

ANNUAL REPORT 2016

ONE KYE
FOR OUR
CUSTOMERS



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



In Remembrance of His Majesty the Late
King Bhumibol Adulyadej

With Eternal Respect and Gratitude

The Board of Directors, Management and staff of
KANG YONG ELECTRIC PUBLIC COMPANY LIMITED





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FINANCIAL HIGHLIGHTS

Financial Highlights (Million Baht)	as at March 31			
	2015	2016	2017	
Total Sales	8,675	8,805	9,055	
Total Revenues	9,428	9,511	10,049	
Cost of Sales	7,416	7,524	7,436	
Gross Profit	1,259	1,281	1,619	
Selling and Administrative Expenses	1,008	1,080	1,153	
Net Profit	927	842	1,336	
Total Assets	6,877	7,376	8,297	
Total Liabilities	1,831	1,955	1,964	
Total Shareholder's Equity	5,046	5,421	6,333	
Financial Ratio				
Net Profit Ratio	%	10.68	9.56	14.75
Return on Equity	%	19.66	16.09	22.73
Return on Assets	%	14.26	11.81	17.05
Dividend pay out Ratio	%	50.01	50.02	*
Liabilities per Equities Ratio	Times	0.36	0.36	0.31
Earning per Share	Baht	42.13	38.27	60.72
Dividend per Share	Baht	21.07	19.14	*
Book value per Share	Baht	229.37	246.40	287.85
Total Staff		2,093	2,324	2,044

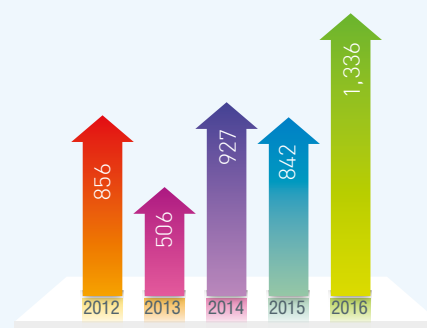
Total sales year 2012 - 2016

Unit : Million Baht

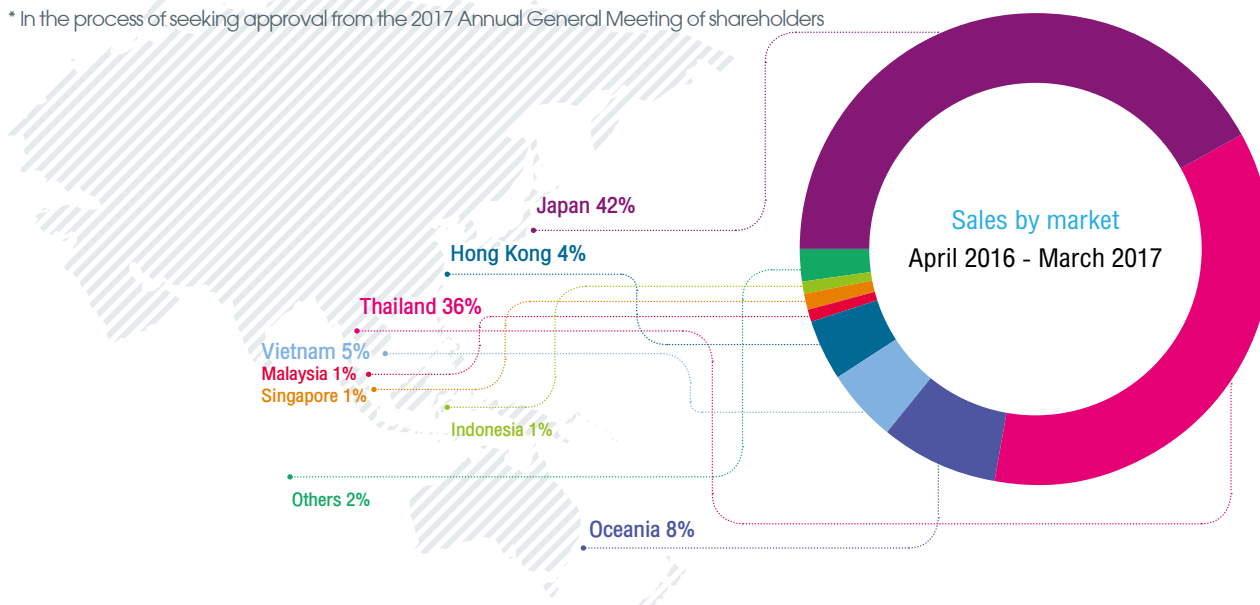


Net profit year 2012 - 2016

Unit : Million Baht



* In the process of seeking approval from the 2017 Annual General Meeting of shareholders



REPORT OF THE BOARD OF DIRECTORS

The year 2016 was a year of great loss and sorrow for Thai people as the Bureau of the Royal Household on October 13, 2016 announced the passing of His Majesty King Bhumibol Adulyadej. On behalf of the Board of Directors, the management and the employees of Kang Yong Electric Public Company Limited, we deeply mourn the passing of His Majesty the King and humbly recall His Majesty's boundless and gracious kindness. We will strive to carry forward the precious legacy of His Majesty and follow in His Majesty's footsteps. We also would like to offer our best wishes on the auspicious occasion of the accession to the throne of His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun, "Long Live His Majesty King Rama X."

In 2016, global and domestic economies remained volatile, with faltering retail trade and manufacturing production. Political changes took place in several countries, such as Great Britain's withdrawal from the European Union (Brexit), election results in the US and ASEAN countries like the Philippines and Myanmar, rising fluctuations in money markets around the world, which hurt international trade and dampened purchasing power of trading partners and consumer confidence amid the fluctuating prices of global oil, coal and other raw materials. For Thailand, export continued the slowing pace while other internal uncertainties prevailed. However, Thai economy in 2016 expanded at 3.2%, higher than that in 2015, driven mainly by tourism. Farmers' income improved as the drought situation had relieved in the latter half of the year, together with positive factors stimulating consumers' spending including the economic stimulus measures taken by the government from time to time. The government has also embarked on economic and industrial reform schemes in various areas, which should help enhance Thai business sectors' competitiveness and growth looking forward.

In fiscal year 2016, we remained steadfast in building and strengthening our business foundation under the slogan: "One KYE for Our Customers." We pursued our efforts in developing our technological capabilities, market competitive edge, and product quality consistently from the previous year. In addition, various activities were carried out for production cost improvement, modification of machinery, and application of digital technology to uplift production efficiency, as well as employee potential development, in order to pave way for the Company's stable and sustainable development gearing up for Thailand 4.0 industrial platform.



**AMID THE INCREASINGLY
FIERCE COMPETITION THROUGH
KYE CONTINUED TO GROW SALES
REVENUES TO 9,055.3 MILLION BAHT,
A CONTINUED GROWTH OF 2.8%
YEAR-ON-YEAR.**

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

KYE continued to grow sales revenues to 9,055.3 million baht, a continued growth of 2.8% year-on-year. Amid the increasingly fierce competition through broad ranging sales promotion campaigns and huge investments in product innovation to best respond to consumer demand, it was a tough task to effectively manage administrative costs and expenses. However, due to our ongoing cost reduction activity, and better management of production cost including raw material cost compared with the foregoing year, we posted a record high net profit after tax of 1,335.8 million baht, a 58.7% growth year-on-year, which constituted earnings per share of 60.72 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 2017 Annual General Meeting of Shareholders for approval of dividend payment for fiscal 2016 at 30.36 baht per share or 50.00% of net profit after tax which is in line with the Company's dividend payment policy.

For 2017, which is considered a challenging year for us following the year of record high operating growth, we predict oil price and currency exchange fluctuations will continue to pose impacts further on. However, ASEAN economies, which are our targets for sales expansion, tend to gradually recover thanks to active implementation of infrastructure development megaprojects and stimulus measures taken by their respective governments, hence positive factors for our business operation. To align with the mentioned positive factors, in 2017, KYE will continue to strive for the continued 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 other 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 our business partners, shareholders and all other stakeholders for your untiring trust in and continued support of the Company. We will remain committed in and devoted to working with best and unstoppable efforts to upgrade our business operation and develop our potentiality to well cope with the volatile market circumstances and relevant risk factors ahead in order to maintain the shareholders' trust and support. Again, thank you very much.



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



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



04



03 Mr. Akira Nakamichi

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



06



04 Mr. Praphon Potivorakun

Director / Executive Director

05 Mr. Hiroataka Abo

Director / Deputy General Manager

06 Mr. Chackchai Panichapat

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



07

07 Mr. Arthakrit Visudtibhan

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



08 Mr. Manu Leopairote

Independent Director /
Chairman of Nomination and
Remuneration Committee /
Member of Product Pricing 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 Associate Professor
Dr. Issaree Hunsacharonroj (Ph.D)**

Director

15 Dr. Apichai Boontharawara

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 71 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 53 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.Akira Nakamichi

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

**Age 55 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.Praphon Potivorakun

Director /
Executive Director

**Age 67 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 Phodhivorakhun

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
- Apr. 2017-Present Executive Director, Kang Yong Electric Public Company Limited

Mr.Hirotaka Abo

Director /
Deputy General Manager

**Age 49 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 78 year****Education**

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

Training

DAP/2003, FND/2005, DGP/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

Non-Listed Companies

- 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 /
Chairman of Product Pricing Committee /
Member of Audit Committee

**Age 61 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

- Dec. 1999-Present Member of Audit Committee, Kang Yong Electric Public Company Limited
- Nov. 2003-Present Human Resources Director, Serm Suk Public Company Limited
- Feb. 2009-Present Chairman of Product Pricing Committee, Kang Yong Electric Public Company Limited
- Jan. 2017-Present Director (Consultant to the President), Serm Suk Public Company Limited

Mr. Manu Leopairote

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

**Age 74 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 Indrasuksri

Independent Director /
Member of Nomination and Remuneration Committee

**Age 68 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 - Present 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 72 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 60 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. 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 54 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 54 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**

- 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.
- Apr. 2016- Present General Manager, Mitsubishi Electric Corporation Shizuoka Works (Shizuoka, Japan)
- May 2016- Present Director, Kang Yong Electric Public Company Limited

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

Director

**Age 63 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

Dr. Apichai Boontharawara

Director

**Age 63 year****Education**

- Bachelor Degree of Economic, Thammasat University
- Ph. D. of Economic, Washington University
- Master Degree of Business Administrative, Thammasat University

Training

DAP 2004, DCP 2005, ACP 2005

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

- 2014 - Present Independent Director and Audit Committee, WHA Corporation PCL.
- Apr. 2017- Present Director, Kang Yong Electric Public Company Limited

Non-Listed Companies

- 2009 - Present Audit Committee, Chiangmai University
- 2009 - Present Honorary of KMIT Council Member, King Mongkut's Institute of Technology Ladkrabang
- 2011 - Present Vice Chairman of Executive Board, Southeast Insurance PLC., Southeast Life Insurance PLC., Southeast Capital Co., Ltd.
- 2015 - Present Monetary Policy Committee, Bank of Thailand

KYE

MANAGEMENT

POLICY

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.

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, developing technological capabilities, market competitive edge and product quality, and operating its business with due regard to social and environmental responsibility for the sustainability of the Company under the slogan: **“One KYE for Our Customers.”**



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”. It is a Thai-Japanese joint venture between Phodhivorakhun family group and Mitsubishi Electric Corporation, Japan, to engage in manufacturing and distribution of 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.

KYE’s current office and factory are located on an area of 71 rai 80 square wah at the address No. 67 Moo 11, Bangna-Trad Road km. 20, Bangchalong, Bangplee, Samutprakan 10540. The Company manufactures and distributes “Mitsubishi Electric” home electrical appliances such as refrigerators, electric fans, ventilating fans, water pumps and jet towels 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, developing technological capabilities, market competitive edge and product quality, and operating its business with due regard to social and environmental responsibility for the sustainability of the Company under the slogan: “One KYE for Our Customers.”

Mission:

The Company is steadfast in developing its organization by upholding a three-pillar operational philosophy to respond to all consumer needs in respect of modern technology, quality control, safety and environmental friendliness by:

- 1) Enhancing sustainable growth on the global market as a strategy toward firm market and sale balance.
- 2) Building solid management system with social responsibility awareness in respect of product and production development, product quality control, security management, procurement, cost improvement, environmental management, human resource management, intellectual property protection, financial management, and labor relations management.
- 3) Give top priority to safety and quality as well as strict compliance with the laws and the code of conducts.

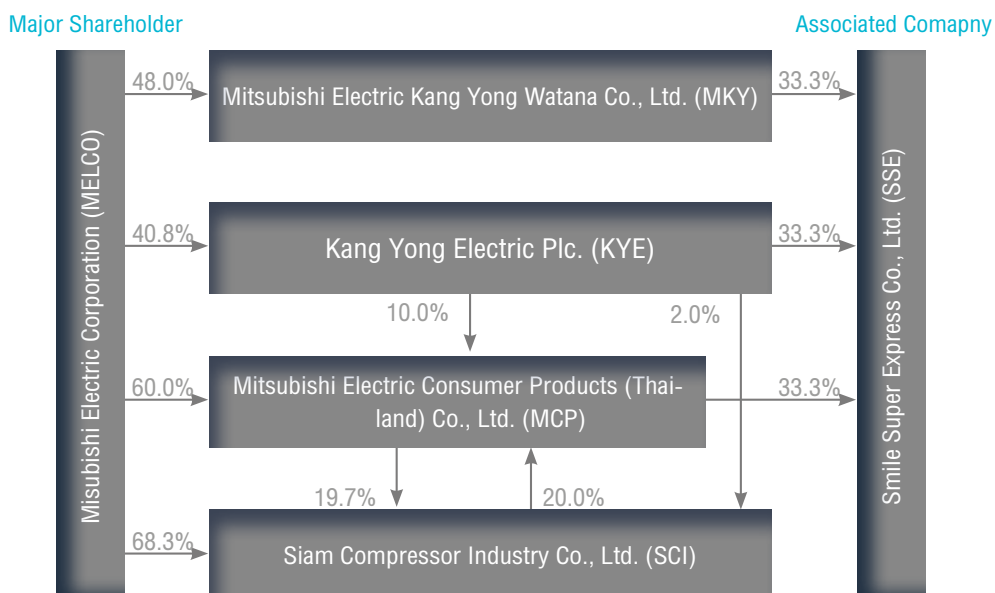
Significant Changes and Developments in 2016

- On July 27, 2016, the Annual General Meeting of Shareholders resolved to approve profit appropriation for dividend payment at 19.14 baht per share, totaling 421.1 million baht, to shareholders on August 25, 2016.
- The Company developed and launched new product models both at Thai domestics and overseas to meet customers' diverse demand and better serve utilization needs, with focus on energy saving and quality, hence increase in sales.
 - April 2016: Started production of new models of refrigerator, 3-door New Bottom Freezer CX Series of 330 liters and 365 liters with Neuro Inverter compressor for export to Hong Kong, Vietnam, Singapore, Australia, New Zealand and Japan, and distribution in Thailand, respectively.
 - May 2016: Started production of a new model of refrigerator, 2-door model Top Freezer FV Series of 204 liters, 231 liters and 274 liters with compressor options of Neuro Inverter system and Non Inverter system for export to Malaysia, Singapore, Taiwan and Indonesia.
 - June 2016: Started production of a new model of refrigerator, 2-door Bottom Freezer BF36EJ of 300 liters and BF43EJ of 365 liters with Neuro Inverter compressor for export to Australia.
 - December 2016: Started production of a new model of desk fan with 18-inch blade for domestic distribution.
 - December 2016: Started production of ventilating fan with 25 cm. metal blade to offer more diverse utilization choices for domestic distribution and export to Vietnam.
 - December 2016: Started production of two new models of water pump, automatic water pump WP-505Q5 and constant pressure water pump EP-505Q5 additionally developed to respond to demand of customers who prefer higher water pump competencies, e.g. larger water quantity, higher pressure and more energy saving, for use with a large-size house of around 3-4 stories.
 - January 2017: Started production of ceiling ducted ventilating fan with delay timer function of VD-10Z4T5-D/VD-15Z4T5-D/VD-15Z4P4T5-D models with 10 cm. blade and 15 cm. blade respectively to offer more diverse utilization choices for domestic distribution and export to Vietnam and Malaysia.
 - January 2017: Started production of 14 new models of refrigerator for local distribution, all of which had undergone the testing according to the new criteria set by the Electricity Generating Authority of Thailand (EGAT) and been certified for No. 5 Energy Saving Label, and with redesign of the 1-door refrigerator offering more elegant and aesthetic flat door.
 - March 2017: Started production of desk fan with DC motor (DC-Fan), 12-inch blade (R12A-DV), spiral grille of innovative, elegant and aesthetic design, and 3D vibration that offers higher efficiency in air circulation, for domestic market.

- In August 2016, the Company won the Workplace with Outstanding Labor Relations and Welfare Management Award from the Department of Labor Protection and Welfare for the 10th straight year (2007-2016).
- In September 2016, the Company won Thailand's Model Organization on Labor Relations Management Award from Labor Relations Strategy Group, the Ministry of Labor, as an extension from the Workplace with Outstanding Labor Relations and Welfare Management Award. The objective of the award is to develop labor relations management in Thailand's private and state-owned organizations, and promote employers that build constructive relationship with their employees, reduce labor dispute risk and have best practices in labor relations management so that they can be the role models for other enterprises in the country.
- In October 2016, the Company received a plaque in recognition of being a manufacturer of electric water pump certified for No. 5 Energy Saving Label from EGAT who has initiated adoption of the No. 5 Energy Saving Label with electrical appliances.
- To pave way for its solid manufacturing platform toward Industry 4.0, the Company additionally invested in installation of the bar code system for fan and water pump production to control inventories more precisely. This has already made us be able to visually see the result of production by displaying in real-time output for all production department.
- The Company also invested in modifying the door puff conveyor to boost production efficiency and lessen production waste of refrigerator.

Relationship with Major Shareholder's Business Group

Shareholding structure in the group of companies as of March 31, 2017:



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 with an equal share amount of 33.33% to undertake inventory storage operation and management for all three parties in order to enhance efficiency in logistics cost control and management.

