailand	A subsidiary of the Company's parent
Mitsubishi Electric Life-Network Co., Ltd.	Japan	A subsidiary of the Company's parent
Mitsubishi Electric Engineering Co., Ltd.	Japan	A subsidiary of the Company's parent
Mitsubishi Electric Home Appliance Co., Ltd.	Japan	A subsidiary of the Company's parent
Mitsubishi Electric Taiwan Co., Ltd.	Taiwan	A subsidiary of the Company's parent
Mitsubishi Electric Asia Pte. Ltd.	Singapore	A subsidiary of the Company's parent
Mitsubishi Electric Australia Pty. Ltd.	Australia	A subsidiary of the Company's parent
Mitsubishi Electric Ryoden Air - Conditioning & Visual Information Systems (Hong Kong) Ltd.	Hongkong	A subsidiary of the Company's parent
Mitsubishi Electric Sales Malaysia Sdn.	Malaysia	A subsidiary of the Company's parent

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

<b>Name of entities</b>	<b>Country of incorporation/ nationality</b>	<b>Nature of relationships</b>
Mitsubishi Electric (Malaysia) Sdn. Bhd.	Malaysia	A subsidiary of the Company's parent
Setsuyo Astec Corporation	Japan	A subsidiary of the Company's parent
Ryoden International Co., Ltd.	Hongkong	A subsidiary of the Company's parent
Melco Thai Capital Co., Ltd.	Thailand	A subsidiary of the Company's parent
Mitsubishi Electric Information Network	Japan	A subsidiary of the Company's parent
Melco Travel Co., Ltd.	Japan	A subsidiary of the Company's parent
Mitsubishi Electric (Hong Kong) Ltd.	Hongkong	A subsidiary of the Company's parent
Mitsubishi Electric Automation (Thailand) Co., Ltd.	Thailand	A subsidiary of the Company's parent
K.G.M. Services Co., Ltd.	Thailand	A subsidiary of the Company's parent
Melco Logistics (Thailand) Co., Ltd.	Thailand	A subsidiary of the Company's parent
Mitsubishi Electric Trading Corp.	Japan	A subsidiary of the Company's parent
Melco Trading (Thailand) Co., Ltd.	Thailand	A subsidiary of the Company's parent
Mitsubishi Electric & Electronic (Shanghai) Co., Ltd.	China	A subsidiary of the Company's parent
Mitsubishi Electric Vietnam Company Limited	Vietnam	A subsidiary of the Company's parent
Mitsubishi Electric India Pvt. Ltd.	India	A subsidiary of the Company's parent
International Elevator & Equipment Inc.	Philippines	A subsidiary of the Company's parent
PT. Mitsubishi Electric Indonesia	Indonesia	A subsidiary of the Company's parent
Mitsubishi Electric Europe B.V. (Moscow Branch)	Russia	A subsidiary of the Company's parent
Setsuyo Astec (Thailand) Co., Ltd.	Thailand	A subsidiary of the Company's parent
Mitsubishi Electric (Russia) LLC	Russia	A subsidiary of the Company's parent
K.Y. Intertrade Co., Ltd.	Thailand	Common director

The Company has a policy on pricing based on “normal business practice or market price under normal trade conditions” for business transactions with its related parties, including purchases and sales of goods and services, as specified as follows:

- 1 Sales prices policy
  - Domestic sales prices are determined at weighted average of standard cost plus margin for all products.
  - Export sales prices are determined at resale price method which are dependent on market and competitive conditions of the particular country.
- 2 Purchase policy of raw materials are prices agreed between the parties.
- 3 Purchase policy of property, plant and equipment are prices agreed between the parties.
- 4 Royalty fee is payable annually at a proportion of sales.
- 5 Product development fee is payable based on actual amount.
- 6 Technical assistance fee chargeable under technical assistance agreement with 5 years term and automatic rollover period of 5 years.
- 7 The Company entered into a rental agreement with an associate. The rental fee is based on the market value.
- 8 The Company has inventory management service fee with an associate. The service fee is based on the area used.
- 9 The Company entered into an agreement with various companies in the Mitsubishi Group, to manage total funding of the Group by the use of pooling accounts. The Company may earn or

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

pay interest, which is based on the surplus funds or the funds used, at the interest rate of average deposit or loan interest rates offered by the bank.

- 10 Interest rates on short-term loans from or to related parties are determined by based on the interest rate of the bank.
- 11 Product warranty expense is based on actual amount claims.
- 12 Key management personnel compensation is determined by the Nomination and Remuneration Committee and the Company's policy.

Significant transactions for the years ended 31 March 2016 and 2015 with related parties were as follows:

<i>Year ended 31 March</i>	<b>Financial statements in which the equity method is applied</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Revenue from sale of goods	3,481,004	3,715,715	3,481,004	3,715,715
Other income	2,380	353	2,380	353
Purchase of equipment	126	886	126	886
Royalty fee	195,372	191,455	195,372	191,455
Product development fee	282,330	217,824	282,330	217,824
Product warranties paid	62,963	70,419	62,963	70,419
Technical assistance fee	22,383	22,257	22,383	22,257
Other selling and administrative expenses	5,210	5,472	5,210	5,472
<b>Associate</b>				
Revenue from sale of goods	117	234	117	234
Rental income	14,465	14,465	14,465	14,465
Dividend income	-	-	1,000	1,000
Other income	822	804	822	804
Inventory management service fee	76,914	76,749	76,914	76,749
Other selling and administrative expenses	7,768	8,593	7,768	8,593
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefits	68,989	64,589	68,989	64,589
Post-employment benefits	906	1,130	906	1,130
Other long-term benefits	10	11	10	11
Total key management personnel compensation	<u>69,905</u>	<u>65,730</u>	<u>69,905</u>	<u>65,730</u>
<b>Other related parties</b>				
Revenue from sale of goods	5,077,403	4,651,046	5,077,403	4,651,046
Dividend income	571,299	608,658	571,299	608,658
Interest income	478	742	478	742
Other income	437	11,423	437	11,423
Purchase of raw material	1,163,847	1,199,261	1,163,847	1,199,261
Purchase of equipment	1,530	1,190	1,530	1,190
Product warranties paid	6,023	1,306	6,023	1,306
Other selling and administrative expenses	90,202	64,239	90,202	64,239