- Major shareholder's group of companies

KYE is a manufacturer and distributor of home electrical appliances under "Mitsubishi Electric" trademark and with 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 as below:

- Distribution of products

The Company sells products through MELCO's subsidiary or distributor appointed by MELCO, such as domestic sales through MKY, which is the sole official distributor in Thailand, and overseas sales through subsidiaries which are MELCO's sales companies in the respective countries. In the countries where there are no MELCO's sales companies, the Company will sell its products through distributors appointed by MELCO, thus enabling the Company to confidently distribute its products through distributors which have firm financial status and marketing expertise as well as annual sales growth targets in concurrence with the Company.

- Procurement of parts and raw materials

The Company procures parts and raw materials via vendors in general both at home and overseas. In 2016, the Company made purchase through MELCO's subsidiaries totaling 19% of its total procurement. Several types of raw materials procured through such MELCO's subsidiaries have been grouped in massive purchase volumes to allow for higher bargaining power, thus enabling the Company to buy parts and raw materials at low prices, with punctual delivery and also control of quality to the standard determined by MELCO.

- Product development

At present, the Company has developed its products in collaboration with MELCO in Japan, which has expertise in product design and a state-of-the-art research and development center of its own. This can thus ensure that the Company's products are of modern design, safety, environmental friendliness and energy saving, which can well respond to the customers' demand.

NATURE OF BUSINESS OPERATION

Main income structure: The Company mainly generates income from distribution of refrigerators, electric fans, ventilating fans, water pumps and jet towels. Its income structure for fiscal years ended March 31, 2015, 2016 and 2017 was as follows:

Value: Million baht

Product	For the year ended March 31					
	2017		2016		2015	
	Sales	%	Sales	%	Sales	%
Domestic and Export Sales						
Electric fans and ventilating fans	1,516.7	16.8	1,574.2	17.9	1,384.6	16.0
Refrigerators	6,440.1	71.1	6,196.9	70.4	6,267.7	72.2
Water pumps	962.9	10.6	918.2	10.4	894.8	10.3
Jet towels	61.3	0.7	55.5	0.6	74.6	0.9
Others	74.3	0.8	60.4	0.7	53.6	0.6
Total value	9,055.3	100	8,805.2	100	8,675.3	100

Remark: Other income is 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 information. In 2016, 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 diversity in models, number of doors, capacity, and either top or bottom freezer options to match consumers' usage preferences and allow for accessibility convenience and time-saving and more choices of storage shelf and compartment.
- **Healthy Technology:** Combination of food preservation technologies is employed for good food hygiene, food freshness, and clean interior space, as below:
 - **Anti-bacteria foodliner:** Silvery inorganic anti-bacteria material is contained in the food liner of freezer and cooling compartment in order to stop the growth of bacteria according to the Society of Industrial Anti-bacterial Articles (SIAA) No. JIS Z 2801 of Japan, hence cleaner freezer and longer food freshness.
 - **Vitamin factory:** Vegetable compartment with the orange light (LED) technology and humidity control button is available for keeping vegetables and fruits fresh and preserve vitamin C in green vegetables for a longer period.
 - **Minus ion surround cooling system:** Minus ion surround cooling system helps distribute coolness through all shelves including bottle compartment to help increase moisture in inner compartments and preserve foods for longer period.
- **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 functioning conditions.
 - **Premium safety:** It signifies Mitsubishi Electric's exclusive premium standard that accentuates the maximum utilization safety for all consumers. All parts and materials are carefully selected for the products, including nonflammable material, added components to prevent electric current leakage, a built-in circuit breaker to prevent over-limit power, and over-heating protection device, etc.

- Products are developed in line with each country's safety standards and energy saving requirements, with the use of environmentally friendly raw materials that meet RoHS standards.

In 2016, the Company developed four additional new models of refrigerators using Neuro Inverter compressors to enhance energy saving to those in 2015, thus totaling 16 models. The new models cover 2-door Bottom Freezer and 3-door Bottom Freezer refrigerators to respond to customers' preference for cooling compartment on the top for easy access and energy saving. In 2016, the Company set a distribution strategy for 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. With ongoing development, the Company introduced SD motor in 2013 for its electric fan to produce strong wind flow but low operating noise, save energy and be environmentally friendly.

In 2016, new electric fan models were launched to boost sales, comprising 18-inch desk fan offering five color choices. It also developed a new model of 16-inch floor fan with 20 m. bluetooth remote control through smart phone applications for more convenient use. Its market for 12-inch DC-fan was expanded to Taiwan and Korea which has been well accepted by customers due to lower operating noise than AC-fan.

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 2016, new models of VD Series duct ventilating fans were developed and launched, comprising VD-10Z4T5-D, VD-15Z4T5-D and VD-15ZP4T5-D, with the new functions that can specifically serve consumers' application requirements and conditions with installation of smart delay timer which allows the fan to run for another 10 minutes after the switch is turned off to eliminate remaining humidity or contaminants. These models have first been distributed locally, and would be expanded for export sales next year.

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 2016, the Company expanded development of another two models of large-size 500-watt water pumps, WP-505Q5 and EP505Q5 models, to serve customers who have large houses requiring water supply farther and in multiple points. Nonetheless, maximum energy saving remained a top priority product feature in the Company's product development, the same as other product models developed earlier. The year witnessed certification of altogether 14 models of Mitsubishi Electric water pump for No. 5 Energy Saving Label according to the new criteria of the Electricity Generating Authority of Thailand (EGAT). In addition, the Company expanded its distribution channels domestically and overseas through both dealers and modern trade.

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 2016, domestic sales of electrical appliances improved compared with the previous year supported by the government's ongoing domestic consumption stimulus policy leading to overall economic expansion, coupled with the significantly hotter weather which consistently pushed up demand for cooling or refrigeration products.

Market and Sales Situation

The Company sells products in three principal markets, i.e. domestic market, Japanese market and other export markets. In fiscal 2016, its sales to these markets were in a proportion of 36:42:22 respectively, a change from 2015 proportion of 36:41:23. 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 2016, the overall domestic economy expanded by 3.2% fueled by recovering private sector income as income level and employment in service sector had picked up in line with the improving tourism. Agricultural sector income was also on the upward trend following a revival signal since quarter 3 after consecutive months of contraction as a result of prolonged drought in the year's first six months. All these factors culminated in the rise in purchasing power of the general public. Moreover, the government's consistent implementation of economic stimulus campaigns also played a significant role in stimulating household spending, such as tax privileges provided during festivals thereby expenses for certain goods were personal income tax deductibles, and low-income earner support scheme, etc. However, with concerns over the prevailing slow pace of domestic economic recovery, the stability in household and small business debt servicing capabilities may be shaken, which could hinder the overall economic growth and pose constraints to economic expansion looking forward.

Domestic market situation in fiscal 2016 is summarized for each type of products as follows:

- Refrigerator: Overall demand for refrigerator in 2016 grew slightly by 2.1% from the previous year. Overall domestic market was on an increasing trend for 1-door and 2-door refrigerators with a growth of 0.2% and 4.6% respectively, while 3-door and 4-door refrigerators recorded a decelerating growth of 1.1% and 20.4% year-on-year as a result of the change in behavior of consumers who

switched more to 2-door refrigerators of inverter model. No inverter model was offered by most manufacturers for 3-door and 4-door refrigerators.

- **Electric Fan:** Overall demand for electric fan in 2016 grew at a decelerating rate of 3.6% compared with the foregoing year as the unusually hotter weather had prompted the change in behavior of consumers who instead purchased air-conditioners or other cooling appliances or electric fans with larger blades for more powerful wind, i.e. 18-inch blades instead of 16-inch blades.
- **Water Pump:** Overall demand for water pump declined as a result of the decrease in expansion of residential constructions, especially duplex house and townhouse. It was due to declining purchasing power of consumers as a result of the continued rising trend of housing prices and commercial banks as well as state-owned financial institutions implemented stringent lending criteria following the increase in outstanding housing loans in the year at a higher rate than those in the previous years. In view of this, despite such negative factors, the Company has promptly realigned its sales strategy by increasing the number of dealers and expanding distribution channels to provincial areas especially via modern trade. Moreover, it strived to develop new models of products to specifically serve customers with large houses. In December 2016, the Company started production of new models of 500-watt water pump, i.e. WP-505Q5 and EP-505Q5 for domestic distribution. Its sales accordingly moved up by 3%.

In 2016, 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 3-door refrigerator of inverter model, a new model of 500-watt water pump, a new model of desk fan with 18-inch propeller blades (D18), and a new model of ventilating fan with smart delay timer. As a result, the Company recorded domestic sales of 3,240.1 million baht, or a growth of 3.2% year-on-year.

Japanese Market

Japan's overall economy in 2016 continued its growing pace, i.e. 1.2% year-round, supported mainly by the government's ongoing implementation of Quantitative Easing (QE) measure which aimed at increasing money supply in the economic system, resulting in weakening Japanese yen and hence contributing to continued growth of export volume, while import volume continued to contract. In the meantime, consumption increased at a low rate affected by structural problems of Japan's aged society and its persistent deflation, which had prompted people's prudent spending and high saving levels even though the government had tried to boost purchasing power through annual wage restructuring, boost of public sector spending, budget increase to stimulate the economy in various areas, and additional spending for national reconstruction and rehabilitation in the aftermath of earthquakes.

At present, the Company exports four types of products to Japan comprising refrigerators, electric fans, ventilating fans and hand dryers (jet towels). In fiscal 2016, the Japanese markets for the Company's products were as below:

- Refrigerator: Overall demand grew at a decelerating rate of 1.2% as a result of the much slower growth of demand for 2-door small-size refrigerator. The Company developed 3-door refrigerator of inverter model that helps save more energy. Thus, its overall sales expanded by 6%.
- Electric fan: Overall demand decreased by 10% due to the decline in school earthquake prevention scheme. However, as the Company had expanded distribution channels for its DC-fan, which was well accepted by the market, its sales of electric fan in 2016 improved by 13.5%.

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 and sales and production planning to cope with the rapidly changing situations. Therefore, the Company achieved sales value of 3,803.9 million, representing a 6% year-on-year growth.

Other Export Markets

In 2015, the Company enhanced sustainable growth on the global market as a strategy toward firm market and sale balance. It worked out a strategic plan to expand its exports to other countries as follows:

- The Company has currently managed to expand its export markets to cover all of the 10 ASEAN member countries. In 2016, it was successful in its sales expansion strategy by expanding distribution channels to a greater extent, focusing on detailed analysis of relevant situations, and strengthening each of the distributors, as well as displaying a broader range of products. 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 stability of cost, particularly improvement of logistics cost, aiming to enhance its competitive edge. Ongoing launches of new product models have also been made to respond to the changing market demand.

In 2016, 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 1,937.0 million baht, which grew at a decelerating rate of 3.3%, impacted by the change of distributor of electric fan in Vietnam in the first nine months of the fiscal year and hence sales problems

in the initial period. However, toward the last quarter which was the high season, the new distributor managed to solve the problems and recorded sales at the level as in usual business. Cooperation was rendered by the Company in rationalizing the distribution channel and strengthening the distributor to enhance its competitiveness.

Procurement of Products and Services

Nature of Product Procurement

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

(a) Manufacturing Process

The Company's manufacturing process begins with product design and development by receiving cooperation in product design and technical know-how from Mitsubishi Electric Corporation, Japan. 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 developed and 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 2014-2016 are tabulated below:

Products	Unit	2016	2015	2014
Refrigerator				
Rated capacity	units	1,200,000	1,200,000	1,200,000
Actual production	units	839,144	885,382	842,355
Capacity utilization rate	%	70%	74%	70%
Electric fan & ventilating fan				
Rated capacity	pieces	1,700,000	1,700,000	1,600,000
Actual production	pieces	1,536,409	1,601,693	1,493,673
Capacity utilization rate	%	90%	94%	93%
Water pump				
Rated capacity	pieces	250,000	250,000	250,000
Actual production	pieces	238,239	230,012	227,554
Capacity utilization rate	%	95%	92%	91%
Hand dryer (Jet towel)				
Rated capacity	pieces	50,000	50,000	50,000
Actual production	pieces	21,844	19,621	25,756
Capacity utilization rate	%	44%	39%	51%

Raw Material Procurement

Raw materials used for production:

	Proportion of Purchase/Usage (%)	Supply Sources	
		Domestic	Overseas
1. Compressor	16.7	√	
2. Steel for parts making	12.0	√	√
3. Foaming agent	6.2	√	
4. Copper	4.8	√	√
5. Resin	10.3	√	
6. Electric cord	4.1	√	√
7. Motor	2.8	√	√
8. Die cast	2.3	√	
9. Electronic parts	10.5	√	√
10. Paper carton	2.6	√	
11. Others	27.7	√	√
Total	100		

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) with reference to and based on the ISO 14001 guideline.

Based on the 2016 annual environmental management report of the Environmental Management Committee (EMC), the Company has conducted the following activities to meet the environmental policy:

- Conserved natural resources by promoting optimization of resources, e.g. reduction of paper use at workplace, recycling used paper, lessening finished product weight, and reduction of waste through recycling.
- Saved energy by encouraging improvement or modification of machinery to boost efficiency, use of energy-saving LED light bulbs, installation of air-conditioning control system with the central unit to control switch on/off in a more efficient manner, replacement of conventional air-conditioners with city-multi ones that save more energy, and examining as well as solving air leak in the production process to reduce waste.
- Protected the environment:
 - Treated waste water before discharging into the environment by adopting the concept Internet of Things (IoT) for the first time with installation of water quality measurement equipment to test the water once a month.
 - Tested quality of rainwater in gutters once a year, quality of air emission twice a year, and the environment in the workplace twice a year.
 - Controlled and managed waste in accordance with the law, as well as organized activity to reduce such production waste as steel scrap, plastic waste, paint residue, cloth remnants, etc.
 - Managed and sorted out garbage for recycling to reduce the landfill volume.
- 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, e.g. 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 well as energy saving as specified.

The Company has set up the Environmental Working Committee to monitor, follow up and assess the environment management system (EMS) on a systematic basis, as well as plan for the development and update of the system in an ongoing manner. Moreover, it has communicated its environmental policy to all staff members through training, internal PR campaign, and joint activities with employees, trade partners, affiliates and relevant entities.

Outstanding Works

- None -

RISK FACTORS

The Company attaches importance to risk management which is crucial to the achievement of its objectives and business operation with sustainable growth. Its risk management is under the governance by its Board of Directors, Audit Committee, and Internal Audit 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 2016, 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 keen competition which has impact on business growth

The rapid changes in home electrical appliance industry posed strategic challenges to the Company. Despite consistent growth of home electrical appliance industry in various countries, competition in the industry also intensified with players applying multiple strategies through products, prices and sales promotion to increase their market share and expand their customer base. The Company had to adjust themselves to cope with the rapid market changes and boost competitive advantages through differentiation to mitigate such risk.

In 2016, under the tough competitive circumstances, the Company focused on adopting the strategy to increasingly grow its export in other markets in a bid to diversify its product distribution risk by not relying too much on any single market. For the past years, the Company has given importance mainly to domestic and Japanese markets, in which it has been able to successively build up sales, expand distribution channels, foster brand image, and increase market share.

Nonetheless, to ensure stable and sustainable growth, the Company adjusted its sales strategy for other export markets, working out business plan with the sales companies in the respective countries with focus on expanding market share and responding more to consumer demand with flexible marketing plans. Such marketing plans aimed to meet customer demand in terms of product, price and sales promotion in various countries with diverse demand, such as innovation of products with more flexibility, specific designs for particular segments in certain markets, variety of colors, and more new choices of product functions, etc. Moreover, expansion of distribution channels in each country was another key strategy adopted by the Company. It upgraded its business partnership in Vietnam with distributor change during the past fiscal year.

Risk associated with technology changes and product development

Home electrical appliances are products with intense competition in product design and development. The Company has developed its products every year in terms of functionality, appearance and energy saving so that all its products can compete well in the market. However, technological changes and product development could pose risk of fast product obsolescence and rapid replacement by new models. The Company must therefore keep abreast of all changing circumstances closely and conduct study on product development trends to match market demand on a yearly basis in order to mitigate such risk.

At present, consumers give high priority to energy saving when choosing products of their preference. In line with such trend, the Company has strived to develop products with best energy-saving feature. In 2016, the Company used Neuro Inverter compressor with more models of its 2-door and 3-door bottom freezer refrigerators to offer more choices to the customers. It has also given importance to product appearance by changing the design of refrigerator door panel with a range of new colors every year.

In addition, to get prepared for the era of Industry 4.0 in which there may be risk associated with technology changes posed directly on the Company, in 2016, the Company mapped out a plan on the modification and change in its production technology and future product line-up, with investment duly made in the following infrastructures:

- Display of real-time production data using barcode.
- Quality control of waste water emitted from the factory with pH Monitoring Online System and Smart EE.
- Control and display of factory electricity utilization with Micro SCADA (Supervisory Control and Data Acquisition) and Smart EE.
- Installation of operation control system using bluetooth in electric fan products, etc.

Inventory management risk

Inventory management is considered an important task in the business operation. According to fiscal 2016 statement of financial position, the Company recorded inventories amounting to 878 million baht, representing 13.25% of total assets. This reflected better inventory management compared with 2015 which had inventories amounting to 1,001 million baht, representing 17.21% of total assets in the same year.

The Company's inventory management in 2016 was improved in respect of Just-in-Time (JIT) manufacturing in several areas as below:

- Adoption of Kanban* (throughput card) for management of inventory volume in the work in process and warehouse as well as control of supply chain from receiving parts from vendor to passing on throughput in the production process, thus allowing for improvement of delivery schedule in that delivery frequency per day will be higher, hence fewer parts per lot, resulting in less space requirement and more expense saving in stockpiling.

*Note: Kanban is a tool to support running a pull production, thereby throughput volume for each process is matched with demand. It functions as a neurological pathway for lean management with the main benefit and target: producing what instructed, at the time instructed, and in the volume instructed only.

- Improvement of warehouse space for both finished products and parts/raw materials with classification made for easy access and saving of space, resulting in larger space available for efficient inventory management.

As inventories may quickly become obsolete, solving and reducing such risk, the Company will not manufacture products until orders and volume ordered are confirmed by customers, and the production volume will be determined according to the order volume plus buffer stock pursuant to the marketing policy and stock control policy to cope with any unexpected or urgent orders or to replace any defective items during production.

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

The official establishment of the AEC by the end of 2015 will bring about drastic changes, i.e. freer movements of human resources, capital, labor and trade among ASEAN member countries. Potential risks include:

- **Price competition:** As Thailand has not adopted any non-tariff barriers (NTBs), imported goods from several ASEAN countries and China are sold at low prices and have no control standards, resulting in higher price competition in the domestic market. However, despite increasing inflows of cheap products, the Company set its selling prices commensurate with the value of the products offered to the customers without unreasonable or too much price cutting to the extent that impair the selling price stability. Price-wise sale promotion packages have been offered to distributors during certain sale promotion seasons. Therefore, it has been able to maintain its market leading position and better manage its gross profit from its sales compared with the foregoing year.
- **Restriction in export expansion:** Different customs 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 to be exported to the respective countries. This has made product study and development and flows of goods between countries take a longer time, and sometimes exports cannot be made to some certain countries for a certain period of time, hence loss of sales 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 in accordance with product standards put in place by the respective countries.

In addition, the Company has actively expanded and strengthened collaboration with its business partners in each country in ASEAN. 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 consistently opened up ample sales opportunities for the Company and grew its sales up to date.

Risk involved with raw materials and supply chain

Raw material procurement risk has still been an issue of priority for the Company. It has kept close watch of changing circumstances, especially in respect of fluctuations in raw material prices in the past year.

- Crude oil prices continued to fluctuate from several factors in 2016, dropping to the lowest level of more than USD 30 per barrel in the beginning of 2016 and gradually picking up to the level of more than USD 50 per barrel in early 2017, thus directly affecting prices of major raw materials used in the manufacturing process like plastic resin, copper, aluminum and steel. Other costs and expenses also went up successively in the latter half of the year.

However, the Company has continued to conduct activity to lower its costs amid the rising raw material cost, such as exploring raw materials of similar quality and specifications but at lower prices and new raw material sources that are more efficient and at lower cost, together with collaborating with business partners in working out new formula for production of parts that would help save cost while maintaining the quality of the parts.

- Risk from natural disasters at Thai domestic and abroad will pose impact on the supply chain system, which involves suppliers of parts and raw materials, such as earthquakes and natural perils in some countries. To cope with such risk, the Company has drawn up a business continuity plan for management of trade partners both domestically and overseas.

Moreover, in 2016, the Company extended its strategy in procuring major raw materials through such printed circuit boards (PCBs) inhousing project which was launched in 2014 by expanding self-production of PCBs of broader ranging models together with improving PCBs quality, thus lowering production waste and saving after-sales service expenses.

- Risk from impacts of foreign policies of economic powers, such as Korean peninsula, the US's new round of sanction on Iran, OPEC's resetting of oil production capacity, and the US's shale oil production, as well as the changes in the US Federal Reserve's economic signals and interest rate policy, all of which have had impacts on raw material prices and production capacity, hence global volatility with significant impact on the supply chain. Therefore, the Company has to keep abreast of global circumstances and get prepared to adjust to any rapid changes at all times.

Financial risk

- Foreign exchange risk to which the Company is exposed arises from its 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 which will hurt the Company's operation and cash flow. However, the Company believes that risk incidental to interest rates is insignificant because the Company does not borrow 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 regularly manage and control this risk by conducting a prudent financial soundness analysis on all customers who apply for credit lines. 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 successively built bilateral collaboration with vocational educational institutes aiming to enhance their teaching and learning as well as real practical skills, and recruited quality alien labor such as Cambodian labor, resulting in relief of labor shortage risk to some extent.

Risk concerned with changes in laws

Thailand has enacted a number of new laws and regulations, such as those pertaining to revision of minimum wage rate, new labor skill standard, safety standard of electrical working, anti-dumping law (for steel material), 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 and following up on the enforcement of the said laws and regulations and appointed Chief Compliance Officer (CCO) to manage all legal and regulatory issues relevant to the Company, monitor and examine performance to ensure compliance with the laws in all respects, issue internal rules and regulations to be consistent with applicable laws, and report to the top management for acknowledgment.

KYE

INFORMATION

Name in Thai	: บริษัท กันยงอีเลคทริก จำกัด (มหาชน)
Name in English	: KANG YONG ELECTRIC PUBLIC COMPANY LIMITED
Registered No.	: 0107536001257
Office and Factory	: 67 Moo 11 Bangna-Trad Rd., Km.20, T.Bangchalong, A. Bangplee, Samutprakarn 10540 Tel. : 0-2337-2900 (auto) Fax : 0-2337-2349-40
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
Home Page	: www.mitsubishi-kye.com
Registered Capital	: As at March 31, 2017 : 220 million baht
Company's Co-ordinator	: Corporate Strategic Planning Office Tel : 0-2-337-2900 (Automatic) Fax : 0-2337-2439-40 E-mail address : information@kye.meap.com
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 Sirattanawong Registration No.3757 and/or Ms. Vipavan Pattavanvivek Registration No.4795 and/or Ms. Patamavan Vadhankul Registration No. 9832 KPMG Phoomchai Audit Ltd. 48 th Ampire Tower, 195 South Sathorn Rd., Bangkok 10120 Tel : 0-2677-2000 Fax : 0-2677-2222 www.kpmg.com
Company'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. 570 Fax : 0-2337-2439-40
Company's 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

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, 2017 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. Mr. Somchart Sottimai	972,700	4.42
5. Kang Yong Company Limited	697,324	3.17
6. Mrs. Kamolwan Phodhivorakhun	683,879	3.11
7. Mr. Supachai Suthipongchai	650,000	2.95
8. Mr. Somjin Leelakate	610,000	2.77
9. Mrs. Penchantra Visudtibhan	479,089	2.18
10. Thai NDVR Co., Ltd.	452,100	2.05
Total	17,256,160	78.43

The shareholder group as of March 31, 2017 as follows :

	Total	Total shares	%
1. Mitsubishi Electric Group ^{*1}	3	9,053,020	41.15
2. Phodhivorakhun Group ^{*2}	9	5,430,306	24.68
3. Other shareholders	1,985	7,516,674	34.17
Grand Total	1,997	22,000,000	100.00

Remark : - The company has Thai Shareholders 1,960 names or 57.89% of total shares and Foreign Shareholders 37 names or 42.11% 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	1.21
- 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	2015	2014	2013	2012	2011
Earning per Share (EPS)	38.27	42.13	23.00	39.09	31.63
Dividend per Share (DPS)	19.14	21.07	11.50	19.55	15.82
Dividend payment policy (D/P)	50.02%	50.01%	50.00%	50.02%	50.02%

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 director as of March 31, 2017, 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.Hirotaka Abo	Director	6	6
6. Mr.Chackchai Panichapat	Independent Director	6	6
7. Mr.Arthakrit Visudtibhan	Independent Director	6	6
8. Mr.Manu Leopatrote	Independent Director	6	6
9. Pol.Maj.Gen.Sahaschai Indrasuksri	Independent Director	6	6
10. Mr.Tanabodee Kusinkert	Independent Director	6	6
11. Mr.Shinji Sasaki	Director	6	3
12. Mr.Yasumichi Tazunoki	Director	6	3
13. Mr.So Susuki	Director	6	4
14. Mr.Praphon Potivorakun	Director	6	4
15. Assoc.Prof.Dr.Issaree Hunsacharoonroj (Ph.D)	Director	6	6

Remarks : *The Board of Directors' Meeting 4/2016 on February 10, 2017 has appointed new directors replace resigned director (new director name: Dr. Apichai Boontherawara effective on April 1, 2017)

Directors authorized to sign in binding the Company

Authorized directors: Either Mr. Praphad Phodhivorakhun or Mr. Praphon Potivorakun 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

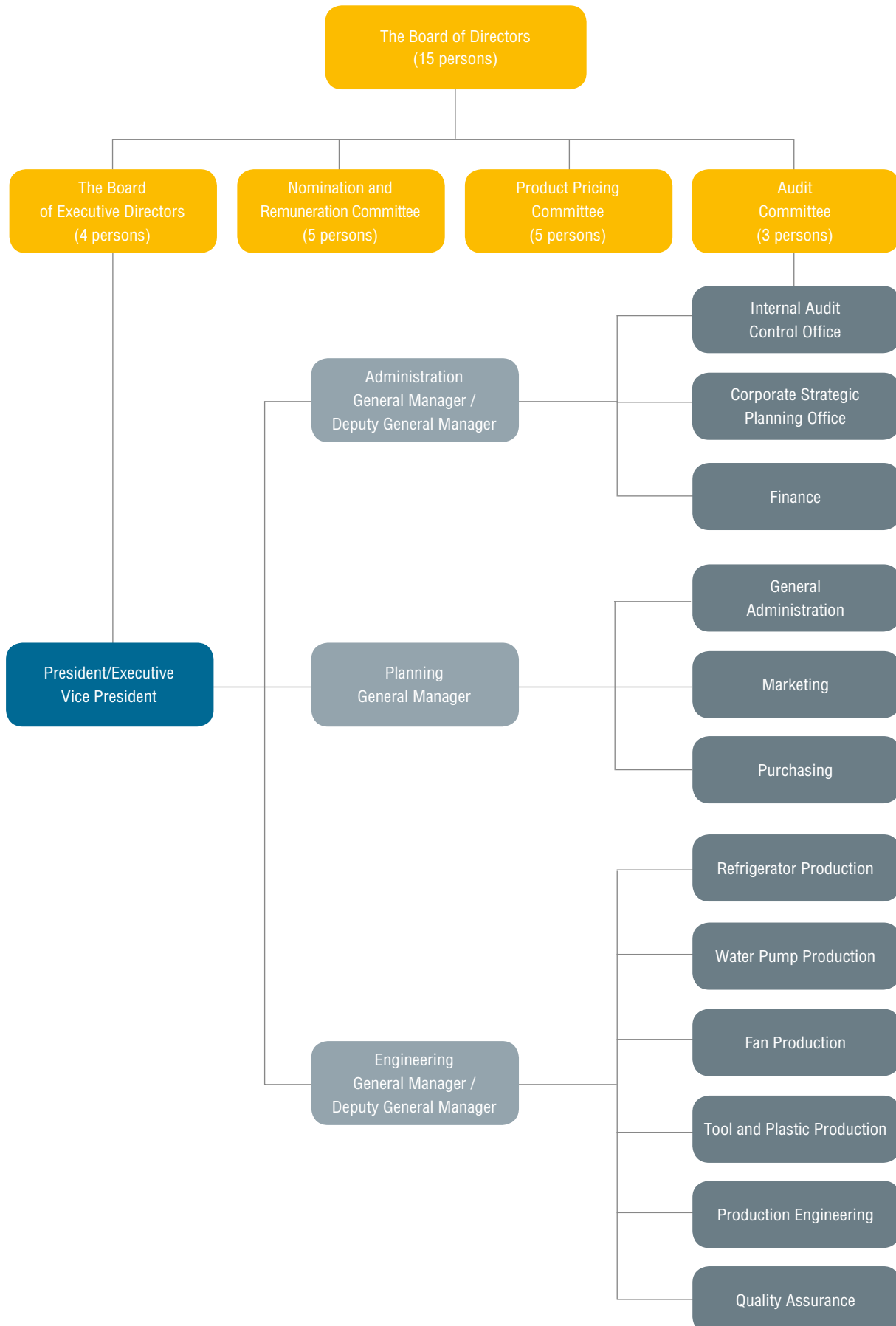
The Company's management* compose of 17 persons as below:

- | | | |
|------------------|-------------------|---|
| 1. Mr. Praphad | Phodhivorakhun | Chairman of Board of Executive Director |
| 2. Mr. Tsutomu | Shimizu | Vice Chairman of Board of Executive Director and President |
| 3. Mr. Akira | Nakamichi | Executive Director, Executive Vice President and
General Manager (Administration) |
| 4. Mr. Praphon | Potivorakun | Executive Director |
| 5. Mr. Atakrit | Siwasarit | General Manager (Planning) and
General Administration Department Manager |
| 6. Mr. Sinchai | Kowitwatanapaisal | General Manager (Production) and
Production Engineering Department Manager |
| 7. Mr. Hirotaka | Abo | Deputy General Manager (Production) |
| 8. Mr. Katsuyosh | Fujisawa | Deputy General Manager (Production) |
| 9. Mr. Aniwat | Saelim | Deputy General Manager (Adminsitration),
Corporate Strategic Planning Office Department Manager and
Finance Department Manager (acting) |
| 10. Mr. Kritsana | Chatchaivorawong | Internal Audit Control Office, Department Manager |
| 11. Mr. Tsutomu | Sekizawa | Marketing Department Manager |
| 12. Mr. Hitoshi | Otake | Purchase Department Manager |

- | | |
|--------------------------------|---|
| 13. Mr. Pornthep Subromyeen | Refrigerator Production Department Manager |
| 14. Mr. Arthit Manubud | Water Pump Production Department Manager |
| 15. Mr. Pensak Plavuthithothai | Fan Production Department Manager |
| 16. Mr. Vinij Phomma | Tool and Plastic Production, Department Manager |
| 17. Mr. Mongkol Thadtayatikom | Quality Assurance Department Manager |

Note: *The first four executives descending from Chairman of Board of Executive Directors and Executive Director are as designated in the Company's organization structure announced in April 1, 2017, comprising President to Department Manager.

Management Structure as at April 1, 2017



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 2016 -March 2017. The details of the directors' remunerations are as follows:

Name	Position	Remuneration (Thousand Baht)				
		BOD	AC	NRC	PPC	Total
1. Mr. Praphad Phodhivorakhun	Chairman	414		132		546
2. Mr. Tsutomu Shimizu	Vice Chairman	354		132	75	561
3. Mr. Komol Vongsthongsri	Director	282				282
4. Mr. Akira Nakamichi	Director	282			75	357
5. Mr. Hirotaka Abo	Derector	272				272
6. Mr. Chackchai Panichapat	Independent Director	282	360	132		774
7. Mr. Arthakrit Visudtibhan	Independent Director	282	240		105	627
8. Mr. Manu Leopatrote	Independent Director	282		198	75	555
9. Pol.Maj.Gen. Sahaschai Indrasukhsri	Independent Director	282		132		414
10. Mr. Tanabodee Kusinkert	Independent Director	282	240		75	597

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. Training to improve the skills of the employees by the experts within the company. Continuously every year. In addition, the Mitsubishi Electric Group will provide training in ethics and business ethics. To be a common basis of employees in the Mitsubishi Electric Group.
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 Criteria for performance appraisal 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, 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 2016, 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 2016, the Company convened one annual general meeting of shareholders on Wednesday, July 27, 2016 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 2016 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 20 - March 18, 2016 and so notified the shareholders through the SET. Moreover, the Company posted information on its website at www.mitsubishi-kye.com, giving details about the procedure and method of consideration in a clear and transparent manner. For the 2016 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 2017 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 or by fax or registered mail during January 18 - March 18, 2017, 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 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, fraud by demanding, receiving or seeking of any improper benefit must be avoided.
4. If any fraud by 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 2016 (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. 570 or at e-mail: 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 2016, the Company held a total of six Board of Directors' meetings. Meetings of other board committees consisted of four meetings of the Audit Committee, three meetings of the Product Pricing Committee, and three 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, 2017

Board of Directors	No. of attendance/No. of meetings held				
	BOD	AC	PPC	NRC	Total
1. Mr. Praphad Phodhivorakhun	6/6			3/3	9/9
2. Mr. Sadahiro Tomita	6/6		3/3	3/3	12/12
3. Mr. Komol Vongsthongsri	6/6				6/6
4. Mr. Akira Nakamichi	6/6		3/3		9/9
5. Mr. Hirotaka Abo	6/6				6/6
6. Mr. Chackchai Panichapat	6/6	4/4		3/3	13/13
7. Mr. Arthakrit Visudtibhan	6/6	4/4	3/3		13/13
8. Mr. Tanabodee Kusinkert	6/6	4/4	3/3		13/13
9. Mr. Manu Leopairrote	6/6		3/3	3/3	12/12
10. Pol. Maj. Gen. Sahaschai Indrasuksri	6/6			3/3	9/9
*11. Mr. Shinji Sasaki	3/6				3/6
*12. Mr. Yasumichi Tazunoki	3/6				3/6
*13. Mr. So Suzuki	4/6				4/6
14. Mr. Praphon Potivorakun	4/6				4/6
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, 2015 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 2016 as the second year. The Company by the Company Secretary sent the Board members the self-assessment form in February 2017 for the Board to evaluate their 2016 performance, and the result of which was reported to the Board meeting on May 25, 2017. The Board's self-assessment result for 2016 comprised three sections:

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

In conclusion, the earned average score is 3.90 out of 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 well to excellent 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. Akira Nakamichi | Executive Director |
| 4. | Mr. Praphon Potivorakun | Executive Director |

Authorized signatories: Either Mr. Praphad Phodhivorakhun or Mr. Praphon Potivorakun 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.
4. 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 subsidiary, 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 subsidiary, 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 1,138,000 baht.

- **Non-audit fee**

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A black and white photograph of two hands, one larger and one smaller, gently holding a small, round object between their fingers. The background is a soft-focus bokeh of light spots, creating a warm and caring atmosphere. The hands are positioned in the center of the frame, with the larger hand on the left and the smaller hand on the right.

**CORPORATE SOCIAL
RESPONSIBILITY (CSR)**

**ONE KYE
FOR OUR
CUSTOMERS**



Overall CSR Policy

“The business grows sustainably in parallel with the society, community and environment.” The Company is well aware that the key factors contributing to a corporate success and sustainable development are gauged not only by profit, financial performance or economic growth, but also by value added the Company can create beyond its committed duty or the extent required by law for itself, its stakeholders and the society at large.

The Company has an objective of operating its business with social and environmental responsibility under the philosophy of business operation as “One KYE for Our Customers.” It is committed to developing personnel capabilities, innovating products of value, supporting customers’ wealth and growth, fostering quality of the society, and bringing sustainable returns to the shareholders, so that the organization can stay happily with the community and the society, and concurrently bring ongoing prosperity to all stakeholders.

The Company’s corporate social responsibility (CSR) is defined as business operation under the code of conduct and ethics as well as good corporate governance, with responsibility for the society and the environment for creation of mutual value between the business and the society which will lead to sustainable business development. It has embedded CSR principles into its operation so as to strengthen its overall management system.