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

Balances as at 31 March 2016 and 2015 with related parties were as follows:

<i>Trade accounts receivable from related parties</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Parent</b>		
Mitsubishi Electric Corporation	330,664	329,183
<b>Other related parties</b>		
Mitsubishi Electric Kang Yong Watana Co., Ltd.	456,452	386,689
Mitsubishi Electric Vietnam Company Limited	190,604	98,606
Mitsubishi Electric Australia Pty. Ltd.	72,565	78,972
Mitsubishi Electric Life-Network Co., Ltd.	45,317	17,471
Mitsubishi Electric (Hong Kong) Ltd.	42,465	-
PT. Mitsubishi Electric Indonesia	34,199	50,282
Mitsubishi Electric Sales Malaysia Sdn.	28,580	42,294
Mitsubishi Electric (Russia) LLC	14,209	4,775
Mitsubishi Electric Asia Pte. Ltd.	12,465	30,645
Mitsubishi Electric Ryoden Air – Conditioning & Visual Information Systems (Hong Kong) Ltd.	-	19,575
Mitsubishi Electric Europe B.V. (Moscow Branch)	-	5,244
Others	1,994	93
<b>Total</b>	<b>1,229,514</b>	<b>1,063,829</b>
 <i>Other accounts receivable from related parties</i>		
	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Accrued dividend income</b>		
<b>Other related parties</b>		
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	141,396	150,000
Siam Compressor Industry Co., Ltd.	12,189	9,944
	<b>153,585</b>	<b>159,944</b>
<b>Others</b>		
<b>Parent</b>		
Mitsubishi Electric Corporation	141	3
<b>Associate</b>		
Smile Super Express Co., Ltd.	1,302	1,289
<b>Other related parties</b>		
Melco Thai Capital Co., Ltd.	26	176
	<b>1,469</b>	<b>1,468</b>
<b>Total</b>	<b>155,054</b>	<b>161,412</b>

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

<i>Short-term loans to related party</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>			
	2016	2015	2016	2015
	<i>Interest rate (% per annum)</i>		<i>(in thousand Baht)</i>	
<b>Other related party</b>				
Melco Thai Capital Co., Ltd.	1.40	1.50	<u><b>36,198</b></u>	<u><b>59,808</b></u>

Movements during the years ended 31 March 2016 and 2015 of short-term loans to related party were as follows:

<i>Short-term loans to related party</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Other related party</b>		
At 1 April	59,808	51,333
Increase	459,237	435,923
Decrease	(482,847)	(427,448)
<b>At 31 March</b>	<u><b>36,198</b></u>	<u><b>59,808</b></u>

<i>Trade accounts payable to related parties</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Other related parties</b>		
Setsuyo Astec Corporation	48,934	57,111
Kulthorn Kirby Public Company Limited	45,375	41,105
Setsuyo Astec (Thailand) Co., Ltd.	19,806	1,920
Mitsubishi Electric Asia Pte. Ltd.	19,418	30,183
Melco Trading (Thailand) Co., Ltd.	16,845	17,680
Mitsubishi Electric Trading Corp.	8,770	7,785
Thai Refrigeration Components Co., Ltd.	1,423	1,303
Mitsubishi Electric & Electronic (Shanghai) Co., Ltd.	477	904
Others	129	10
<b>Total</b>	<u><b>161,177</b></u>	<u><b>158,001</b></u>

<i>Other accounts payable to related parties</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Parent</b>		
Mitsubishi Electric Corporation	293,671	275,710
<b>Associate</b>		
Smile Super Express Co., Ltd.	13,440	9,070

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### *Other accounts payable to related parties*

### **Financial statements in which the equity method is applied and separate financial statements**

	2016	2015
	<i>(in thousand Baht)</i>	
<b>Other related parties</b>		
Mitsubishi Electric Sales Malaysia Sdn.	14,078	7,670
PT. Mitsubishi Electric Indonesia	4,702	724
Mitsubishi Electric Vietnam Company Limited	1,840	4,205
Mitsubishi Electric Australia Pty. Ltd.	1,522	-
Mitsubishi Electric Trading Corp.	1,307	837
Mitsubishi Electric Taiwan Co., Ltd.	324	2,735
Mitsubishi Electric Asia Pte. Ltd.	94	959
Mitsubishi Electric Kang Yong Watana Co., Ltd.	-	5,289
Mitsubishi Electric Life-Network Co., Ltd.	-	281
Setsuyo Astec Corporation	-	52
Others	824	746
<b>Total</b>	<b>331,802</b>	<b>308,278</b>

### *Significant agreements with related parties*

#### *Technical assistance agreement*

The Company entered into agreement with Mitsubishi Electric Corporation (MELCO) whereby such company agreed to provide the Company the technical information and know-how of production. In consideration thereof, the Company agreed to pay royalty fees, development fees and technical assistance fees computed based on agreed formula to MELCO. The term of the agreement was for a period of five years and is automatically extended for a successive period of five years each unless either party notifies in writing to the other party any intention of termination at least six months prior to expiration of the agreement.

#### *Building rental agreement*

The Company entered into a building rental agreement for its warehouse for finished goods with Smile Super Express Co., Ltd. for a period of two years with rental rate as specified in the agreement. This agreement is renewed by either party notification in writing to the other party at least sixty days before expiration of this agreement. In July 2015, the Company notified to renew such agreement for a period of two years expiring on 31 July 2017.

#### *Thai Baht pooling service agreement*

In May 2002, the Company entered into the Thai Baht Pooling Service Agreement with Melco Thai Capital Co., Ltd. (MTC) whereby MTC agreed to provide management service relating to Thai Baht current account of the Company. In consideration thereof, the Company is committed to pay or earn the interest at the rate and method as specified in the agreement. There is no expiration of the agreement unless there are any cases complying with termination conditions as specified in the agreement.

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

**5 Cash and cash equivalents**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
Cash on hand	150	150
Cash at banks - savings and current accounts	43,703	28,312
Fixed deposits	1,020,000	780,000
<b>Total</b>	<b><u>1,063,853</u></b>	<b><u>808,462</u></b>

Cash and cash equivalents of the Company as at 31 March 2016 and 2015 were denominated entirely in Thai Baht.