In 2016, the Company won received distinguished awards for the dedication and contribution of its management and staff in pushing for operation with CSR from government agencies and private organizations. These awards bear testimony to the Company’s commitment of being an organization that gives priority to labor relations and welfare and energy and environment conservation, as well as a manufacturer of home appliances with cutting-edge design and highest safety standard. They comprised:

- The Workplace with Outstanding Labor Relations and Welfare Management Award from the Department of Labor Protection and Welfare for the 10th straight year (2007-2016).
- Thailand's Model Organization on Labor Relations Management Award from Labor Relations Strategy Group, the Ministry of Labor, as an extension from the Workplace with Outstanding Labor Relations and Welfare Management Award. The objective of the award is to develop labor relations management in Thailand's private and state-owned organizations, and promote employers that build constructive relationship with their employees, reduce labor dispute risk and have best practices in labor relations management so that they can be the role models for other enterprises in the country.

Stakeholder Connecting

In assessing the stakeholders, the Company's work units in charge of dealing and coordinating with groups of stakeholders have through joint meetings and communication via email: 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.

Stakeholders	Requirements	Process	Guidelines and Strategy
Employees	<ul style="list-style-type: none"> • Fair remuneration and proper welfare suited for economic conditions • Career advancement and security • Well-being and safety at workplace • Access to ongoing skill and knowledge development 	<ul style="list-style-type: none"> • Regular survey of market remuneration payment • Development of succession plan • Welfare Committee, and Occupational Health, Safety and Environment Committee • Preparation of personnel development roadmap • Development of communication channel between the Company and employees via Internet 	<ul style="list-style-type: none"> • Promotion of employees' fundamental rights at work pursuant to work regulations. • Payment of remuneration and other benefits on a par with the industry • Arrangement of work environment to ensure safety and good sanitation supportive to good work performance

Stakeholders	Requirements	Process	Guidelines and Strategy
Customers	<ul style="list-style-type: none"> • Punctual delivery of safe and quality products in the required quantity • Offering of products at reasonable prices • Other services supportive to economic, social and environmental issues • Trade agreements under fair conditions • Keeping customers' information confidential • Accurate information on products and services 	<ul style="list-style-type: none"> • Survey of customer satisfaction • Making available system and channel for customers to lodge complaints on product and service quality and safety • Holding meetings for sharing of information and opinions/comments • Giving technical support to customers regarding use of the Company's products and services 	<ul style="list-style-type: none"> • Research, development and production of safe and energy-saving products • Quality policy • Training on technical knowledge and provision of knowledge on products to dealers • Trade agreement rules and criteria
Business partners	<ul style="list-style-type: none"> • Equitable treatment of business partners and fairness in procurement • Fair consideration and agreements • Strict observance of agreements and conditions agreed upon 	<ul style="list-style-type: none"> • Making available transparent and examinable procurement system • Holding annual meeting to give explanation on the procurement policy for business partners' information • Holding meetings to track work progress to be in line with the plan on a continuous basis 	<ul style="list-style-type: none"> • Keeping abreast of procurement rules, regulations and criteria, such as those regarding selection of procurement sources • Rules and regulations regarding inspection and follow-up of procurement sources • Compliance with fair trade conditions
Shareholders	<ul style="list-style-type: none"> • Bringing about worthwhile investment returns, both short-term and long-term • Building business growth and security • Fair and transparent management with adequate and timely disclosure of information 	<ul style="list-style-type: none"> • Holding annual general meeting of shareholders to allow for shareholders' exercise of rights to vote and express opinions on an equitable basis • Making available contact channel through Company Secretary and Company website 	<ul style="list-style-type: none"> • Disclosure of Company information in annual report, form 56-1, and press release • Availability of complaint filing channel • Additional channel for communication and disclosure of information, such as website

Stakeholders	Requirements	Process	Guidelines and Strategy
Community	<ul style="list-style-type: none"> • Environment protection • Fostering of quality of life and good relationship with the community • Participation in community activity and respect for and preservation of local custom and tradition 	<ul style="list-style-type: none"> • Social activities and campaigns • Acknowledgment and sharing of opinions • Company management being key in coordinating with the community 	<ul style="list-style-type: none"> • Continuous communication with community leaders regarding community development • Regular cooperation with government sector in running activities of social and environmental contribution
Government agencies	<ul style="list-style-type: none"> • Compliance with relevant laws, rules and regulations • Management of environmental quality and caring for the community 	<ul style="list-style-type: none"> • Attending seminars and training courses arranged by government agencies and keeping contact and coordination with relevant government agencies • Official or unofficial meetings and consultation with government agencies regarding regulatory compliance 	<ul style="list-style-type: none"> • Keeping abreast of developments of laws, rules and regulations • Making reports completely and by the deadline set forth • No payment to government officers without reasonable grounds

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:
 1. 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 2016, the Company was awarded petty patents for the invention of its C56-RQ4-P 4-blade ceiling fan and C56-RQ5-P 5-blade ceiling fan. It also applied for registration of patents for several other designs of its electric fan, ventilating fan and water pump products.
 2. 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 put in place the anti-fraud and anti-corruption policy. It has all along embraced the business operation philosophy which gives great importance to social responsibility. It encourages all directors, executives and staff members to perform their duties under the Company's code of conduct, rules and regulations, as well as relevant laws and regulatory requirements, together with the code of conduct of Mitsubishi Electric Group which outlines practice guidelines for preventing and fighting corruption of all types.

All directors, executives and employees shall not be involved in nor support any type of fraud or corruption, offering/accepting bribe of all forms, both directly and indirectly, and demanding or taking benefits or properties that could lead to any acts or avoidance of any acts in their performance of duties, or cause the Company to lose benefits, including being prudent in getting involved in offering or accepting gifts or properties or any other benefits, entertainment, donation, supports in monetary form, political supports, any acts in the Company's business transactions or as customarily required, with appropriate value thereof and with observance of the code of conduct, as well as without any damage caused to the Company.

The Company promotes and supports the implementation of the anti-fraud and anti-corruption policy by communicating the policy and procedure to all employees at all levels and all parties concerned. In 2016, the Company carried out the following activities:

- Communication of the anti-fraud and anti-corruption policy and procedure by posting on the Company's announcement boards and presenting the policy and objectives to employees at all levels through quarterly meetings, disseminating through its website, training for new employees and E-Learning on the code of conduct and work rules for all executives and staff members. It is necessary for the employees to study and understand all the contents as they are required to do a test on the topic after completion of the training with a pass score of at least 80% (in case of failing, they have to retake the test until they achieve the pass score). Such e-learning and evaluation is arranged on an annual basis. The Company has also made available packet handbook on the policy and procedure aiming to instill in them the anti-fraud and anti-corruption awareness in performing their duties.
- Conducting survey and assessment of possible fraud or corruption risk with a main objective to ensure awareness of the likeliness and impact of such risk, as well as assessment of internal control, from which the compiled opinions on formulation of preventive measures were used for review of work operation and internal control procedure that may have leakage and review as well as improvement of preventive measures, with criteria and measures worked out to which all employees are required to adhere, such as criteria to comply with trade competition law, making of connected transactions, corporate asset verification system, anti-fraud and anti-corruption practice guidelines, and so on.

- At present, the Company is in the process of reviewing and rationalizing the criteria and regulations in connection with anti-fraud and anti-corruption, including whistle blowing, anti-bribery control, control of conflict of interest, etc.
- Participation in the Private Sector Collective Action Coalition Against Corruption (CAC) under the support of the government and eight leading private sector organizations. The Chairman of the Company jointly signed in the scheme to declare the Company's commitment to joining hands with other parties in fighting corruption under the CAC. This has led to working out the anti-fraud and anti-corruption policy, procedure and measures within the organization as well as review and rationalization of work system and process, internal audit and internal control mechanisms, assessment of fraud and corruption risk, improvement of management soundness, and promotion of performance under the code of conduct and in compliance with the law in a bid to prevent possible damage to the organization.
- 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 Public Company Limited
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.

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 within the organization.

From 2016 through early 2017, the Company conducted self-evaluation regarding anti-corruption according to the anti-corruption self-evaluation form, and filed for CAC certification accordingly. This aimed at enabling the Company to assess the effectiveness of the implementation of its anti-corruption policy and procedure so as to build stakeholders' confidence in its business operation.

In addition, the Company has been ranked by Thaipat Institute as one of the top 100 listed companies that have demonstrated remarkable corporate sustainability in environmental, social and governance areas (ESG100) based on the result of the assessment of 621 companies listed on the Stock Exchange of Thailand.

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 Workplace with Outstanding Labor Relations and Welfare Management Award from the Department of Labor Protection and Welfare, the Ministry of Labor, for 10 consecutive years, and won Thailand's Model Organization on Labor Relations Management Award from Labor Relations Strategy Group, the Ministry of Labor, as an extension from the Workplace with Outstanding Labor Relations and Welfare Management Award. This has demonstrated an outcome of the Company's determination in labor relations management with best practices so clearly that it can be a role model for other enterprises in the country, and 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.
- Establishing a walled-off area as a lactation corner for employees who are breastfeeding mothers, a breastfeeding support program provided by the Company since October 2016.



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, in existing and new employees to get ready for actual operation.
- The Company has carried out a simulation of likely accident risk by setting up an unsafe realization room to build awareness of possible danger and underline the degree of work space inspection by supervisors to ensure safety.



- 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 from the eve of long holidays to enhance social responsibility awareness in order to prevent accidents during employees' trips back home upcountry and back to work, 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 2016, 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 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 applicable in the country 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 conservation and saving (M: Material Conservation) by reusing waste materials, reducing gross weight of finished products, and reducing wastes and scraps left from production process.
- Promotion of energy conservation (E: Energy Conservation) by encouraging design of energy-efficient products, modification of machinery in the manufacturing process for higher operation efficiency, reduction of greenhouse gas emission in logistics and staff shuttle bus activities, use of energy-saving LED bulbs in place of fluorescent bulbs (T5, T8) in the factory and the office.
- Prevention of global warming (E: Energy) by promoting energy-saving in the factory, manufacturing process, logistics activities, and designing of energy-efficient products.

- Prevention of pollution (T: Toxicity) by properly controlling use and treatment of chemicals, reducing the use of hazardous and toxic chemicals in the manufacturing process, controlling and monitoring 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 resulted from the manufacturing.

In 2016, 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 manufacturing activity to ensure resource optimization, such as:

- Reduce thickness of steel base of LV-16 electric fan through testing of falling degree.
- Reduce brass turning scrap from casting process of water pump by lessening the thickness of the brass piece of work before turning and finishing.
- Reuse plastic waste and runner scrap from plastic injection.
- Reduce utilization of resource and energy, stop using silicone for refrigerator door gasket seal by using highly efficient auto vacuum forming in forming plastic sheet for refrigerator door.
- 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 only 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 spraying process of the recycle unit.

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

- Change 3,044 light bulbs of T8 and T5 type to be LED bulbs, which help save 309,478 KWh/year electricity.
- Set up automatic turn-on/turn-off of office air-conditioners and replace split-type air-conditioners with city-multi type air-conditioners, which help save 676,747 KWh/year electricity.
- Inspect and solve air leakage in the production process.

Pollution control

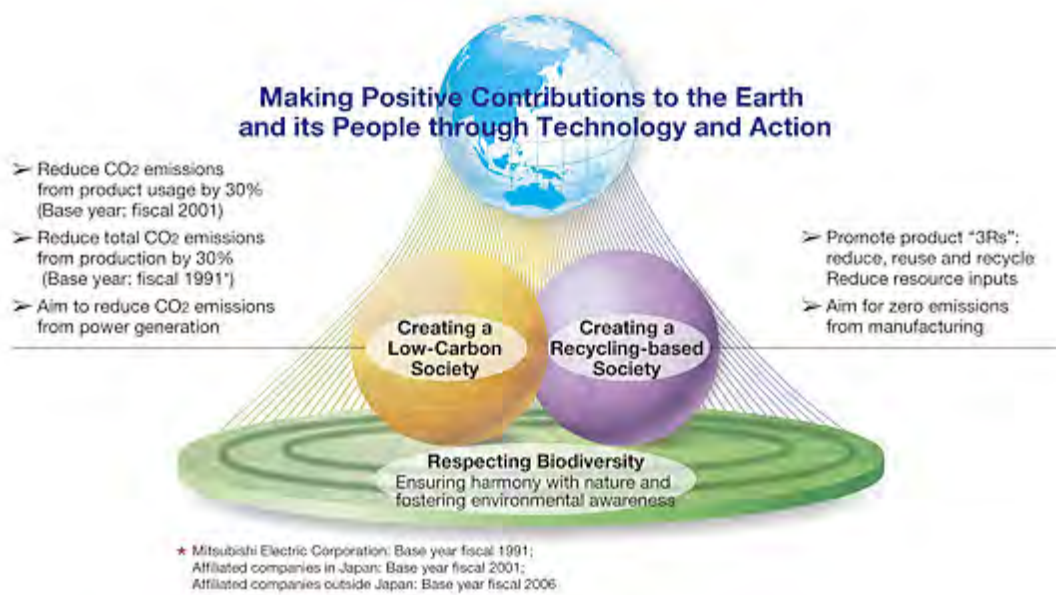
- Protect the environment by setting quality standard of waste water and air emission to the environment to be 40% and 20% lower than those specified by law respectively, and having a warning system to automatically stop discharge of waste water to the environment in case where water quality does not meet the standard so that timely corrective action can be taken.
- Run campaign on garbage separation for recycling to reduce garbage to be disposed at the final stage, and set up a clean and orderly garbage separation center.
- Logistics proceeding:
- Reduce carbon dioxide (CO₂) emissions by shortening the distance of each trip of truck and having selected delivery to nearby locations. In 2016, CO₂ emissions were lessened by 102,449 kg. CO₂.
- Reuse paper cartons left from manufacturing process as buffers to protect products against any damage in delivery process. In 2016, 111 tons of paper cartons were reused.

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 (CO₂) 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 2016, 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. The Company has signed the MOU to consistently arrange for bilateral education in collaboration with vocational institutions in the Northeastern region. In 2016, the Company cooperated with 14 vocational institutions to provide their students with occupational experience in their field of study with enhancement of skill and knowledge in new manufacturing technologies. Besides the experience of real practice, they were provided with specific know-how courses to enlarge their academic skill and knowledge out of classroom.

- Provision of educational supports for colleges in 2016 through training on product knowledge to the teachers of 12 colleges together with hand-over of the Company's internal structural models of such products as refrigerator, electric fan, motor and water pump, as well as refrigerator workshop kit to 12 colleges to support their teaching and learning at such institutions.
- Recruitment and employment of 12 students having undergone the bilateral training with the Company.

8. Innovation and Publicizing of Innovation from CSR Activities

The Mitsubishi Electric's 'Changes for the Better' slogan, 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 spraying machine with automatic plastic resin mixing system installed.

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 invention awarded petty patent by Department of Intellectual Property.
2. Use of new technology in production of pressure tank with robot devised for parts linkage 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 incorporated 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 to cherish and inherit culture, tradition and the Buddhism at Wat Khao Mai Kaew, Khao Mai Kaew, Bang Lamung, Chonburi, with merit-making fund of 1,176,951 baht in total.



- The Company and staff jointly making merit and offering foods to the monks, and donation of 30 sacks of rice together with the Company products to Wat Thung Hiang, Chonburi, on the occasion of the 7th Cycle Birth Anniversary of Her Majesty The Queen in realization of Her Majesty's Graciousness, at KYE head office.
- Buddhist Lent candle offering for the year 2016 at Wat Si Chantharam, Bangpu, Muang, Samutprakarn.



- Build-Happiness-To-Temple activity in collaboration with Mitsubishi Electric Thai Foundation and staff of Mitsubishi Electric Thailand Group to make a big cleaning, orderly arrangement of materials and utensils, planting trees in the temple and school premises at Wat Rawoeng Rangsan, Khao Khan Song, Si Racha, Chonburi, on September 11, 2016.



- Making merit and offering foods to the monks of Wat Sothon Wararam Worawihan, Chachoengsao, with monks chanting prayers in tribute to and to mark the 50th day of mourning for His Majesty King Bhumibol Adulyadej in realization of His Majesty's boundless kindness and graciousness, on December 1, 2016.
- Making merit and offering foods to the monks and donation of 70 sacks of rice to the monks of Wat Tan Chet Chor, Angthong, with monks chanting prayers in tribute to and to mark the 100th day of mourning for His Majesty King Bhumibol Adulyadej in realization of His Majesty's boundless kindness and graciousness, on January 20, 2017.



- Donation of 160 dining tables no longer in use, 17 bicycles and 12 partitions to Wat Tan Chet Chor, Ang Thong, for use in activities of the temple and the orphans fostered by the temple.



- Visit to give spiritual support to patients with HIV at Wat Phrabatnamphu and giving lunch to the needy children at Rajapracha Nukroh 33 School, Lopburi, in collaboration with Mitsubishi Electric Thai Foundation and staff of Mitsubishi Electric Thailand Group.



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 2016, altogether 27 scholarships were given classified by academic levels below:

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

Recreation

- Provision of outdoor workout site for employees to promote their good health.



External CSR Activities

- Provision of scholarships, lunch allowance, and educational equipment to Thafaek Anusorn 4 School, Uttaradit, on the occasion of National Children's Day, January 14, 2017.
- Volunteering for big cleaning of seven bus stop shelters construction of which was sponsored by the Company for public benefits on the occasion of its 50th Anniversary along Bangna-Trad Road to look cleaner and nicer for use for the employees and commuters in general on August 20, 2016 and February 25, 2017.



- Mangrove reforestation activity in collaboration with Mitsubishi Electric Thai Foundation and more than 500 staff members of Mitsubishi Electric Thailand Group aiming to increase forest area and recover mangrove forest which was formerly cleared for use in shrimp farming with the hope to return lushness to the forest land and restore the ecosystem at Baan Thakhrok, Nuen Khor, Klaeng, Rayong, on November 5, 2016.



- House repair activity for the general public, the elderly, the disabled, the underprivileged, and the needy people in collaboration with Bang Chalong Sub-district Administrative Organization, Samut Prakan, to celebrate the 70th Anniversary of the Accession to the Throne of His Majesty King Bhumibol Adulyadej and to celebrate the 84th Birthday Anniversary of Her Majesty Queen Sirikit, on April 29, 2016.



- Campaign on reduction of garbage in the organization by handing over glass bottles to the employees as a token of appreciation to the employees for their dedication in work performance, so that they use them as personal drinking water containers. This aims to help fight global warming through garbage reduction and also to control spreading of infectious diseases from common use of utensils.