**6 Trade accounts receivable**

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2016	2015
		<i>(in thousand Baht)</i>	
Related parties	4	1,229,514	1,063,829
Other parties		43,038	70,158
<b>Total</b>		<b><u>1,272,552</u></b>	<b><u>1,133,987</u></b>
Bad and doubtful debts expenses for the year		<u>-</u>	<u>-</u>

Aging analyses for trade accounts receivable were as follows:

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Related parties</b>		
Within credit terms	1,210,469	1,034,023
Overdue		
Less than 3 months	19,045	29,792
3 - 6 months	-	14
	<b><u>1,229,514</u></b>	<b><u>1,063,829</u></b>
<b>Other parties</b>		
Within credit terms	43,038	70,158
	<b><u>43,038</u></b>	<b><u>70,158</u></b>
<b>Total</b>	<b><u>1,272,552</u></b>	<b><u>1,133,987</u></b>

The normal credit term granted by the Company ranges from 30 days to 120 days.

## Kang Yong Electric Public Company Limited

### Notes to the financial statements

The currency denomination of trade accounts receivable as at 31 March were as follows:

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
Thai Baht	783,484	712,671
United States Dollars (USD)	429,557	393,826
Japanese Yen (JPY)	45,317	17,471
Russian Ruble (RUB)	14,194	10,019
<b>Total</b>	<b><u>1,272,552</u></b>	<b><u>1,133,987</u></b>

#### 7 Other accounts receivable

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2016	2015
		<i>(in thousand Baht)</i>	
Accrued dividend income	4	153,585	159,944
Value added tax receivable		65,277	65,153
Accrued interest income		6,548	1,618
Prepaid expenses		6,236	5,867
Other receivables		3,560	1,816
Others		595	2,026
<b>Total</b>		<b><u>235,801</u></b>	<b><u>236,424</u></b>

Other accounts receivable of the Company as at 31 March 2016 and 2015 were denominated entirely in Thai Baht.

#### 8 Inventories

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
Finished goods	466,563	462,517
Work in process	195,634	214,198
Raw materials and factory supplies	338,279	365,216
Goods in transit	18,088	36,327
	<b><u>1,018,564</u></b>	<b><u>1,078,258</u></b>
<i>Less allowance for decline in value of inventories</i>	<i>(16,865)</i>	<i>(45,148)</i>
<b>Net</b>	<b><u>1,001,699</u></b>	<b><u>1,033,110</u></b>

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

**9 Investment in an associate**

	<b>Financial statements in which the equity method is applied</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
At 1 April	18,584	17,082	3,000	3,000
Share of profit (loss) of investment - equity method	(269)	2,502	-	-
Dividend income	(1,000)	(1,000)	-	-
<b>At 31 March</b>	<b><u>17,315</u></b>	<b><u>18,584</u></b>	<b><u>3,000</u></b>	<b><u>3,000</u></b>

During the years ended 31 March 2016 and 2015, there was no acquisition and disposal of investment in an associate.



## Kang Yong Electric Public Company Limited

### Notes to the financial statements

The following table summarises the financial information of the associate as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in the associate.

	Smile Super Express Co., Ltd.	
	2016	2015
	<i>(in thousand Baht)</i>	
Revenue	154,774	152,624
Profit from continuing operations	(808)	7,507
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(808)</b>	<b>7,507</b>
Attributable to non-controlling interests	(539)	5,005
Attributable to investee's shareholders	(269)	2,502
Current assets	50,481	53,861
Non-current assets	17,697	21,478
Current liabilities	(11,286)	(13,271)
Non-current liabilities	(4,948)	(6,316)
<b>Net assets</b>	<b>51,944</b>	<b>55,752</b>
Attributable to non-controlling interests	34,629	37,168
Attributable to investee's shareholders	17,315	18,584
Company's interest in net assets of investee at 1 April	18,584	17,082
Total comprehensive income attributable to the Company	(269)	2,502
Dividends received during the year	1,000	1,000
Company's interest in net assets of investee at 31 March	17,315	18,584
<b>Carrying amount of interest in investee at 31 March</b>	<b>17,315</b>	<b>18,584</b>

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

**10 Other investments**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b><i>Current investments</i></b>		
Short-term deposits at financial institutions	2,200,000	2,080,000
	<b>2,200,000</b>	<b>2,080,000</b>
<b><i>Other long-term investments</i></b>		
Equity securities available-for-sale	13,666	11,331
Other non-marketable equity securities	157,362	157,362
	<b>171,028</b>	<b>168,693</b>
<b>Total</b>	<b>2,371,028</b>	<b>2,248,693</b>

Short-term deposits at financial institutions amounted to Baht 2,200 million as at 31 March 2016 (2015 : 2,080 million) have annual interest rates ranging from 1.83% to 2.05% (2015 : 2.35% to 3.15%) and maturity within 4 months to 12 months.

Current investments and other long-term investments of the Company as at 31 March 2016 and 2015 were denominated entirely in Thai Baht.

Equity securities available-for-sale as at 31 March 2016 and 2015 were as follows:

	<b>Financial statements in which the equity method is applied and separate financial statements</b>			
	2016		2015	
	Cost	Fair value	Cost	Fair value
	<i>(in thousand Baht)</i>			
<b><i>Marketable securities - Available-for-sale securities</i></b>				
Kulthorn Kirby Public Co., Ltd.	4,965	13,208	4,965	10,891
City Sports and Recreation Public Co., Ltd.	300	458	300	440
	<b>5,265</b>	<b>13,666</b>	<b>5,265</b>	<b>11,331</b>
Add revaluation	8,401	-	6,066	-
<b>Total</b>	<b>13,666</b>	<b>13,666</b>	<b>11,331</b>	<b>11,331</b>

## Kang Yong Electric Public Company Limited

### Notes to the financial statements

Other non-marketable equity securities as at 31 March 2016 and 2015, and dividend income from those investments for the years then ended were as follows:

Investee	Type of business	Ownership interest		Paid-up capital		Cost		Impairment		At cost - net		Dividend income	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		(in thousand Baht)											
Thai Refrigeration Components Co., Ltd.	Manufacturing of roll-bond evaporators	10.57	10.57	50,000	50,000	5,286	5,286	-	-	5,286	5,286	264	264
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	Manufacturing of air conditioners	10.00	10.00	1,200,000	1,200,000	120,000	120,000	-	-	120,000	120,000	547,620	588,500
Siam Compressor Industry Co., Ltd.	Manufacturing of compressors for air conditioners	2.00	2.00	1,603,800	1,603,800	32,076	32,076	-	-	32,076	32,076	23,415	17,963
<b>Total</b>				<b>157,362</b>	<b>157,362</b>	<b>157,362</b>	<b>157,362</b>	<b>-</b>	<b>-</b>	<b>157,362</b>	<b>157,362</b>	<b>571,299</b>	<b>606,727</b>

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

**11 Investment properties**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>		
	Land	Buildings	Total
	<i>(in thousand Baht)</i>		
<i>Cost</i>			
At 1 April 2014	10,360	91,436	101,796
<b>At 31 March 2015 and 1 April 2015</b>	<b>10,360</b>	<b>91,436</b>	<b>101,796</b>
<b>At 31 March 2016</b>	<b>10,360</b>	<b>91,436</b>	<b>101,796</b>
<i>Accumulated depreciation and impairment losses</i>			
At 1 April 2014	2,492	91,436	93,928
Impairment losses	2,897	-	2,897
<b>At 31 March 2015 and 1 April 2015</b>	<b>5,389</b>	<b>91,436</b>	<b>96,825</b>
Impairment losses	-	-	-
<b>At 31 March 2016</b>	<b>5,389</b>	<b>91,436</b>	<b>96,825</b>
<i>Net book value</i>			
At 1 April 2014	7,868	-	7,868
<b>At 31 March 2015 and 1 April 2015</b>	<b>4,971</b>	<b>-</b>	<b>4,971</b>
<b>At 31 March 2016</b>	<b>4,971</b>	<b>-</b>	<b>4,971</b>

Investment properties comprise land and buildings that are leased to an associate and plots of land that are not used in operations. Fair value of land and buildings that are leased to its associate was computed by the Company's management under the Discounted Cash Flow Analysis method by using key assumptions of discount rates and net cash inflow from rental income including the review of the estimated useful lives of buildings that are leased to its associate. Fair value of land not used in operations was considered by appraisal value of Treasury Department. As at 31 March 2016, fair value of land and buildings that are leased to its associate and land not used in operations totaled approximately Baht 137.4 million (2015: Baht 137.2 million).

**Measurement of fair value**

*Fair value hierarchy*

The fair value measurement for investment properties of Baht 137.4 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### *Valuation technique and significant unobservable inputs*

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows; The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods. The expected net cash flows are discounted using weighted average cost of capital discount rate.	<ul style="list-style-type: none"> <li>• Market rental rate</li> <li>• Expected market rental growth rate</li> <li>• Estimated useful lives of buildings that are leased</li> <li>• Void periods</li> <li>• Weighted average cost of capital discount rate</li> </ul>	<p>The estimated fair value increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• Market rental rate were higher (lower) than rate used for determining fair value;</li> <li>• Expected market rental growth rate were higher (lower);</li> <li>• Void periods were shorter (longer);</li> <li>• Weighted average cost of capital discount rate were lower (higher).</li> </ul>

**Kang Yong Electric Public Company Limited**  
Notes to the financial statements

**12 Property, plant and equipment**

**Financial statements in which the equity method is applied and separate financial statements**

	Land and improvements	Buildings and improvements	Machinery and equipment	Factory equipment <i>(in thousand Baht)</i>	Office equipment	Vehicles	Assets under construction and installation	Total
<i>Cost</i>								
At 1 April 2014	164,911	659,640	1,439,290	2,553,840	94,216	1,101	36,429	4,949,427
Additions	-	1,303	8,955	53,531	4,891	-	236,862	305,542
Transfers	-	10,856	41,740	133,871	5,098	-	(191,565)	-
Disposals	-	(549)	(36,256)	(95,580)	(12,053)	-	-	(144,438)
<b>At 31 March 2015 and 1 April 2015</b>	<b>164,911</b>	<b>671,250</b>	<b>1,453,729</b>	<b>2,645,662</b>	<b>92,152</b>	<b>1,101</b>	<b>81,726</b>	<b>5,110,531</b>
Additions	-	3,010	24,347	47,335	5,228	-	269,956	349,876
Transfers	-	21,828	82,128	201,606	3,235	-	(308,797)	-
Disposals	-	-	(17,466)	(33,125)	(2,420)	-	-	(53,011)
<b>At 31 March 2016</b>	<b>164,911</b>	<b>696,088</b>	<b>1,542,738</b>	<b>2,861,478</b>	<b>98,195</b>	<b>1,101</b>	<b>42,885</b>	<b>5,407,396</b>
<i>Accumulated depreciation</i>								
At 1 April 2014	33,868	564,074	978,129	2,113,779	72,609	1,017	-	3,763,476
Depreciation charge for the year	603	21,000	60,990	188,907	7,625	35	-	279,160
Disposals	-	(549)	(35,455)	(91,961)	(11,876)	-	-	(139,841)
<b>At 31 March 2015 and 1 April 2015</b>	<b>34,471</b>	<b>584,525</b>	<b>1,003,664</b>	<b>2,210,725</b>	<b>68,358</b>	<b>1,052</b>	<b>-</b>	<b>3,902,795</b>
Depreciation charge for the year	-	23,740	64,409	192,542	8,086	28	-	288,805
Disposals	-	-	(17,096)	(33,050)	(2,167)	-	-	(52,313)
<b>At 31 March 2016</b>	<b>34,471</b>	<b>608,265</b>	<b>1,050,977</b>	<b>2,370,217</b>	<b>74,277</b>	<b>1,080</b>	<b>-</b>	<b>4,139,287</b>

**Kang Yong Electric Public Company Limited**  
Notes to the financial statements

**Financial statements in which the equity method is applied and separate financial statements**

	Land and improvements	Buildings and improvements	Machinery and equipment	Factory equipment	Office equipment	Vehicles	Assets under construction and installation	Total
<i>Net book value</i>								
At 1 April 2014	131,043	95,566	461,161	440,061	21,607	84	36,429	1,185,951
At 31 March 2015 and 1 April 2015	130,440	86,725	450,065	434,937	23,794	49	81,726	1,207,736
At 31 March 2016	130,440	87,823	491,761	491,261	23,918	21	42,885	1,268,109

The gross amount of the Company's fully depreciated plant and equipment that was still in use as at 31 March 2016 amounted to Baht 2,077.0 million (2015 : Baht 2,984.6 million).

The Company's land which has cost approximately Baht 10.26 million is partially under land servitude.

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

**13 Deferred tax**

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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>			
	Assets		Liabilities	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	<i>(in thousand Baht)</i>			
Total	81,170	93,131	(10,888)	(8,432)
Set off of tax	(10,888)	(8,432)	10,888	8,432
<b>Net deferred tax assets</b>	<b><u>70,282</u></b>	<b><u>84,699</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>			
	At 1 April 2015	(Charged) / Credited to :		At 31 March 2016
		Profit or loss	Other comprehensive income	
	<i>(in thousand Baht)</i>			
<b>Deferred tax assets</b>				
Inventories <i>(allowance for decline in value)</i>	9,030	(5,657)	-	3,373
Provision for warranties	47,259	(10,271)	-	36,988
Employee benefit obligations	32,388	2,809	1,361	36,558
Provident funds	3,376	(203)	-	3,173
Impairment losses on land not used in operations	1,078	-	-	1,078
<b>Total</b>	<b><u>93,131</u></b>	<b><u>(13,322)</u></b>	<b><u>1,361</u></b>	<b><u>81,170</u></b>
<b>Deferred tax liabilities</b>				
Available-for-sale securities <i>(revaluation)</i>	(1,213)	-	(467)	(1,680)
Property, plant and equipment <i>(depreciation difference)</i>	(7,219)	(1,989)	-	(9,208)
<b>Total</b>	<b><u>(8,432)</u></b>	<b><u>(1,989)</u></b>	<b><u>(467)</u></b>	<b><u>(10,888)</u></b>
<b>Net</b>	<b><u>84,699</u></b>	<b><u>(15,311)</u></b>	<b><u>894</u></b>	<b><u>70,282</u></b>

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>			<b>At 31 March 2015</b>
	(Charged) / Credited to :			
	<b>At 1 April 2014</b>	Profit or loss (in thousand Baht)	Other comprehensive income	
<b><i>Deferred tax assets</i></b>				
Inventories (allowance for decline in value)	4,352	4,678	-	9,030
Provision for warranties	57,809	(10,550)	-	47,259
Employee benefit obligations	28,012	990	3,386	32,388
Provident funds	3,661	(285)	-	3,376
Impairment losses on land not used in operations	498	580	-	1,078
<b>Total</b>	<b>94,332</b>	<b>(4,587)</b>	<b>3,386</b>	<b>93,131</b>
<b><i>Deferred tax liabilities</i></b>				
Available-for-sale securities (revaluation)	(914)	-	(299)	(1,213)
Property, plant and equipment (depreciation difference)	(4,993)	(2,226)	-	(7,219)
<b>Total</b>	<b>(5,907)</b>	<b>(2,226)</b>	<b>(299)</b>	<b>(8,432)</b>
<b>Net</b>	<b>88,425</b>	<b>(6,813)</b>	<b>3,087</b>	<b>84,699</b>

**14 Other non-current assets**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	(in thousand Baht)	
Refundable import duty	17,879	15,265
Loans to employees	2,103	2,203
Refundable corporate income tax	-	9,201
Others	9,307	7,882
<b>Total</b>	<b>29,289</b>	<b>34,551</b>

**15 Trade accounts payable**

	Note	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2016	2015
		(in thousand Baht)	
Related parties	4	161,177	158,001
Other parties		917,017	780,250
<b>Total</b>		<b>1,078,194</b>	<b>938,251</b>

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

The currency denomination of trade accounts payable as at 31 March were as follows:

	2016	2015
	<i>(in thousand Baht)</i>	
Thai Baht	992,268	834,722
United States Dollars (USD)	72,489	91,933
Japanese Yen (JPY)	13,437	11,596
<b>Total</b>	<b><u>1,078,194</u></b>	<b><u>938,251</u></b>

### 16 Other accounts payable

		<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	<i>Note</i>	2016	2015
		<i>(in thousand Baht)</i>	
Royalty fee and development fee payables	4	281,281	264,679
Accrued employee benefits		83,715	71,131
Payables on purchases of property and equipment		7,667	34,553
Others		92,771	78,407
<b>Total</b>		<b><u>465,434</u></b>	<b><u>448,770</u></b>

The currency denomination of other accounts payable as at 31 March were as follows:

	2016	2015
	<i>(in thousand Baht)</i>	
Thai Baht	341,114	346,826
Japanese Yen (JPY)	99,734	88,160
United States Dollars (USD)	24,310	10,655
Others	276	3,129
<b>Total</b>	<b><u>465,434</u></b>	<b><u>448,770</u></b>

### 17 Employee benefit obligations

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Statement of financial position obligations for:</b>		
Post-employment benefits	166,453	152,167
Other long-term employee benefits	16,336	9,775
<b>Total</b>	<b><u>182,789</u></b>	<b><u>161,942</u></b>
 <i>Statement of comprehensive income for the year ended 31 March</i>		
<b>Recognised in profit or loss:</b>		
Post-employment benefits	13,879	10,851
Other long-term employee benefits	8,008	1,702
<b>Total</b>	<b><u>21,887</u></b>	<b><u>12,553</u></b>
 <b>Recognised in other comprehensive income:</b>		
Actuarial losses recognised in the year	<b><u>6,804</u></b>	<b><u>16,930</u></b>

## Kang Yong Electric Public Company Limited

### Notes to the financial statements

The Company operates a defined benefit pension plans based on the requirement of Thai Labour Protection Act B.E 2541 (1998) and the Company's policy to provide retirement benefits to employees based on pensionable remuneration and length of service and long-service award based on the Company's policy.