- Volunteering for construction of building for Coconut Museum of Baan Rim Khlong Homestay Community Enterprise, Ban Prok, Muang, Samut Songkhram, for development as a site for learning, sharing and disseminating knowledge on coconut to boost income and bring occupational opportunities to the community and the people in the locality, as well as for inheritance of local wisdom, culture and identity of the community. The main post piling ceremony, together with decoration activity and opening and building handover to the local people and the Community Enterprise committee was held on January 14, 2017.



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' meeting, including the applicable laws, notifications and regulations. The Company's internal control and risk management in the previous year 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 directors, executives and employees conduct ethical business in line with the written Mitsubishi Electric Group Conduct Guidelines and communicate the Company's policies and targets to the employees organization-wide, as well as give clarification and arrange training thereon to the employees at all levels for their translation into action and follow up the results thereof to ensure the Company's objectives are met.
- 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, and to determine policies and targets on business administration, quality assurance, the environment, security, energy saving, information security management, business ethics management, and anti-fraud and anti-corruption. The Board has also formulated the organizational structure by dividing administrative duties and responsibilities into three main 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, expertise and experience, from operating staff to supervisory and executive levels allocated appropriately according to the organization structure. It has a process in place for performance evaluation, salary increment and promotion, and 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, while a fair penalty system has been established and applicable to any case where an employee performs in violation to the work rules and regulations.
- 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 with reporting at 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, production, quality control, sales of goods and general administration, 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, 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.

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 2016 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 2016, 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 relevant accounting and financial reporting 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.

In 2016, the Committee acknowledged the management's anti-fraud and anti-corruption activities. The Company's fraud and corruption risk was assessed through a survey and assessment of risk profile and potentiality as well as possible impact. The management also reviewed and revised anti-corruption policy and procedure and internal control measures in place to ensure vigorous preventive result, including review of self-assessment of anti-corruption measures according to Thailand's Private Sector Collective Action Coalition Against Corruption (CAC)'s guidelines for CAC's evaluation and certification of the Company's implementation of anti-corruption measures.

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 systems according to the Company's organization structure and business operation in compliance with the laws and regulations relevant to its business, 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, as well as review of the year-round overall 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 2016

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 2016, 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

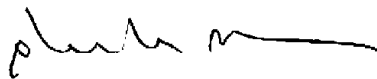
The Audit Committee considered to review and provide opinion on connected transactions that may cause conflict of interest with the Company. In the fiscal year 2016, the Committee considered connected transactions and disclosure of such information and opined that the management entered into such connected 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 2016, the Audit Committee had a total of four 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 2016 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 19, 2017

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
					2016	2015	
1	Sale of Product and Spare parts			Sale of Product and Spare parts	9,050.1	8,558.5	
	1.1) Mitsubishi Electric Corporation	Japan	Parent, 40.81% shareholding	KYE sell electric home appliance	3,663.2	3,481.0	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)	products.comprising electric fans, exhaust fans, refrigerators, water pump, hand dryer and spare part to related parties company	3,260.9	3,159.7	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		156.9	134.9	
	1.4) Mitsubishi Electric Taiwan Co., Ltd.	Taiwan			13.4	20.8	
	1.5) Mitsubishi Electric Asia Pte. Ltd.	Singapore			393.3	164.1	
	1.6) Mitsubishi Electric Australia Pty. Ltd.	Australia			262.8	365.0	
	1.7) Mitsubishi Electric Ryoden Air-Conditioning & Visual Information System (Hong Kong) Ltd.	Hongkong			-	77.2	
	1.8) Mitsubishi Electric (Hong Kong) Limited	Hongkong			311.9	261.6	
	1.9) Mitsubishi Electric Sales Malaysia Sdn.	Malaysia			122.6	159.0	
	1.10) Mitsubishi Electric (Malaysia) Sdn.Bhd.	Malaysia			5.6	3.3	
	1.11) Mitsubishi Electric Vietnam Co., Ltd.	Vietnam			706.2	603.8	
	1.12) PT.Mitsubishi Electric Indonesia	Indonesia		68.9	79.7		
	1.13) International Elevator & Equipment Inc.	Philippines		-	6.7		
	1.14) Mitsubishi Electric Trading Corporation.	Japan		20.5	12.4		
	1.15) Melco Trading (Thailand) Co., Ltd.	Thailand		2.9	3.3		
	1.16) Mitsubishi Electric Europe B.V.(Moscow Branch)	Russia		1.9	-		
	1.17) Mitsubishi Electric (Russia) LLC	Russia		59.0	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	0.1	

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2016	2015	
2	Procurement parts and raw materials			Procurement parts and raw materials	1,160.7	1,163.8	
	2.1) Thai Refrigeration Components Co., Ltd.	Thailand	Common director was Mr. Praphad Phodhivorakhun	Evaporators used for assembly refrigerator	22.7	23.7	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. market price
	2.2) Kulthom Kirby Public Company Limited.	Thailand		Compressors for assembly refrigerator	192.6	181.1	
	2.3) Mitsubishi Electric Asia Pte. Ltd.	Singapore		Electronic parts used for assembly electric fan and refrigerator	153.6	235.8	
	2.4) Setsuyo Astec Corporation.	Japan		Electronic parts used for assembly refrigerator	69.0	63.7	
	2.5) Mitsubishi Electric Trading Corporation.	Japan			38.3	35.4	
	2.6) Melco Trading (Thailand) Co., Ltd.	Thailand			207.0	184.6	
	2.7) Mitsubishi Electric (Hong Kong) Ltd.	Hongkong			0.5	1.0	
	2.8) Mitsubishi Electric & Electronics (Shanghai) Co., Ltd.	China		A subsidiary of the Company's parent	4.2	4.3	
	2.9) Setsuyo Astec (Thailand) Co., Ltd.	Thailand			165.9	72.1	
2.10) Setsuyo Astec Corporation Seoul Branch.	Korea			306.9	362.1		

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction	
					2016	2015		
3	Complementing Fee			Complementing Fee	776.2	748.9		
	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	10.2	11.4	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	0.5		
	3.3) Mitsubishi Electric Sales Malaysia Sdn.	Malaysia				14.9	21.3	
	3.4) Mitsubishi Electric Sales (Malaysia) Sdn. Bhd.	Malaysia				0.0	-	
	3.5) Mitsubishi Electric Taiwan Co., Ltd.	Taiwan				0.4	1.3	
	3.6) P.T Mitsubishi Electric Indonesia Co., Ltd.	Indonesia				9.7	7.5	
	3.7) Mitsubishi Electric Vietnam Co., Ltd.	Vietnam				8.9	7.1	
	3.8) Mitsubishi Electric Australia Pty. Ltd.	Australia				8.9	2.5	
	3.9) Mitsubishi Electric Asia (Thailand), Ltd.	Thailand				2.1	-	
	3.10) Melco Travel Co., Ltd.	Japan		A subsidiary of the Company's parent		0.1	-	
	3.11) Mitsubishi Electric (Hong Kong) Limited	Hongkong				3.6	0.3	
	3.12) Mitsubishi Electric Life Network Co., Ltd.	Japan				3.4	5.4	
	3.13) Melco Logistic (Thailand) Co., Ltd. Thailand	Thailand			Logistic Fee	29.5	37.3	KYE has been dealing with this company in order to smoothen the operation progress of export shipment.
	3.14) KGM. Service Co., Ltd.	Thailand			Others Expense	1.2	0.1	Besides, KYE has also had contracts with other companies, unrelated to MELCO as well, upon to destination of each market.
	3.15) Mitsubishi Electric Factory Automation (Thailand) Co., Ltd.	Thailand				0.1	0.5	
	3.16) Mitsubishi Electric Consumer Product (Thailand)	Thailand				0.4	0.5	
	3.17) Melco Tracing (Thailand) Co., Ltd.	Thailand				0.0	0.1	
	3.18) K.Y. Intertrade Co., Ltd.	Thailand		Common director was Mr.Praphad Phodhivorakhun		0.1	0.2	

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2016	2015	
3.19)	Mitsubishi Electric Corporation	Japan	Parent, 40.81% shareholding	Royalty sale, afterservice and Technician fee	287.0	285.9	KYE entered into Technical Assistant Agreement with MELCO under this agreement. KYE able to sales the products under "Mitsubishi" trademark, is well known worldwide and obtained assistance of manufacturing technology and marketing including manufacturing technology training .Therefore it is a reasonableness transaction for payment of royalty fee and technician fee to MELCO
				Development fee (in accordance with Technical Assistance Agreement)	305.7	282.3	Research and development of products and are vital to the business operations ofthe company. For improvement modern products and meet consumers demand andbecause the company was not ready to develop by own high technology product. There isalso a need to rely on MELCO technology, which is owned technology and trademark

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2016	2015	
	3.20) Smile Super Express Co., Ltd.	Thailand	Associate, 33.33% shareholding.	Storage, Handling & Transportation Charge.	89.5	84.7	KYE needs a place for storing its finished goods before delivery to customers by hiring SSE for management with fairly rate
4	Giving or receiving of financial assistance 4.1) Melco Thai Capital Co., Ltd.	Thailand	A subsidiary of the Company's parent Parent, 99.99% shareholding	Loan Receivable to MTC by interest rate of loan 0.80 - 1.25% per year. Short-term loans - Interest Received	74.3 0.4	36.2 0.5	Increasing liquidity of cash flow and reduce financial costs by providing in the lower interest rate of loan and interest rate of deposit is higher than banks causing highest benefit to the Company
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 2 buildings from KYE including water charge and electric charge.	17.9	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.

No.	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2016	2015	
6	Procurement of asset			Procurement of asset	3.8	1.7	
	6.1) Mitsubishi Electric Corporation (Nakatsugawa)	Japan	Parent, 40.81% shareholding	Display Air Blow Machine	0.1	0.1	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 goods
	6.2) Mitsubishi Electric Trading Corporation.	Japan	A subsidiary of the Company's parent	Sheated Heater, Supporting Insulator	1.3	1.3	
	6.3) Mitsubishi Electric Asia Pte. Ltd	Singapore		Air condition	2.1	-	
	6.4) Mitsubishi Electric Asia Pte. Ltd	Japan		Mold for Motor of FAN100W, 150W	0.2	0.2	

Balance as at 31 March 2017 and 31 March 2016 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	
	2017	2016	2017	2016	2017	2016	2017	2016
Melco Thai Capital Co., Ltd.	-	-	74.3	36.2	-	-	-	-
Smile Super Express Co., Ltd.	0.0	-	1.5	1.3	-	-	10.8	13.4
Mitsubishi Electric Corporation	353.5	330.7	1.1	0.1	-	-	294.1	293.7
Thai Refrigeration Components Co., Ltd.	-	-	-	-	0.8	1.4	-	-
Mitsubishi Electric Kang Yong Watana Co., Ltd.	519.1	456.5	-	-	-	-	7.3	-
Mitsubishi Electric Life Network Corporation.	47.6	45.3	-	-	-	-	0.2	-
Mitsubishi Electric Asia Pte. Ltd.	59.8	12.5	-	-	12.0	19.4	0.3	0.1
Mitsubishi Electric Australia Pty. Ltd.	70.9	72.6	-	-	-	-	-	1.5
Mitsubishi Electric (Hong Kong) Limited	53.1	42.5	-	-	-	-	3.1	-
Mitsubishi Electric Sales Malaysia Sdn.	21.2	28.6	-	-	-	-	7.6	14.1
Mitsubishi Electric Sales (Malaysia) Sdn., Bhd.	1.3	1.2	-	-	-	-	-	-
P.T.Mitsubishi Electric Indonesia Co., Ltd.	44.5	34.2	-	-	-	-	5.6	4.7
Mitsubishi Electric Russia LLC.	28.5	14.2	-	-	-	-	-	-
Melco Logistic (Thailand) Co., Ltd.	-	-	-	-	-	-	1.1	-
Mitsubishi Electric Vietnam Co., Ltd.	196.0	190.6	-	-	-	-	6.0	1.8
Setuyo Astec Corporation Japan	-	-	-	-	4.3	5.7	0.1	-
Setuyo Astec Corporation Seoul Branch	-	-	-	-	39.5	43.2	0.1	-
Setuyo Astec Thailand Co., Ltd.	-	-	-	-	18.8	19.8	-	-
K.G.M. Services Co., Ltd.	-	-	-	-	-	-	0.4	0.2

Name of entities	Trade Accounts Receivable as at 31 March		Other Accounts Receivable as at 31 March		Trade Accounts Payable as at 31 March		Other Accounts Payable as at 31 March	
	2017	2016	2017	2016	2017	2016	2017	2016
	Mitsubishi Electric & Electronic (Shanghai) Co., Ltd.	-	-	-	-	0.3	0.5	-
Mitsubishi Electric Factory Automation (Thailand) Co., Ltd.	-	-	-	-	32.7	45.4	0.1	0.2
Kulthorn Kirby Public Company Limited	-	-	-	-	-	-	-	-
Mitsubishi Electric Trading Corporation	1.2	0.7	-	-	3.8	8.8	0.3	1.3
Melco Trading (Thailand) Co., Ltd.	0.3	0.1	-	-	22.6	16.9	-	-
Mitsubishi Electric H.K. Ltd.	-	-	-	-	0.1	0.13	-	0.3
Mitsubishi Electric Taiwan Co., Ltd.	2.32	0.01	-	-	-	-	-	0.3
Melco Travel Co., Ltd.	-	-	-	-	-	-	-	0.1
Mitsubishi Electric Consumer Product (Thailand)	-	-	164.9	141.4	-	-	0.0	0.1
Siam Compressor Industry Co., Ltd.	-	-	9.0	12.2	-	-	-	-
K.Y. Intertrade Co., Ltd.	-	-	-	-	-	-	0.2	0.1
Mitsubishi Electric Asia (Thailand). Ltd.	-	-	-	-	-	-	2.2	-
Total	1,399.3	1,229.5	250.7	191.2	134.9	161.2	339.4	331.8

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.

Summary of financial information	(Unit)	March 31	
		2017	2016
Total assets	Baht million	8,297	7,376
Total liabilities	Baht million	1,964	1,955
Shareholders' equity	Baht million	6,333	5,421
Revenues from sales and rendering of services	Baht million	9,055	8,805
Total revenues	Baht million	10,049	9,511
Costs of sales and rendering of services	Baht million	7,436	7,524
Gross profit	Baht million	1,619	1,281
Selling and administrative expenses	Baht million	1,153	1,080
Net profit	Baht million	1,336	842
Financial ratios			
Liquidity ratios			
Current ratio	time	4.12	3.70
Quick ratio	time	3.52	3.04
Cash flow liquidity ratio	time	0.48	0.36
Accounts receivable turnover ratio	time	6.78	7.32
Average collection period	day	54	50
Inventory turnover ratio	time	7.91	7.40
Average age of inventories	day	46	49
Accounts payable turnover ratio	time	6.89	7.46
Repayment period	day	53	49
Cash cycle	day	47	50
Profitability ratios			
Gross profit margin	%	17.89	14.55
Net profit to sales ratio	%	14.75	9.56
Return on equity	%	22.73	16.09

Summary of financial information	(Unit)	March 31	
		2017	2016
Efficiency ratios			
Return on total assets	%	17.05	11.81
Return on fixed assets	%	127.32	91.33
Assets turnover ratio	time	1.28	1.33
Financial policy ratios			
Debt to equity ratio	time	0.31	0.36
Dividend payout ratio	%	*	50.02

* In process of seeking approval from the Annual General Meeting of Shareholders 2017

Summary of operating results for FY2016 in comparison with FY2015:

Unit: Baht million	For the year ended March 31			
	2017	2016	+(-)	%
Revenues from sales and rendering of services	9,055.3	8,805.2	250.1	2.8%
Costs of sales and rendering of services	7,435.7	7,524.4	(88.7)	-1.2%
Gross profit	1,619.6	1,280.8	338.8	26.5%
Selling expenses	411.5	395.6	15.9	4.0%
Administrative expenses	741.0	683.9	57.1	8.3%
Other revenues (including dividend income)	995.2	705.8	289.4	41.0%
Profit before income tax		907.1	555.2	61.2%
Income tax	126.5	65.2	61.3	94.0%
Net profit for the year	1,335.8	841.9	493.9	58.7%

Revenues from sales and services, by business segment

Unit: Baht million	For the year ended March 31			
	2017	2016	+(-)	%
Domestic market	3,268.9	3,167.4	101.5	3.2%
Japan	3,840.7	3,628.3	212.4	5.9%
Others	1,945.7	2,009.5	(63.8)	-3.2%
Export market	5,786.4	5,637.8	148.6	2.6%
Total	9,055.3	8,805.2	250.1	2.8%

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 FY2016, the Company's revenues from sales and services went up by Baht 250.1 million or 2.8% from Baht 8,805.2 million a year earlier to Baht 9,055.3 million, broken down into three major business groups as follows:

1. Sales to domestic market grew from Baht 3,167.4 million in 2015 to Baht 3,268.9 million in 2016, up by Baht 101.5 million or 3.2%, coming mainly from the rise in sales of refrigerators, water pumps and electric fans.
2. Exports to Japanese market recorded an increase from Baht 3,628.3 million in 2015 to Baht 3,840.7 million in 2016, a growth of Baht 212.4 million or 5.9%, resulting mainly from the increase in foreign exchange gains and sales volume of 3-door refrigerators.
3. Exports to markets elsewhere declined from Baht 2,009.5 million in 2015 to Baht 1,945.7 million in 2016, down by Baht 63.8 million or 3.2%, due to the decrease in electric fan sales following the rationalization process of distribution channels in Vietnam.

Other revenues

Other revenues surged by Baht 289.4 million or 41.0% to Baht 995.2 million in FY2016 from a year earlier, driven by the increase in investment income by Baht 245.4 million and gains from sales of property for investment of Baht 58.6 million.

Selling costs and expenses

In FY2016, costs of sales improved, representing 82.1% of revenues from sales and services or a 3.3% decline from the foregoing year, attributable to the increase in sales proportion of products with higher profit margin and foreign exchange gains on exports. Meanwhile, expenses in production moved up as resulted from the increase in investment in in-house project of parts production.

Selling and administrative expenses accounted for 12.7% of revenues from sales and services, rising by 6.8% from a year earlier, as resulted from:

- Selling expenses moved up by Baht 15.9 million from Baht 395.6 million in 2015 to Baht 411.5 million in 2016 due to the rise in payment for patent on product sales and also in advertising and sales promotion expenses.
- Administrative expenses went up by Baht 57.1 million from Baht 683.9 million in 2015 to Baht 741.0 million in 2016 attributable to new product innovations in response to customer demand, thus driving up product development costs.