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

Movement in the present value of the defined benefit obligations:

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
Defined benefit obligations at 1 April	161,942	140,061
<b>Included in profit or loss:</b>		
Current service cost	10,545	9,252
Past service cost	7,080	(2,171)
Interest on obligations	4,262	5,472
	<u>21,887</u>	<u>12,553</u>
<b>Included in other comprehensive income:</b>		
Actuarial losses	6,804	16,930
<b>Other</b>		
Benefit paid	(7,844)	(7,602)
<b>Defined benefit obligations at 31 March</b>	<u>182,789</u>	<u>161,942</u>

Actuarial gains and losses recognised in other comprehensive income arising from:

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
Financial assumptions	3,986	17,318
Experience adjustment	2,818	(388)
<b>Total</b>	<u>6,804</u>	<u>16,930</u>

#### *Actuarial assumptions*

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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	%	
Discount rate	2.50	2.75
Future salary increases	5.00	5.00

## Kang Yong Electric Public Company Limited

### Notes to the financial statements

Assumptions regarding future mortality are based on published statistics and Thai Mortality tables 2008 (TMO2008).

At 31 March 2016, the weighted-average duration of the defined benefit obligations was 9 years (2015 : 9 years).

#### *Sensitivity analysis*

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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	<i>(in thousand Baht)</i>	
<b>Defined benefit obligations as at 31 March 2016</b>	<b>Increase</b>	<b>Decrease</b>
Discount rate (0.50% movement)	(8,345)	8,968
Future salary increases (1.00% movement)	14,727	(12,931)

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

## 18 Provision for warranties

	<b>Financial statements in which the equity method is applied and separate financial statements</b>
	<i>(in thousand Baht)</i>
At 1 April 2014	289,044
Provisions made	19,480
Provisions used	(72,229)
<b>At 31 March 2015 and 1 April 2015</b>	<b>236,295</b>
Provisions made	18,703
Provisions used	(70,056)
<b>At 31 March 2016</b>	<b>184,942</b>

## 19 Share capital

	Par value per share <i>(in Baht)</i>	2016		2015	
		Number <i>( in thousand shares/</i>	Amount <i>in thousand Baht)</i>	Number	Amount
<b>Authorised</b>					
At 1 April					
- ordinary shares	10	22,000	220,000	22,000	220,000
<b>At 31 March</b>					
- ordinary shares	10	<b>22,000</b>	<b>220,000</b>	<b>22,000</b>	<b>220,000</b>

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

	Par value per share (in Baht)	2016 Number      Amount ( in thousand shares/ in thousand Baht)		2015 Number      Amount	
<b><i>Issued and fully paid-up</i></b>					
At 1 April					
- ordinary shares	10	<u>22,000</u>	<u>220,000</u>	<u>22,000</u>	<u>220,000</u>
<b>At 31 March</b>					
- ordinary shares	10	<u><b>22,000</b></u>	<u><b>220,000</b></u>	<u><b>22,000</b></u>	<u><b>220,000</b></u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to have voting right one vote per share at the Company's meetings.

### ***Share premium***

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("Share premium"). Share premium is not available for dividend distribution.

## **20 Reserves**

Reserves comprise:

### ***Appropriations of profit and/or retained earnings***

#### **Legal reserve**

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

### ***Other component of equity***

#### **Fair value changes in available-for-sale investments**

The fair value changes in available-for-sale investments account within equity comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

## **21 Segment information**

The Company operates in a single line of business, namely the manufacturing and selling of household electrical appliances, which is an integrated line of product. The Company sales goods in domestic and oversea. The chief operating decision maker (CODM) determines operating segment on a geographical basis as follows:

- Segment 1      Sale of goods and rendering of services in Thailand
- Segment 2      Sale of goods in Japan
- Segment 3      Sale of goods in other countries

The Company's strategic divisions are managed separately because they require different marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports at least on a monthly basis.

## **Kang Yong Electric Public Company Limited**

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

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

## Kang Yong Electric Public Company Limited

### Notes to the financial statements

The Company's operations mainly involve business segments in produce goods in Thailand and sale in both domestic and oversea market (Japan and other countries). Financial information of the Company by operating segments for the years ended 31 March 2016 and 2015 was as follows:

#### Financial statements in which the equity method is applied

	Overseas						Total	
	Domestic		Japan		Others			
<i>Year ended 31 March</i>	2016	2015	2016	2015	2016	2015	2016	2015
Revenue from sale of goods and rendering of services	3,167,355	3,008,225	3,628,309	3,782,705	2,009,540	1,884,339	8,805,204	8,675,269
Segment profit	531,876	452,471	163,159	409,795	295,204	117,444	990,239	979,710
Unallocated expenses							(788,911)	(728,531)
Investment income							650,026	695,666
Net foreign exchange gain							32,594	20,675
Other income							23,403	36,736
Share of profit (loss) of an associate							(269)	2,502
Profit before income tax expense							907,082	1,006,758
Income tax expense							(65,232)	(79,857)
<b>Profit for the year</b>							<b>841,850</b>	<b>926,901</b>
Property, plant and equipment							31 March 2016	31 March 2015
							1,268,109	1,207,736

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### Geographical segments

In presenting information on the basis of geographical operating segments, segment revenue is based on the geographical location of customers.

### Major customers

Revenues from major customers of the Company's segments 1 and 2 represents approximately Baht 6,641 million (2015: Baht 6,712 million) of the Company's total revenues.