Profit

In FY2016, the Company posted a gross profit margin of 12.7%, which was 3.3% higher than that in the foregoing year. With the above increases in selling and administrative expenses, other revenues and income tax taken into account, the Company's net profit for FY2016 amounted to Baht 1,335.8 million, representing 14.8% of revenues from sales and services, and rising from 9.6% in the previous year. This resulted in an improvement in return on equity to 22.73% compared with 16.1% a year earlier.

Summary of financial position

Unit: Baht million	As at Mar 31, 17	As at Mar 31, 16	% Change
Cash and cash equivalents	1,531.0	1,063.9	43.9
Current investments	2,500.0	2,200.0	13.6
Trade accounts receivable and other receivables	1,631.6	1,508.4	8.2
Inventories	878.2	1,001.7	(12.3)
Property, plant and equipment	1,365.9	1,268.1	7.7
Others	390.3	334.0	16.9
Total assets	8,297.0	7,376.1	12.5
Trade accounts payable and other payables	1,546.4	1,543.6	0.2
Others	418.0	411.6	1.6
Total liabilities	1,964.4	1,955.2	0.5
Shareholders' equity	6,332.6	5,420.9	16.8
Total liabilities and shareholders' equity	8,297.0	7,376.1	12.5

Total assets

As of March 31, 2017, the Company recorded total assets of Baht 8,297.0 million, growing from the corresponding period of the previous year by Baht 920.9 million or 12.5%, with changes in major asset items as follows:

- Cash and cash equivalents as of March 31, 2017 were Baht 1,531.0 million, rising from a year earlier by Baht 467.1 million or 43.9%.
- Current investments as of March 31, 2017 amounted to Baht 2,500 million, increasing by Baht 300.0 million or 13.6% and comprising short-term deposits with financial institutions for a period ranging from 5 months to 12 months.

- Trade accounts receivable and other receivables as of March 31, 2017 totaled Baht 1,631.6 million, going up by Baht 123.2 million or 8.2% from the same period of the foregoing year, and coming mainly from accrued accounts not yet due. The Company had an average collection period of 54 days in 2016, a delay of four days from the previous year. With close assessment of customers' financial status, the Company has faced no debt collection problem.
- Inventories as of March 31, 2017 amounted to Baht 878.2 million, dropping by Baht 123.5 million or 12.3% from a year earlier. The average age of inventories was shortened by three days from 49 days in 2015 to 46 days in 2016 thanks to higher efficiency in inventories management and delivery of products.
- Property, plant and equipment as of March 31, 2017 amounted to Baht 1,365.9 million, increasing by Baht 97.8 million or 7.7%. In 2016, the Company invested Baht 440.5 million in machinery, equipment and moulds. Its return on fixed assets was 127.3%, a surge from 91.3% a year earlier.

Total liabilities

As of March 31, 2017, the Company had total liabilities of Baht 1,964.4 million, up slightly by Baht 9.2 million or 0.5% from March 31, 2016. Trade and other payables amounted to Baht 1,546.4 million, up by Baht 2.8 million or 0.2% due primarily to purchases of parts and raw materials and procurement of machinery and equipment for production.

Average payment period for trade accounts payable delayed by four days from the average payment period in 2015 of 49 days to 53 days in 2016.

Cash cycle was three days quicker from 50 days in 2015 to 47 days in 2016, hence efficient cash management. The Company still had plentiful liquidity, with its current ratio rising from 3.70 times in 2015 to 4.12 times in 2016. Quick ratio also went up annually, from 3.04 times in 2015 to 3.52 times in 2016. The Company thus maintained a strong financial position.

Shareholders' equity

As at March 31, 2017, the Company recorded shareholders' equity of Baht 6,332.6 million, growing by Baht 911.7 million or 16.8% from 2015, driven by its comprehensive profit for 2016 of Baht 1,332.8 million. In August 2016, the Company paid dividends to its shareholders in the total amount of Baht 421.1 million as resolved by the shareholders' meeting held on July 27, 2016.

To sum up, the Company has maintained a robust capital structure and a significantly low financial risk level. This is for your information.

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 2016.

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, 2017 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

June 14, 2017

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 2017

and

Independent Auditor's Report



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Independent Auditor's Report

To the Shareholders of Kang Yong Electric Public Company Limited

Opinion

I have audited the 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 2017, 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.

In my opinion, the accompanying 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 2017 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements in which the Equity Method is Applied and Separate Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King that are relevant to my audit of the financial statements in which the equity method is applied and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements in which the equity method is applied and separate financial statements of the current period. These matters were addressed in the context of my audit of the financial statements in which the equity method is applied and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.



Adequacy of provision for warranties	
Refer to Notes 3 (n) and 19 to the financial statements	
The key audit matter	How the matter was addressed in the audit
The provision for product warranty is material to the financial statements. The determination of the provision involves estimates by management of the amount and probability of claims. Therefore, I consider this matter to be a key audit matter.	<p>My audit procedures included, among others:</p> <ul style="list-style-type: none">- Inquiring management to gain understanding on the process for estimation of provision for warranties.- Testing the reliability of actual warranties report by comparing actual claimed data with actual warranties report including testing on sampling basis of relevant documents.- Challenging management regarding the method used for estimation to evaluate the reasonableness of the method and assumptions used.- Considering the appropriateness of assumptions used for estimation of expected damage from warranty by comparing with historical actual claimed data.- Testing the calculation of provision for warranties by consider total sales of finished goods, total actual warranty expense and average claimed year.- Considering the adequacy of the Company's disclosures in accordance with the related Thai Financial Reporting Standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements in which the equity method is applied and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements in which the equity method is applied and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements in which the equity method is applied and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements in which the equity method is applied and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance 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 the financial statements in which the equity method is applied and separate financial statements in accordance with TFRSs, 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.

Chaiwan



In preparing the financial statements in which the equity method is applied and separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements in which the Equity Method is Applied and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements in which the equity method is applied and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements in which the equity method is applied and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements in which the equity method is applied and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements in which the equity method is applied and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements in which the equity method is applied and separate financial statements, including the disclosures, and whether the financial statements in which the equity method is applied and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Quasar



- Obtain sufficient appropriate audit evidence regarding the financial information of equity-accounted investees of the Company to express an opinion on the financial statements in which the equity method is applied. I am responsible for the direction, supervision and performance of the audit of the financial statements in which the equity method is applied. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements in which the equity method is applied and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Orawan Sirirattanawong)
Certified Public Accountant
Registration No. 3757

KPMG Phoomchai Audit Ltd.
Bangkok
19 May 2017

Kang Yong Electric Public Company Limited

Statement of financial position

Assets	Note	Financial statements in which the equity method is applied		Separate financial statements	
		31 March		31 March	
		2017	2016	2017	2016
		<i>(in Baht)</i>			
Current assets					
Cash and cash equivalents	5	1,531,005,314	1,063,853,227	1,531,005,314	1,063,853,227
Current investments	10	2,500,000,000	2,200,000,000	2,500,000,000	2,200,000,000
Trade accounts receivable	4, 6	1,399,665,572	1,272,551,567	1,399,665,572	1,272,551,567
Other accounts receivable	4, 7	231,886,703	235,801,310	231,886,703	235,801,310
Short-term loans to related party	4	74,273,866	36,197,859	74,273,866	36,197,859
Inventories	8	878,227,300	1,001,698,723	878,227,300	1,001,698,723
Other current assets		10,275,231	5,039,545	10,275,231	5,039,545
Total current assets		6,625,333,986	5,815,142,231	6,625,333,986	5,815,142,231
Non-current assets					
Available-for-sale investments	10	11,032,028	13,665,725	11,032,028	13,665,725
Investment in an associate	9	18,513,076	17,314,532	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	4,188,669	4,970,666	4,188,669	4,970,666
Property, plant and equipment	12	1,365,916,177	1,268,108,709	1,365,916,177	1,268,108,709
Intangible assets	13	37,569,589	8,450,539	37,569,589	8,450,539
Deferred tax assets	14	63,537,460	70,281,782	63,537,460	70,281,782
Other non-current assets	15	13,575,194	20,838,186	13,575,194	20,838,186
Total non-current assets		1,671,693,893	1,560,991,839	1,656,180,817	1,546,677,307
Total assets		8,297,027,879	7,376,134,070	8,281,514,803	7,361,819,538

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

Kang Yong Electric Public Company Limited

Statement of financial position

Liabilities and equity	Note	Financial statements in which the equity method is applied		Separate financial statements	
		31 March		31 March	
		2017	2016	2017	2016
		<i>(in Baht)</i>			
Current liabilities					
Trade accounts payable	4, 16	1,078,667,793	1,078,194,498	1,078,667,793	1,078,194,498
Other accounts payable	4, 17	467,718,971	465,434,258	467,718,971	465,434,258
Income tax payable		45,316,361	12,375,496	45,316,361	12,375,496
Other current liabilities		16,015,614	15,633,328	16,015,614	15,633,328
Total current liabilities		1,607,718,739	1,571,637,580	1,607,718,739	1,571,637,580
Non-current liabilities					
Provision for warranties	19	141,112,217	184,942,083	141,112,217	184,942,083
Employee benefit obligations	18	200,484,521	182,789,086	200,484,521	182,789,086
Provident funds	27	15,100,457	15,863,198	15,100,457	15,863,198
Total non-current liabilities		356,697,195	383,594,367	356,697,195	383,594,367
Total liabilities		1,964,415,934	1,955,231,947	1,964,415,934	1,955,231,947
Equity					
Share capital :	20				
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	20				
Premium on ordinary shares		726,100,000	726,100,000	726,100,000	726,100,000
Retained earnings					
Appropriated					
Legal reserve	21	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		4,939,898,710	4,026,081,931	4,924,385,634	4,011,767,399
Other component of equity	21	4,613,235	6,720,192	4,613,235	6,720,192
Total equity		6,332,611,945	5,420,902,123	6,317,098,869	5,406,587,591
Total liabilities and equity		8,297,027,879	7,376,134,070	8,281,514,803	7,361,819,538

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

Kang Yong Electric Public Company Limited
Statement of comprehensive income

	Financial statements				
	in which the equity method		Separate financial statements		
	is applied	For the year ended		For the year ended	
<i>Note</i>	2017	2016	2017	2016	2016
	<i>(in Baht)</i>				
Income					
Revenue from sale of goods					
and rendering of services	4	9,055,348,793	8,805,203,897	9,055,348,793	8,805,203,897
Investment income	4, 23	895,393,633	650,026,431	895,393,633	651,026,431
Net foreign exchange gain		9,961,696	32,594,251	9,961,696	32,594,251
Gain on sale of investment properties	11	58,580,433	-	58,580,433	-
Other income	4, 24	30,064,821	23,402,660	30,064,821	23,402,660
Total income		10,049,349,376	9,511,227,239	10,049,349,376	9,512,227,239
Expenses					
Cost of sale of goods	4				
and rendering of services		7,435,655,716	7,524,405,222	7,435,655,716	7,524,405,222
Selling expenses	25	411,524,979	395,600,189	411,524,979	395,600,189
Administrative expenses	26	741,027,377	683,869,986	741,027,377	683,869,986
Total expenses		8,588,208,072	8,603,875,397	8,588,208,072	8,603,875,397
Share of profit (loss) of an associate	9	1,198,544	(269,613)	-	-
Profit before income tax expense		1,462,339,848	907,082,229	1,461,141,304	908,351,842
Income tax expense	29	(126,538,428)	(65,232,146)	(126,538,428)	(65,232,146)
Profit for the year		1,335,801,420	841,850,083	1,334,602,876	843,119,696
Other comprehensive income					
Item that will not be reclassified to profit or loss					
Defined benefit plan actuarial losses	18, 29	(1,130,801)	(6,803,563)	(1,130,801)	(6,803,563)
Income tax on other comprehensive income		226,160	1,360,713	226,160	1,360,713
		(904,641)	(5,442,850)	(904,641)	(5,442,850)
Item that is or may be reclassified subsequently to profit or loss					
Net change in fair value of					
available-for-sale investments	10, 29	(2,633,696)	2,334,106	(2,633,696)	2,334,106
Income tax on other comprehensive income		526,739	(466,821)	526,739	(466,821)
		(2,106,957)	1,867,285	(2,106,957)	1,867,285
Other comprehensive income for the year, net of income tax		(3,011,598)	(3,575,565)	(3,011,598)	(3,575,565)
Total comprehensive income for the year		1,332,789,822	838,274,518	1,331,591,278	839,544,131
Basic earnings per share	31	60.72	38.27	60.66	38.32

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 (in Baht)	Unappropriated	Fair value changes in available-for-sale investments	Total equity
Year ended 31 March 2016								
Balance at 1 April 2015		220,000,000	726,100,000	22,000,000	420,000,000	3,653,214,698	4,852,907	5,046,167,605
Transactions with owners, recorded directly in equity								
<i>Distributions to owners of the Company</i>								
Dividends to owners of the Company	32	-	-	-	-	(463,540,000)	-	(463,540,000)
Total distributions to owners of the Company		-	-	-	-	(463,540,000)	-	(463,540,000)
Comprehensive income for the year								
Profit		-	-	-	-	841,850,083	-	841,850,083
Other comprehensive income		-	-	-	-	(5,442,850)	1,867,285	(3,575,565)
Total comprehensive income for the year		-	-	-	-	836,407,233	1,867,285	838,274,518
Balance at 31 March 2016		220,000,000	726,100,000	22,000,000	420,000,000	4,026,081,931	6,720,192	5,420,902,123

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 <i>(in Baht)</i>	Unappropriated investments	
Year ended 31 March 2017						
Balance at 1 April 2016	220,000,000	726,100,000	22,000,000	420,000,000	4,026,081,931	6,720,192
						5,420,902,123
Transactions with owners, recorded directly in equity						
Distributions to owners of the Company						
Dividends to owners of the Company	-	-	-	-	(421,080,000)	-
Total distributions to owners of the Company	-	-	-	-	(421,080,000)	(421,080,000)
Comprehensive income for the year						
Profit	-	-	-	-	1,335,801,420	-
Other comprehensive income	-	-	-	-	(904,641)	(2,106,957)
Total comprehensive income for the year	-	-	-	-	1,334,896,779	(2,106,957)
Balance at 31 March 2017	220,000,000	726,100,000	22,000,000	420,000,000	4,939,898,710	4,613,235
						6,332,611,945

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

Kang Yong Electric Public Company Limited

Statement of changes in equity

	Separate financial statements							Total equity
	Note	Issued and paid-up share capital	Premium on ordinary shares	Retained earnings			Other component of equity	
				Legal reserve	Other reserve <i>(in Baht)</i>	Unappropriated		
Year ended 31 March 2016								
Balance at 1 April 2015		220,000,000	726,100,000	22,000,000	420,000,000	3,637,630,553	4,852,907	5,030,583,460
Transactions with owners, recorded directly in equity								
Distributions to owners of the Company								
Dividends to owners of the Company	32	-	-	-	-	(463,540,000)	-	(463,540,000)
Total distributions to owners of the Company		-	-	-	-	(463,540,000)	-	(463,540,000)
Comprehensive income for the year								
Profit		-	-	-	-	843,119,696	-	843,119,696
Other comprehensive income		-	-	-	-	(5,442,850)	1,867,285	(3,575,565)
Total comprehensive income for the year		-	-	-	-	837,676,846	1,867,285	839,544,131
Balance at 31 March 2016		220,000,000	726,100,000	22,000,000	420,000,000	4,011,767,399	6,720,192	5,406,587,591

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

Kang Yong Electric Public Company Limited
Statement of changes in equity

	Separate financial statements						
	Retained earnings				Other component of equity		Total equity
	Issued and paid-up share capital	Premium on ordinary shares	Legal reserve	Other reserve <i>(in Baht)</i>	Unappropriated	Fair value changes in available-for-sale investments	
Year ended 31 March 2017							
Balance at 1 April 2016	220,000,000	726,100,000	22,000,000	420,000,000	4,011,767,399	6,720,192	5,406,587,591
Transactions with owners, recorded directly in equity							
<i>Distributions to owners of the Company</i>							
Dividends to owners of the Company	-	-	-	-	(421,080,000)	-	(421,080,000)
Total distributions to owners of the Company	-	-	-	-	(421,080,000)	-	(421,080,000)
Comprehensive income for the year							
Profit	-	-	-	-	1,334,602,876	-	1,334,602,876
Other comprehensive income	-	-	-	-	(904,641)	(2,106,957)	(3,011,598)
Total comprehensive income for the year	-	-	-	-	1,333,698,235	(2,106,957)	1,331,591,278
Balance at 31 March 2017	220,000,000	726,100,000	22,000,000	420,000,000	4,924,385,634	4,613,235	6,317,098,869

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

Kang Yong Electric Public Company Limited

Statement of cash flows

	Financial statements in which the equity method is applied		Separate financial statements	
	For the year ended 31 March		For the year ended 31 March	
	2017	2016	2017	2016
	<i>(in Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit for the year	1,335,801,420	841,850,083	1,334,602,876	843,119,696
<i>Adjustments for</i>				
Depreciation	340,966,828	288,804,628	340,966,828	288,804,628
Amortisation	4,126,315	2,491,502	4,126,315	2,491,502
Investment income	(895,393,633)	(650,026,431)	(895,393,633)	(651,026,431)
Employee benefit expenses	22,779,976	21,887,406	22,779,976	21,887,406
Unrealised loss on exchange	5,439,728	3,656,260	5,439,728	3,656,260
Allowance for decline in value of inventories (reversal)	16,100,025	(15,848,389)	16,100,025	(15,848,389)
Provision for warranties	22,467,058	18,702,698	22,467,058	18,702,698
Share of (profit) loss of an associate	(1,198,544)	269,613	-	-
Gain on sale of investment properties	(58,580,433)	-	(58,580,433)	-
(Gain) loss on disposal of property, plant and equipment	340,268	(822,509)	340,268	(822,509)
Income tax expense	126,538,428	65,232,146	126,538,428	65,232,146
	<u>919,387,436</u>	<u>576,197,007</u>	<u>919,387,436</u>	<u>576,197,007</u>
<i>Changes in operating assets and liabilities</i>				
Trade accounts receivable	(133,949,869)	(142,317,763)	(133,949,869)	(142,317,763)
Other accounts receivable	25,838,162	(766,915)	25,838,162	(766,915)
Inventories	107,625,194	47,491,379	107,625,194	47,491,379
Other current assets	(5,235,686)	1,415,923	(5,235,686)	1,415,923
Other non-current assets	7,262,992	6,402,072	7,262,992	6,402,072
Trade accounts payable	1,430,374	140,170,017	1,430,374	140,170,017
Other accounts payable	(3,078,408)	43,420,951	(3,078,408)	43,420,951
Other current liabilities	384,424	3,462,988	384,424	3,462,988
Warranties paid	(66,296,924)	(70,055,842)	(66,296,924)	(70,055,842)
Employee benefits paid	(6,215,342)	(7,843,542)	(6,215,342)	(7,843,542)
Provident fund paid	(762,741)	(1,016,063)	(762,741)	(1,016,063)
Cash generated from operating activities	<u>846,389,612</u>	<u>596,560,212</u>	<u>846,389,612</u>	<u>596,560,212</u>
Income tax paid	<u>(86,100,342)</u>	<u>(54,550,442)</u>	<u>(86,100,342)</u>	<u>(54,550,442)</u>
Net cash from operating activities	<u>760,289,270</u>	<u>542,009,770</u>	<u>760,289,270</u>	<u>542,009,770</u>