## 22 Investment income

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2016	2015	2016	2015
<i>(in thousand Baht)</i>					
<b>Rental income</b>					
Operating lease rental income					
Investment properties		14,483	14,483	14,483	14,483
		<b>14,483</b>	<b>14,483</b>	<b>14,483</b>	<b>14,483</b>
<b>Dividend income</b>					
Associated company	4, 9	-	-	1,000	1,000
Other related parties	4, 10	571,299	608,658	571,299	608,658
Other parties		16	17	16	17
		<b>571,315</b>	<b>608,675</b>	<b>572,315</b>	<b>609,675</b>
<b>Interest income</b>					
Other related parties	4	478	742	478	742
Financial institutions		63,750	71,766	63,750	71,766
		<b>64,228</b>	<b>72,508</b>	<b>64,228</b>	<b>72,508</b>
<b>Total</b>		<b>650,026</b>	<b>695,666</b>	<b>651,026</b>	<b>696,666</b>

## 23 Other income

	Financial statements in which the equity method is applied and separate financial statements	
	2016	2015
<i>(in thousand Baht)</i>		
Revenue from scrap sales	11,768	18,880
Product development income	-	10,275
Others	11,635	7,581
<b>Total</b>	<b>23,403</b>	<b>36,736</b>

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

**24 Selling expenses**

	Note	Financial statements in which the equity method is applied and separate financial statements	
		2016	2015
		<i>(in thousand Baht)</i>	
Royalty fee	4	195,372	191,455
Transportation expenses		95,187	88,339
Advertising and sales promotion expenses		50,853	43,360
Product warranty expense		18,703	19,480
Employee benefit expenses	26	18,651	18,365
Others		16,834	21,169
<b>Total</b>		<b>395,600</b>	<b>382,168</b>

**25 Administrative expenses**

	Note	Financial statements in which the equity method is applied and separate financial statements	
		2016	2015
		<i>(in thousand Baht)</i>	
Product development fee	4	282,330	217,824
Employee benefit expenses	26	183,237	166,425
Warehouse rental charge		78,866	78,701
Technical assistance fee	4	22,841	23,842
Tax and duty		17,389	17,775
Others		99,207	121,589
<b>Total</b>		<b>683,870</b>	<b>626,156</b>

**26 Employee benefit expenses**

	Financial statements in which the equity method is applied and separate financial statements	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Key management personnel</b>		
Short-term employee benefits	68,989	64,589
Others	916	1,141
	<b>69,905</b>	<b>65,730</b>
<b>Other employees</b>		
Wages and salaries	615,719	556,509
Provident fund	19,040	17,845
Defined benefit plan expenses	25,218	11,412
Others	141,737	131,855
	<b>801,714</b>	<b>717,621</b>
<b>Total</b>	<b>871,619</b>	<b>783,351</b>

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### *Defined benefit plans*

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

### *Contribution plans*

The provident fund presented under non-current liabilities includes a provident fund which the Company had established prior to 2000. Contributions were made by employees' voluntarily at 3% of their monthly salaries and by the Company at rates ranging from 5% to 7% of salaries depending on length of service of the employees.

Since 2001, the defined contribution plan comprises a provident fund established by the Company for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rate of 3% of their basic salaries and by the Company at rates ranging from 5% to 7% of the employees' basic salaries depending on length of service of the employees. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

Effective from 1 January 2016, contributions are made monthly by the employees at minimum rates ranging from 6% to 8%, but not exceed 15% of their basic salaries and by the Company at rates ranging from 6% to 8% of the employees' basic salaries depending on length of service of the employees.

## 27 Expenses by nature

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2016	2015
		<i>(in thousand Baht)</i>	
<b><i>Included in cost of sale of goods:</i></b>			
Changes in inventories of finished goods and work in process		14,518	(67,206)
Raw materials and consumables used		6,063,774	6,122,531
Employee benefit expenses		669,731	598,561
Depreciation		280,501	271,959
<b><i>Included in selling expenses:</i></b>			
Royalty fee	4, 24	195,372	191,455
Transportation expenses	24	95,187	88,339
Advertising and sales promotion expenses	24	50,583	43,360
<b><i>Included in administrative expenses:</i></b>			
Product development fee	4, 25	282,330	217,824
Employee benefit expenses	25	183,237	166,425
Warehouse rental charge	25	78,866	78,701

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

**28 Income tax**

*Income tax recognised in profit or loss*

	Note	Financial statements in which the equity method is applied and separate financial statements	
		2016	2015
		<i>(in thousand Baht)</i>	
<b>Current tax expense</b>			
Current year		49,921	73,044
<b>Deferred tax expense</b>			
Movements in temporary differences	13	15,311	6,813
<b>Total income tax expense</b>		<b>65,232</b>	<b>79,857</b>

*Income tax recognised in other comprehensive income*

	Financial statements in which the equity method is applied and separate financial statements					
	2016	2016	Net of	2015	2015	Net of
	Before tax	Tax (expense) benefit	tax	Before tax	Tax (expense) benefit	tax
	<i>(in thousand Baht)</i>					
Available-for-sale securities (revaluation)	2,334	(467)	1,867	1,496	(299)	1,197
Defined benefit plan actuarial losses	(6,804)	1,361	(5,443)	(16,930)	3,386	(13,544)
<b>Total</b>	<b>(4,470)</b>	<b>894</b>	<b>(3,576)</b>	<b>(15,434)</b>	<b>3,087</b>	<b>(12,347)</b>

*Reconciliation of effective tax rate*

	Financial statements in which the equity method is applied			
	2016	2016	2015	2015
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense		907,082		1,006,758
Income tax using the Thai corporation tax rate	20.00	181,416	20.00	201,352
Income not subject to tax		(114,263)		(121,735)
Additional deduction expenses for tax purposes		(2,321)		(98)
Expenses not deductible for tax purposes		400		338
<b>Total</b>	<b>7.19</b>	<b>65,232</b>	<b>7.93</b>	<b>79,857</b>

## Kang Yong Electric Public Company Limited

### Notes to the financial statements

	Separate financial statements			
	2016		2015	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense		908,352		1,005,256
Income tax using the Thai corporation tax rate	20.00	181,670	20.00	201,051
Income not subject to tax		(114,463)		(121,935)
Additional deduction expenses for tax purposes		(2,321)		(98)
Expenses not deductible for tax purposes		346		839
<b>Total</b>	<b>7.18</b>	<b>65,232</b>	<b>7.94</b>	<b>79,857</b>

#### Income tax reduction

Royal Decree No. 577 B.E. 2557 dated 10 November 2014 grants the reduction of the corporate income tax rate to 20% of net taxable profit for the accounting period 2015 which begins on or after 1 January 2015. Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

## 29 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotional Act B.E. 2520, the Company has been granted privileges by the Board of Investment relating to exemption from payment of import duty on imported raw material.

As a promoted company, the Company must comply with certain terms and conditions prescribed in the promotional certificates.

## 30 Basic earnings per share

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

	Financial statements in which the equity method is applied		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht / thousand shares )</i>			
<b>Profit for the year attributable to ordinary shareholders of the Company (Basic)</b>	<b>841,850</b>	<b>926,901</b>	<b>843,120</b>	<b>925,398</b>
<b>Number of ordinary shares outstanding</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>
<b>Earnings per share (Basic) (in Baht)</b>	<b>38.27</b>	<b>42.13</b>	<b>38.32</b>	<b>42.06</b>

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### 31 Dividends

At the annual general meeting of the shareholders of the Company held on 24 July 2015, the shareholders approved the appropriation of dividends of Baht 21.07 per share, amounting to Baht 463.5 million. The dividend was paid to the shareholders in August 2015.

At the annual general meeting of the shareholders of the Company held on 25 July 2014, the shareholders approved the appropriation of dividends of Baht 11.50 per share, amounting to Baht 253.0 million. The dividend was paid to the shareholders in August 2014.

### 32 Financial instruments

#### *Financial risk management policies*

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

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

#### *Capital management*

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

#### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows. However, the management believes that the Company has no material interest rate risk because the Company has insignificant borrowing and the maturity of deposits and other financial assets is short-term and interest is based on market rates. Hence, the Company has no hedging agreements to protect against such risk.

The effective interest rates of deposits at financial institutions, short-term investments and short-term loans to as at 31 March and the periods in which the term of mature or re-price were as follows:

	Effective interest rate (% per annum)	Financial statements in which the equity method is applied and separate financial statements Within 1 year (in thousand Baht)
<b>2016</b>		
Current		
Deposits at financial institutions	0.15 - 1.95	1,063,703
Short-term investments - fixed deposits	1.83 - 2.05	2,200,000
Short-term loans to related party	1.30 - 1.48	36,198

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**

	Effective interest rate (% per annum)	<b>Financial statements in which the equity method is applied and separate financial statements</b> Within 1 year (in thousand Baht)
<b>2015</b>		
<b>Current</b>		
Deposits at financial institutions	0.50 - 2.45	808,312
Short-term investments - fixed deposits	2.35 - 3.15	2,080,000
Short-term loans to related party	1.50 - 2.00	59,808

**Foreign currency risk**

The Company is exposed to foreign currency risk relating to purchases and sales of goods which are denominated in foreign currencies. The Company primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies.

At 31 March, the Company was exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b> 2016                      2015 (in thousand Baht)	
<b>Assets</b>			
<b>United States Dollars</b>			
Trade accounts receivable	6	429,557	393,826
<b>Japanese Yen</b>			
Trade accounts receivable	6	45,317	17,471
<b>Russian Ruble</b>			
Trade accounts receivable	6	14,194	10,019
<b>Gross assets in statements of financial position exposure</b>		<b>489,068</b>	<b>421,316</b>
<b>Liabilities</b>			
<b>United States Dollars</b>			
Trade accounts payable	15	(72,489)	(91,933)
Other accounts payable	16	(24,310)	(10,655)
<b>Japanese Yen</b>			
Trade accounts payable	15	(13,437)	(11,596)
Other accounts payable	16	(99,734)	(88,160)
<b>Other currencies</b>			
Other accounts payable	16	(276)	(3,129)
<b>Gross liabilities in statements of financial position exposure</b>		<b>(210,246)</b>	<b>(205,473)</b>

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### *Credit risk*

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

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

### *Liquidity risk*

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

### *Fair values of financial assets and liabilities*

Fair values of financial assets, together with the carrying values shown in the statement of financial position in which the equity method is applied and separate statement of financial position at 31 March were as follows:

		<b>Financial statements in which the equity method is applied and separate financial statements</b>				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
		<i>(in thousand Baht)</i>				
<b>31 March 2016</b>						
<i>Non-current</i>						
Equity securities available-for-sale	13,666	13,208	-	458		<b>13,666</b>

### **Financial instruments carried at fair value**

#### *Fair value hierarchy*

The table above analyses recurring fair value measurements for financial assets. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company determines Level 3 fair values for equity securities – available-for-sale based on the most recent quoted price in the Stock Exchange of Thailand.

Trade and other accounts receivable, short-term loans to related party, trade and other accounts payable; the carrying amounts of these financial assets and liabilities approximate to the fair values due to the relative short-term maturity of these financial instruments.

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

### 33 Commitments with non-related parties

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Capital commitments</b>		
<i>Contracted but not provided for</i>		
Acquisition of property, plant and equipment	<u>20,377</u>	<u>36,265</u>
<b>Operating lease commitments</b>		
Within one year	6,149	7,966
After one year but within five years	<u>7,535</u>	<u>11,968</u>
<b>Total</b>	<u><b>13,684</b></u>	<u><b>19,934</b></u>

The Company entered into several long-term lease agreements covering vehicles which have four year terms expiring in various periods up to the year 2019. In consideration thereof, the Company is committed to pay rental fee at various annual rental rates as specified in the agreements.

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

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Company's operations, which become effective for annual financial periods beginning on or after 1 January 2016, are set out below. The Company does not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 2 (revised 2015)	Inventories
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events After the Reporting Period
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2015)	Borrowing Costs
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2015)	Separate Financial Statements
TAS 28 (revised 2015)	Investments in Associates and Joint Ventures
TAS 33 (revised 2015)	Earnings Per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TAS 40 (revised 2015)	Investment Property
TFRS 8 (revised 2015)	Operating Segments
TFRS 12 (revised 2015)	Disclosure of Interests in Other Entities

# Kang Yong Electric Public Company Limited

## Notes to the financial statements

<b>TFRS</b>	<b>Topic</b>
TFRS 13 (revised 2015)	Fair Value Measurement
TSIC 15 (revised 2015)	Operating Leases – Incentives
TSIC 27 (revised 2015)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 31 (revised 2015)	Revenue – Barter Transactions Involving Advertising Services
TSIC 32 (revised 2015)	Intangible Assets – Web Site Costs
TFRIC 1 (revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2015)	Determining Whether an Arrangement Contains a Lease
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment

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



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