Kang Yong Electric Public Company Limited

Statement of cash flows

	Financial statements		Separate financial statements	
	in which the equity method			
	is applied			
	For the year ended 31 March		For the year ended 31 March	
	2017	2016	2017	2016
	<i>(in Baht)</i>			
<i>Cash flows from investing activities</i>				
Interest received	57,630,940	59,271,665	57,630,940	59,271,665
Dividends received	798,855,173	578,674,120	798,855,173	578,674,120
Rental received	16,983,966	14,469,866	16,983,966	14,469,866
Short-term loans to related party	(535,433,515)	(459,237,128)	(535,433,515)	(459,237,128)
Cash proceeds from short-term loans to related party	497,357,508	482,847,527	497,357,508	482,847,527
Purchases of property and equipment	(434,687,432)	(376,762,388)	(434,687,432)	(376,762,388)
Sale of investment properties	59,362,430	-	59,362,430	-
Sale of property, plant and equipment	1,119,112	1,289,058	1,119,112	1,289,058
Purchases of intangible assets	(33,245,365)	(3,631,649)	(33,245,365)	(3,631,649)
Increase in current investments	(300,000,000)	(120,000,000)	(300,000,000)	(120,000,000)
Net cash from investing activities	127,942,817	176,921,071	127,942,817	176,921,071
<i>Cash flows from financing activities</i>				
Dividend paid	(421,080,000)	(463,540,000)	(421,080,000)	(463,540,000)
Net cash used in financing activities	(421,080,000)	(463,540,000)	(421,080,000)	(463,540,000)
Net increase in cash and cash equivalents	467,152,087	255,390,841	467,152,087	255,390,841
Cash and cash equivalents at 1 April	1,063,853,227	808,462,386	1,063,853,227	808,462,386
Cash and cash equivalents at 31 March	1,531,005,314	1,063,853,227	1,531,005,314	1,063,853,227
<i>Supplemental disclosure of cash flows information</i>				
<i>Non-cash transactions</i>				
Property and equipment purchased during the year are detailed as follows:				
Property and equipment purchased during the year	(440,487,472)	(349,875,803)	(440,487,472)	(349,875,803)
Increase (decrease) in payables on purchases of property and equipment	5,800,040	(26,886,585)	5,800,040	(26,886,585)
Net purchase of property and equipment paid by cash	(434,687,432)	(376,762,388)	(434,687,432)	(376,762,388)

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

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Kang Yong Electric Public Company Limited
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For the year ended 31 March 2017

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 19 May 2017.

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 2016. 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 2017 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 35.

(b) Basis of measurement

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

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

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(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 accounting policies and the 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 assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

Note 18	Measurement of defined benefit obligations : key actuarial assumptions;
Note 19	Recognition and measurement of provision for warranties : key assumptions about the likelihood and magnitude of an outflow of resources.

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 chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that 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).

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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 33	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.

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(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.

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

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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.

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
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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.

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

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

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Amortisation

Amortisation is calculated based on 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 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	10 years
Other computer software	5 years
Golf course membership	5 years

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.

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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.

(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 recognized 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 recognized 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.

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(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.

Provision for warranties

A provision for product 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. 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.

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(p) Finance costs

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred.

(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.

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.

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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.

(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
<i>Parent</i>		
Mitsubishi Electric Corporation	Japan	Parent, 40.81% shareholding
<i>Associate</i>		
Smile Super Express Co., Ltd.	Thailand	Associate, 33.33% shareholding
<i>Key management personnel</i>		
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
<i>Other related parties</i>		
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

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Name of entities	Country of incorporation/ nationality	Nature of relationships
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
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
Mitsubishi Electric Factory Automation (Thailand) Co., Ltd.	Thailand	A subsidiary of the Company's parent
Mitsubishi Electric Asia (Thailand) Co., Ltd.	Thailand	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.

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- 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 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 2017 and 2016 with related parties were as follows:

<i>Year ended 31 March</i>	Financial statements in which the equity method is applied		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Parent				
Revenue from sale of goods	3,663,231	3,481,004	3,663,231	3,481,004
Other income	152	2,380	152	2,380
Purchase of equipment	-	126	-	126
Royalty fee	201,663	195,372	201,663	195,372
Product development fee	305,733	282,330	305,733	282,330
Product warranties paid	61,444	62,963	61,444	62,963
Technical assistance fee	16,246	22,383	16,246	22,383
Other selling and administrative expenses	7,608	5,210	7,608	5,210
Associate				
Revenue from sale of goods	132	117	132	117
Rental income	17,178	14,465	17,178	14,465
Dividend income	-	-	-	1,000
Other income	753	822	753	822
Inventory management service fee	81,803	76,914	81,803	76,914
Other selling and administrative expenses	7,741	7,768	7,741	7,768

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<i>Year ended 31 March</i>	Financial statements in which the equity method is applied		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Key management personnel				
Key management personnel compensation				
Short-term employee benefits	68,480	68,989	68,480	68,989
Post-employment benefits	949	906	949	906
Other long-term benefits	11	10	11	10
Total key management personnel compensation	<u>69,440</u>	<u>69,905</u>	<u>69,440</u>	<u>69,905</u>
Other related parties				
Revenue from sale of goods	5,386,787	5,077,403	5,386,787	5,077,403
Purchase of raw material	1,160,689	1,163,847	1,160,689	1,163,847
Dividend income	819,128	571,299	819,128	571,299
Other selling and administrative expenses	90,192	90,202	90,192	90,202
Purchase of equipment	8,563	1,530	8,563	1,530
Other income	4,873	437	4,873	437
Product warranties paid	4,137	6,023	4,137	6,023
Interest income	378	478	378	478
Technical assistance fee	61	-	61	-

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

<i>Trade accounts receivable from related parties</i>	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
Parent		
Mitsubishi Electric Corporation	353,458	330,664
Associate		
Smile Super Express Co., Ltd.	8	-
Other related parties		
Mitsubishi Electric Kang Yong Watana Co., Ltd.	519,148	456,452
Mitsubishi Electric Vietnam Company Limited	196,009	190,604
Mitsubishi Electric Australia Pty. Ltd.	70,854	72,565
Mitsubishi Electric Asia Pte. Ltd.	59,834	12,465
Mitsubishi Electric (Hong Kong) Ltd.	53,130	42,465
Mitsubishi Electric Life-Network Co., Ltd.	47,560	45,317
PT. Mitsubishi Electric Indonesia	44,466	34,199
Mitsubishi Electric (Russia) LLC	28,510	14,209
Mitsubishi Electric Sales Malaysia Sdn.	21,246	28,580
Others	5,150	1,994
	<u>1,045,907</u>	<u>898,850</u>
Total	<u>1,399,373</u>	<u>1,229,514</u>

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

<i>Other accounts receivable from related parties</i>	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
<i>Accrued dividend income</i>		
Other related parties		
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	164,892	141,396
Siam Compressor Industry Co., Ltd.	8,981	12,189
	<u>173,873</u>	<u>153,585</u>
Others		
Parent		
Mitsubishi Electric Corporation	1,061	141
Associate		
Smile Super Express Co., Ltd.	1,513	1,302
Other related party		
Melco Thai Capital Co., Ltd.	16	26
	<u>2,590</u>	<u>1,469</u>
Total	<u>176,463</u>	<u>155,054</u>

<i>Short-term loans to related party</i>	Financial statements in which the equity method is applied and separate financial statements			
	2017	2016	2017	2016
	<i>Interest rate</i>		<i>(in thousand Baht)</i>	
	<i>(% per annum)</i>			
Other related party				
Melco Thai Capital Co., Ltd.	0.80	1.40	<u>74,274</u>	<u>36,198</u>

Movements during the years ended 31 March 2017 and 2016 of short-term loans to related party were as follows:

<i>Short-term loans to related party</i>	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
Other related party		
At 1 April	36,198	59,808
Increase	535,434	459,237
Decrease	(497,358)	(482,847)
At 31 March	<u>74,274</u>	<u>36,198</u>

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

Trade accounts payable to related parties

Other related parties

Setsuyo Astec Corporation	43,857	48,934
Kulthorn Kirby Public Company Limited	32,664	45,375
Melco Trading (Thailand) Co., Ltd.	22,582	16,845
Setsuyo Astec (Thailand) Co., Ltd.	18,834	19,806
Mitsubishi Electric Asia Pte. Ltd.	11,987	19,418
Mitsubishi Electric Trading Corp.	3,783	8,770
Thai Refrigeration Components Co., Ltd.	842	1,423
Mitsubishi Electric & Electronic (Shanghai) Co., Ltd.	279	477
Others	66	129
Total	134,894	161,177

**Financial statements in which
the equity method is applied
and separate financial statements**
2017 2016
(in thousand Baht)

Other accounts payable to related parties

Parent

Mitsubishi Electric Corporation	294,130	293,671
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Associate

Smile Super Express Co., Ltd.	10,795	13,440
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Other related parties

Mitsubishi Electric Sales Malaysia Sdn.	7,596	14,078
Mitsubishi Electric Kang Yong Watana Co., Ltd.	7,256	-
Mitsubishi Electric Vietnam Company Limited	6,034	1,840
PT. Mitsubishi Electric Indonesia	5,625	4,702
Mitsubishi Electric (Hong Kong) Co., Ltd.	3,083	277
Mitsubishi Electric Asia (Thailand) Co., Ltd.	2,244	-
Melco Logistics (Thailand) Co., Ltd.	1,071	-
K.G.M. Services Co., Ltd.	360	-
Mitsubishi Electric Asia Pte. Ltd.	276	94
Mitsubishi Electric Trading Corp.	261	1,307
Mitsubishi Electric Australia Pty. Ltd.	-	1,522
Mitsubishi Electric Taiwan Co., Ltd.	-	324
Others	658	547
	34,464	24,691

Total

339,389

331,802

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

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.

5 Cash and cash equivalents

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
Cash on hand	150	150
Cash at banks - savings and current accounts	80,855	43,703
Fixed deposits	1,450,000	1,020,000
Total	<u>1,531,005</u>	<u>1,063,853</u>

Cash and cash equivalents of the Company as at 31 March 2017 and 2016 were denominated entirely in Thai Baht.

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

6 Trade accounts receivable

		Financial statements in which the equity method is applied and separate financial statements	
	<i>Note</i>	2017	2016
		<i>(in thousand Baht)</i>	
Related parties	4	1,399,373	1,229,514
Other parties		293	43,038
Total		1,399,666	1,272,552
Bad and doubtful debts expenses for the year		-	-

Aging analyses for trade accounts receivable were as follows:

		Financial statements in which the equity method is applied and separate financial statements	
		2017	2016
		<i>(in thousand Baht)</i>	
Related parties			
Within credit terms		1,385,733	1,210,469
Overdue			
Less than 3 months		13,640	19,045
		1,399,373	1,229,514
Other parties			
Within credit terms		279	43,038
Overdue			
Less than 3 months		12	-
3 – 6 months		2	-
		293	43,038
Total		1,399,666	1,272,552

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

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

		Financial statements in which the equity method is applied and separate financial statements	
		2017	2016
		<i>(in thousand Baht)</i>	
Thai Baht		869,328	783,484
United States Dollars (USD)		454,268	429,557
Japanese Yen (JPY)		47,560	45,317
Russian Ruble (RUB)		28,510	14,194
Total		1,399,666	1,272,552

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

7 Other accounts receivable

	Note	Financial statements in which the equity method is applied and separate financial statements	
		2017	2016
		<i>(in thousand Baht)</i>	
Accrued dividend income	4	173,873	153,585
Value added tax receivable		37,341	65,277
Prepaid expenses		8,365	6,236
Accrued interest income		7,997	6,548
Other receivables		1,842	3,560
Others		2,469	595
Total		231,887	235,801

Other accounts receivable of the Company as at 31 March 2017 and 2016 were denominated entirely in Thai Baht.

8 Inventories

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
Finished goods	396,174	466,563
Work in process	195,433	195,634
Raw materials and factory supplies	291,452	338,279
Goods in transit	15,764	18,088
	898,823	1,018,564
Less allowance for decline in value of inventories	(20,596)	(16,865)
Net	878,227	1,001,699

9 Investment in an associate

	Financial statements in which the equity method is applied		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
At 1 April	17,315	18,584	3,000	3,000
Share of profit (loss) of investment - equity method	1,198	(269)	-	-
Dividend income	-	(1,000)	-	-
At 31 March	18,513	17,315	3,000	3,000

During the years ended 31 March 2017 and 2016, there was no acquisition and disposal of investment in an associate.

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

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.	
	2017	2016
	<i>(in thousand Baht)</i>	
Revenue	158,484	154,774
Profit (loss) from continuing operations	3,595	(808)
Total comprehensive income (100%)	<u>3,595</u>	<u>(808)</u>
% hold	<u>33.33</u>	<u>33.33</u>
Company's share of total comprehensive income	<u>1,198</u>	<u>(269)</u>
Current assets	62,066	50,481
Non-current assets	14,463	17,697
Current liabilities	(15,344)	(11,286)
Non-current liabilities	(5,646)	(4,948)
Net assets (100%)	<u>55,539</u>	<u>51,944</u>
% hold	<u>33.33</u>	<u>33.33</u>
Company's share of net assets	<u>18,513</u>	<u>17,315</u>
Carrying amount of interest in associate	<u>18,513</u>	<u>17,315</u>

10 Other investments

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
<i>Current investments</i>		
Short-term deposits at financial institutions	<u>2,500,000</u>	<u>2,200,000</u>
<i>Other long-term investments</i>		
Equity securities available-for-sale	11,032	13,666
Other non-marketable equity securities	<u>157,362</u>	<u>157,362</u>
	<u>168,394</u>	<u>171,028</u>
Total	<u>2,668,394</u>	<u>2,371,028</u>

Short-term deposits at financial institutions amounted to Baht 2,500 million as at 31 March 2017 (2016 : 2,200 million), which have period of maturity within 5 months to 12 months, have annual interest rates ranging from 1.55% to 1.75% (2016 : 1.83% to 2.05%).

Current investments and other long-term investments of the Company as at 31 March 2017 and 2016 were denominated entirely in Thai Baht.

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

Equity securities available-for-sale as at 31 March 2017 and 2016 were as follows:

	Financial statements in which the equity method is applied and separate financial statements			
	2017		2016	
	Cost	Fair value	Cost	Fair value
	<i>(in thousand Baht)</i>			
<i>Marketable securities - Available-for-sale securities</i>				
Kulthorn Kirby Public Co., Ltd.	4,965	10,582	4,965	13,208
City Sports and Recreation Public Co., Ltd.	300	450	300	458
	5,265	11,032	5,265	13,666
<i>Add revaluation</i>	5,767	-	8,401	-
Total	11,032	11,032	13,666	13,666

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

Other non-marketable equity securities as at 31 March 2017 and 2016, 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	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
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	772,416	547,620
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	45,869	23,415
Total				157,362	157,362	157,362	157,362	-	-	157,362	157,362	818,549	571,299

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

11 Investment properties

	Financial statements in which the equity method is applied and separate financial statements		
	Land	Buildings	Total
	<i>(in thousand Baht)</i>		
Cost			
At 1 April 2015	10,360	91,436	101,796
At 31 March 2016 and 1 April 2016	10,360	91,436	101,796
Disposals	(782)	-	(782)
At 31 March 2017	9,578	91,436	101,014
Accumulated depreciation and impairment losses			
At 1 April 2015	5,389	91,436	96,825
At 31 March 2016 and 1 April 2016	5,389	91,436	96,825
At 31 March 2017	5,389	91,436	96,825
Net book value			
At 1 April 2015	4,971	-	4,971
At 31 March 2016 and 1 April 2016	4,971	-	4,971
At 31 March 2017	4,189	-	4,189

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 2017, fair value of land and buildings that are leased to its associate and land not used in operations totaled approximately Baht 77.04 million (2016: Baht 137.4 million). In December 2016, partial plots of land that is not used in operations with a cost of Baht 0.78 million was sold for a price of Baht 64.74 million. A gain on sale net of related expenses of Baht 58.58 million was recorded.

Measurement of fair value

Fair value hierarchy

The fair value measurement for investment properties of Baht 77.04 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
For the year ended 31 March 2017

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"> • Market rental rate • Expected market rental growth rate • Estimated useful lives of buildings that are leased • Void periods • Weighted average cost of capital discount rate 	<p>The estimated fair value increase (decrease) if:</p> <ul style="list-style-type: none"> • Market rental rate were higher (lower) than rate used for determining fair value; • Expected market rental growth rate were higher (lower); • Void periods were shorter (longer); • Weighted average cost of capital discount rate were lower (higher).

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

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
Cost								
At 1 April 2015	164,911	671,250	1,453,729	2,645,662	92,152	1,101	81,726	5,110,531
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)
At 31 March 2016 and 1 April 2016	164,911	696,088	1,542,738	2,861,478	98,195	1,101	42,885	5,407,396
Additions	-	1,788	14,348	71,530	24,709	107	328,005	440,487
Transfers	-	18,462	27,817	160,765	8,675	-	(215,719)	-
Disposals	(942)	(55)	(7,441)	(62,398)	(6,108)	(41)	-	(76,985)
At 31 March 2017	163,969	716,283	1,577,462	3,031,375	125,471	1,167	155,171	5,770,898
Accumulated depreciation								
At 1 April 2015	34,471	584,525	1,003,664	2,210,725	68,358	1,052	-	3,902,795
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)
At 31 March 2016 and 1 April 2016	34,471	608,265	1,050,977	2,370,217	74,277	1,080	-	4,139,287
Depreciation charge for the year	-	25,154	67,655	237,463	10,667	28	-	340,967
Disposals	-	(55)	(7,308)	(62,107)	(5,762)	(40)	-	(75,272)
At 31 March 2017	34,471	633,364	1,111,324	2,545,573	79,182	1,068	-	4,404,982

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

13 Intangible assets

	Financial statements in which the equity method is applied and separate financial statements				Total
	Software licences	Other computer software	Golf course membership	Software under installation	
	<i>(in thousand Baht)</i>				
Cost					
At 1 April 2015	-	11,388	-	-	11,388
Additions	-	2,670	962	-	3,632
Disposals	-	(1,304)	-	-	(1,304)
At 31 March 2016 and 1 April 2016	-	12,754	962	-	13,716
Additions	17,900	6,945	-	8,400	33,245
Disposals	-	(462)	-	-	(462)
At 31 March 2017	17,900	19,237	962	8,400	46,499
Accumulated amortisation					
At 1 April 2015	-	4,077	-	-	4,077
Amortisation for the year	-	2,450	42	-	2,492
Disposals	-	(1,304)	-	-	(1,304)
At 31 March 2016 and 1 April 2016	-	5,223	42	-	5,265
Amortisation for the year	1,044	2,890	192	-	4,126
Disposals	-	(462)	-	-	(462)
At 31 March 2017	1,044	7,651	234	-	8,929
Net book value					
At 1 April 2015	-	7,311	-	-	7,311
At 31 March 2016 and 1 April 2016	-	7,531	920	-	8,451
At 31 March 2017	16,856	11,586	728	8,400	37,570

14 Deferred tax

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

	Financial statements in which the equity method is applied and separate financial statements			
	Assets		Liabilities	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	<i>(in thousand Baht)</i>			
Total	76,537	81,170	(12,999)	(10,888)
Set off of tax	(12,999)	(10,888)	12,999	10,888
Net deferred tax assets	63,538	70,282	-	-

Kang Yong Electric Public Company Limited
Notes to the financial statements
For the year ended 31 March 2017

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

	Financial statements in which the equity method is applied and separate financial statements			At 31 March 2017
	At 1 April 2016	(Charged) / Credited to :		
		Profit or loss	Other comprehensive income	
		<i>(in thousand Baht)</i>		
<i>Deferred tax assets</i>				
Inventories <i>(allowance for decline in value)</i>	3,373	746	-	4,119
Provision for warranties	36,988	(8,766)	-	28,222
Employee benefit obligations	36,558	3,313	226	40,097
Provident funds	3,173	(152)	-	3,021
Impairment losses on land not used in operations	1,078	-	-	1,078
Total	81,170	(4,859)	226	76,537
<i>Deferred tax liabilities</i>				
Available-for-sale securities <i>(revaluation)</i>	(1,680)	-	527	(1,153)
Property, plant and equipment <i>(depreciation difference)</i>	(9,208)	(2,638)	-	(11,846)
Total	(10,888)	(2,638)	527	(12,999)
Net	70,282	(7,497)	753	63,538

Kang Yong Electric Public Company Limited
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For the year ended 31 March 2017

	Financial statements in which the equity method is applied and separate financial statements			At 31 March 2016
	(Charged) / Credited to :			
	At 1 April 2015	Profit or loss	Other comprehensive income	
		<i>(in thousand Baht)</i>		
<i>Deferred tax assets</i>				
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
Total	93,131	(13,322)	1,361	81,170
<i>Deferred tax liabilities</i>				
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)
Total	(8,432)	(1,989)	(467)	(10,888)
Net	84,699	(15,311)	894	70,282

15 Other non-current assets

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
Refundable import duty	10,085	17,879
Loans to employees	2,753	2,103
Others	737	856
Total	13,575	20,838

16 Trade accounts payable

	<i>Note</i>	Financial statements in which the equity method is applied and separate financial statements	
		2017	2016
		<i>(in thousand Baht)</i>	
Related parties	4	134,894	161,177
Other parties		943,774	917,017
Total		1,078,668	1,078,194

Kang Yong Electric Public Company Limited
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The currency denomination of trade accounts payable as at 31 March were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Thai Baht	1,008,645	992,268
United States Dollars (USD)	62,304	72,489
Japanese Yen (JPY)	7,719	13,437
Total	<u>1,078,668</u>	<u>1,078,194</u>

17 Other accounts payable

		Financial statements in which the equity method is applied and separate financial statements	
	<i>Note</i>	2017	2016
		<i>(in thousand Baht)</i>	
Royalty fee and development fee payables	4	280,891	281,281
Accrued employee benefits		86,103	85,242
Payables on purchases of property and equipment		13,467	7,667
Others		87,258	91,244
Total		<u>467,719</u>	<u>465,434</u>

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

	2017	2016
	<i>(in thousand Baht)</i>	
Thai Baht	351,006	341,114
Japanese Yen (JPY)	93,018	99,734
United States Dollars (USD)	23,486	24,310
Others	209	276
Total	<u>467,719</u>	<u>465,434</u>

18 Employee benefit obligations

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
Statement of financial position obligations for:		
Post-employment benefits	184,276	166,453
Other long-term employee benefits	16,209	16,336
Total	<u>200,485</u>	<u>182,789</u>
 Statement of comprehensive income for the year ended 31 March		
Recognised in profit or loss:		
Post-employment benefits	21,423	13,879
Other long-term employee benefits	1,357	8,008
Total	<u>22,780</u>	<u>21,887</u>
 Recognised in other comprehensive income:		
Actuarial losses recognised in the year	<u>1,131</u>	<u>6,804</u>

Kang Yong Electric Public Company Limited

Notes to the financial statements

For the year ended 31 March 2017

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:

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
Defined benefit obligations at 1 April	182,789	161,942
Included in profit or loss:		
Current service cost	12,088	10,545
Past service cost	6,263	7,080
Interest on obligations	4,429	4,262
	<u>22,780</u>	<u>21,887</u>
Included in other comprehensive income:		
Actuarial losses	1,131	6,804
Other		
Benefit paid	(6,215)	(7,844)
Defined benefit obligations at 31 March	<u>200,485</u>	<u>182,789</u>

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

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
Financial assumptions	(4,331)	3,986
Experience adjustment	5,462	2,818
Total	<u>1,131</u>	<u>6,804</u>

Actuarial assumptions

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

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	%	
Discount rate	2.75	2.50
Future salary increases	5.00	5.00

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Assumptions regarding future mortality have been based on published statistics and mortality tables.

At 31 March 2017, the weighted-average duration of the defined benefit obligations was 9 years (2016 : 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:

	Financial statements in which the equity method is applied and separate financial statements <i>(in thousand Baht)</i>	
	Increase	Decrease
Defined benefit obligations as at 31 March 2017		
Discount rate (0.50% movement)	(8,714)	9,360
Future salary increases (1.00% movement)	14,953	(13,139)
Defined benefit obligations as at 31 March 2016		
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.

19 Provision for warranties

	Financial statements in which the equity method is applied and separate financial statements <i>(in thousand Baht)</i>
At 1 April 2015	236,295
Provisions made	18,703
Provisions used	(70,056)
At 31 March 2016 and 1 April 2016	184,942
Provisions made	22,467
Provisions used	(66,297)
At 31 March 2017	141,112

A provision for product 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. Management estimates the provision for warranties by estimation from the proportion of actual warranty claimed and total sales of products during average claimed years.

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20 Share capital

	Par value per share (in Baht)	2017 Number Amount (in thousand shares/ in thousand Baht)		2016 Number Amount	
<i>Authorised</i>					
At 1 April					
- ordinary shares	10	<u>22,000</u>	<u>220,000</u>	<u>22,000</u>	<u>220,000</u>
At 31 March					
- ordinary shares	10	<u>22,000</u>	<u>220,000</u>	<u>22,000</u>	<u>220,000</u>
<i>Issued and fully paid-up</i>					
At 1 April					
- ordinary shares	10	<u>22,000</u>	<u>220,000</u>	<u>22,000</u>	<u>220,000</u>
At 31 March					
- ordinary shares	10	<u>22,000</u>	<u>220,000</u>	<u>22,000</u>	<u>220,000</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.

21 Reserves

Reserves comprise of 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.

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22 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.

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.

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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 2017 and 2016 was as follows:

Year ended 31 March	Financial statements in which the equity method is applied					
	Domestic		Oversea		Total	
	2017	2016	2017	2016	2017	2016
			<i>(in thousand Baht)</i>			
Revenue from sale of goods and rendering of services	3,268,950	3,167,355	3,840,678	3,628,309	9,055,349	8,805,204
Segment profit	515,881	531,876	613,240	163,159	1,330,511	990,239
Unallocated expenses					(863,371)	(788,911)
Investment income					895,394	650,026
Net foreign exchange gain					9,962	32,594
Gain on sale of investment properties					58,580	-
Other income					30,065	23,403
Share of profit (loss) of an associate					1,198	(269)
Profit before income tax expense					1,462,339	907,082
Income tax expense					(126,538)	(65,232)
Profit for the year					1,335,801	841,850
Segment assets as at 31 March					8,297,028	7,376,134
Segment liabilities as at 31 March					1,964,416	1,955,232

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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 6,924 million (2016: Baht 6,641 million) of the Company's total revenues.

23 Investment income

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2017	2016	2017	2016
<i>(in thousand Baht)</i>					
<i>Rental income</i>					
Operating lease rental income					
Investment properties		17,196	14,483	17,196	14,483
		<u>17,196</u>	<u>14,483</u>	<u>17,196</u>	<u>14,483</u>
<i>Dividend income</i>					
Associated company	4, 9	-	-	-	1,000
Other related parties	4, 10	819,128	571,299	819,128	571,299
Other parties		15	16	15	16
		<u>819,143</u>	<u>571,315</u>	<u>819,143</u>	<u>572,315</u>
<i>Interest income</i>					
Other related parties	4	378	478	378	478
Financial institutions		58,677	63,750	58,677	63,750
		<u>59,055</u>	<u>64,228</u>	<u>59,055</u>	<u>64,228</u>
Total		<u><u>895,394</u></u>	<u><u>650,026</u></u>	<u><u>895,394</u></u>	<u><u>651,026</u></u>

24 Other income

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
<i>(in thousand Baht)</i>		
Revenue from scrap sales	12,512	11,768
Product development income	4,824	-
Others	12,729	11,635
Total	<u><u>30,065</u></u>	<u><u>23,403</u></u>

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25 Selling expenses

	Note	Financial statements in which the equity method is applied and separate financial statements	
		2017	2016
		<i>(in thousand Baht)</i>	
Royalty fee	4	201,663	195,372
Transportation expenses		87,519	95,187
Advertising and sales promotion expenses		59,007	50,853
Product warranty expense		22,467	18,703
Employee benefit expenses	27	20,363	18,651
Others		20,506	16,834
Total		411,525	395,600

26 Administrative expenses

	Note	Financial statements in which the equity method is applied and separate financial statements	
		2017	2016
		<i>(in thousand Baht)</i>	
Product development fee	4	305,733	282,330
Employee benefit expenses	27	188,344	183,237
Warehouse rental charge		84,047	78,866
Tax and duty		20,368	17,389
Technical assistance fee	4	16,367	22,841
Professional fee		11,691	11,928
Maintenance expenses		10,919	5,346
Travelling expenses		8,936	8,461
Insurance premium		7,490	7,150
Rental expense		6,762	6,554
Others		80,370	59,768
Total		741,027	683,870

27 Employee benefit expenses

	Note	Financial statements in which the equity method is applied and separate financial statements	
		2017	2016
		<i>(in thousand Baht)</i>	
Wages and salaries		674,619	685,625
Contributions to provident fund		21,588	19,040
Defined benefit plan expenses	18	22,780	21,887
Others		183,024	145,067
Total		902,011	871,619

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Defined benefit plans

Details of the defined benefit plans are given in note 18.

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.

28 Expenses by nature

		Financial statements in which the equity method is applied and separate financial statements	
	<i>Note</i>	2017	2016
		<i>(in thousand Baht)</i>	
<i>Included in cost of sale of goods:</i>			
Changes in inventories of finished goods and work in process		70,590	14,518
Raw materials and consumables used		5,788,005	6,063,774
Employee benefit expenses		693,305	669,731
Depreciation		329,588	280,501
<i>Included in selling expenses:</i>			
Royalty fee	4, 25	201,663	195,372
Transportation expenses	25	87,519	95,187
Advertising and sales promotion expenses	25	59,007	50,853
<i>Included in administrative expenses:</i>			
Product development fee	4, 26	305,733	282,330
Employee benefit expenses	26	188,344	183,237
Warehouse rental charge	26	84,047	78,866

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29 Income tax expense

Income tax recognised in profit or loss

	Note	Financial statements in which the equity method is applied and separate financial statements	
		2017	2016
		<i>(in thousand Baht)</i>	
Current tax expense			
Current year		116,808	49,921
Under provided in prior years		2,233	-
		199,041	49,921
Deferred tax expense			
Movements in temporary differences	14	7,497	15,311
Total income tax expense		126,538	65,232

Income tax recognised in other comprehensive income

	Financial statements in which the equity method is applied and separate financial statements					
	2017	2016	2017	2016	2017	2016
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Available-for-sale securities (revaluation)	(2,634)	527	(2,107)	2,334	(467)	1,867
Defined benefit plan actuarial losses	(1,131)	226	(905)	(6,804)	1,361	(5,443)
Total	(3,765)	753	(3,012)	(4,470)	894	(3,576)

Reconciliation of effective tax rate

	Financial statements in which the equity method is applied			
	2017	2016	2017	2016
	Rate (%)	Rate (%)	(in thousand Baht)	(in thousand Baht)
Profit before income tax expense			1,462,340	907,082
Income tax using the Thai corporation tax rate	20.00	20.00	292,468	181,416
Income not subject to tax			(163,828)	(114,263)
Additional deduction expenses for tax purposes			(5,106)	(2,321)
Expenses not deductible for tax purposes			771	400
Under provided in prior years			2,233	-
Total	8.65	7.19	126,538	65,232

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	Separate financial statements			
	2017		2016	
	<i>Rate</i> <i>(%)</i>	<i>(in</i> <i>thousand</i> <i>Baht)</i>	<i>Rate</i> <i>(%)</i>	<i>(in</i> <i>thousand</i> <i>Baht)</i>
Profit before income tax expense		1,461,141		908,352
Income tax using the Thai corporation tax rate	20.00	292,228	20.00	181,670
Income not subject to tax		(163,828)		(114,463)
Additional deduction expenses for tax purposes		(5,106)		(2,321)
Expenses not deductible for tax purposes		1,011		346
Under provided in prior years		2,233		-
Total	8.66	126,538	7.18	65,232

Income tax reduction

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

30 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.

31 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 March 2017 and 2016 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	
	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the year attributable to ordinary shareholders of the Company (Basic)	1,335,801	841,850	1,334,603	843,120
Number of ordinary shares outstanding	22,000	22,000	22,000	22,000
Earnings per share (Basic) <i>(in Baht)</i>	60.72	38.27	60.66	38.32

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32 Dividends

At the annual general meeting of the shareholders of the Company held on 27 July 2016, the shareholders approved the appropriation of dividends of Baht 19.14 per share, amounting to Baht 421.1 million. The dividend was paid to the shareholders in August 2016.

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.

33 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)
2017		
Current		
Deposits at financial institutions	0.50 - 1.30	1,530,855
Short-term investments - fixed deposits	1.55 - 1.75	2,500,000
Short-term loans to related party	0.80 - 1.25	74,274

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	Effective interest rate (% per annum)	Financial statements in which the equity method is applied and separate financial statements Within 1 year (in thousand Baht)
2016		
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

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 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:

	Note	Financial statements in which the equity method is applied and separate financial statements 2017 (in thousand Baht)	2016 (in thousand Baht)
United States Dollars			
Trade accounts receivable	6	454,268	429,557
Trade accounts payable	16	(62,304)	(72,489)
Other accounts payable	17	(23,486)	(24,310)
Net exposure		368,478	332,758
Japanese Yen			
Trade accounts receivable	6	47,560	45,317
Trade accounts payable	16	(7,719)	(13,437)
Other accounts payable	17	(93,018)	(99,734)
Net exposure		(53,177)	(67,854)
Russian Ruble			
Trade accounts receivable	6	28,510	14,194
Net exposure		28,510	14,194
Other currencies			
Other accounts payable	17	(209)	(276)
Net exposure		(209)	(276)
Net		343,602	278,822

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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.

Carrying amount and fair values

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

	Carrying amount	Financial statements in which the equity method is applied and separate financial statements			
		Fair value			Total
		Level 1	Level 2	Level 3	
<i>(in thousand Baht)</i>					
31 March 2017					
Equity securities available-for-sale	11,032	10,582	-	450	11,032
31 March 2016					
Equity securities available-for-sale	13,666	13,208	-	458	13,666

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.

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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.

34 Commitments with non-related parties

	Financial statements in which the equity method is applied and separate financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
Capital commitments		
<i>Contracted but not provided for</i>		
Acquisition of property, plant and equipment	<u>49,617</u>	<u>20,377</u>
Future minimum lease payments under non-cancellable operating leases		
Within one year	6,644	6,149
After one year but within five years	5,879	7,535
Total	<u>12,523</u>	<u>13,684</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.

35 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 2017, are set out below. The Company does not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events After the Reporting Period
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 33 (revised 2016)	Earnings Per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets

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TFRS	Topic
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TFRS 8 (revised 2016)	Operating Segments
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 15 (revised 2016)	Operating Leases – Incentives
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 32 (revised 2016)	Intangible Assets – Web Site Costs
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining Whether an Arrangement Contains a Lease
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment

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.

36 Reclassification of accounts

Certain accounts in the 2016 financial statements have been reclassified to conform to the presentation in the 2017 financial statements as follows:

	2016		
	Financial statements in which the equity method is applied and separate financial statements		
	Before reclass.	Reclass. <i>(in thousand Baht)</i>	After reclass.
<i>Statement of financial position</i>			
Intangible assets	-	8,451	8,451
Non-current assets	29,289	<u>(8,451)</u>	20,838
		<u><u>-</u></u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Company's business.

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