

# ANNUAL REPORT 2017

ONE KYE  
FOR OUR  
CUSTOMERS



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

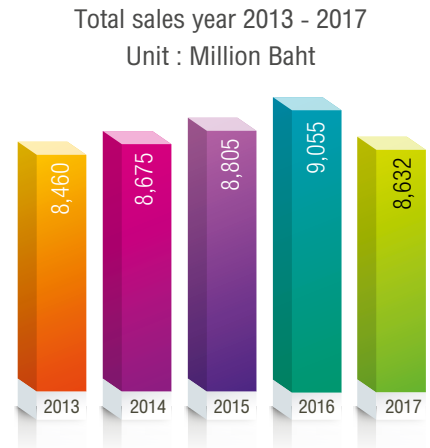
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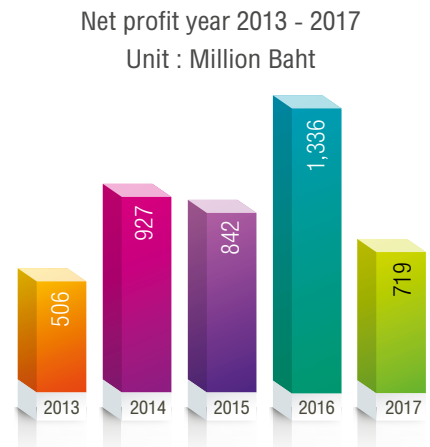


# Financial Highlights

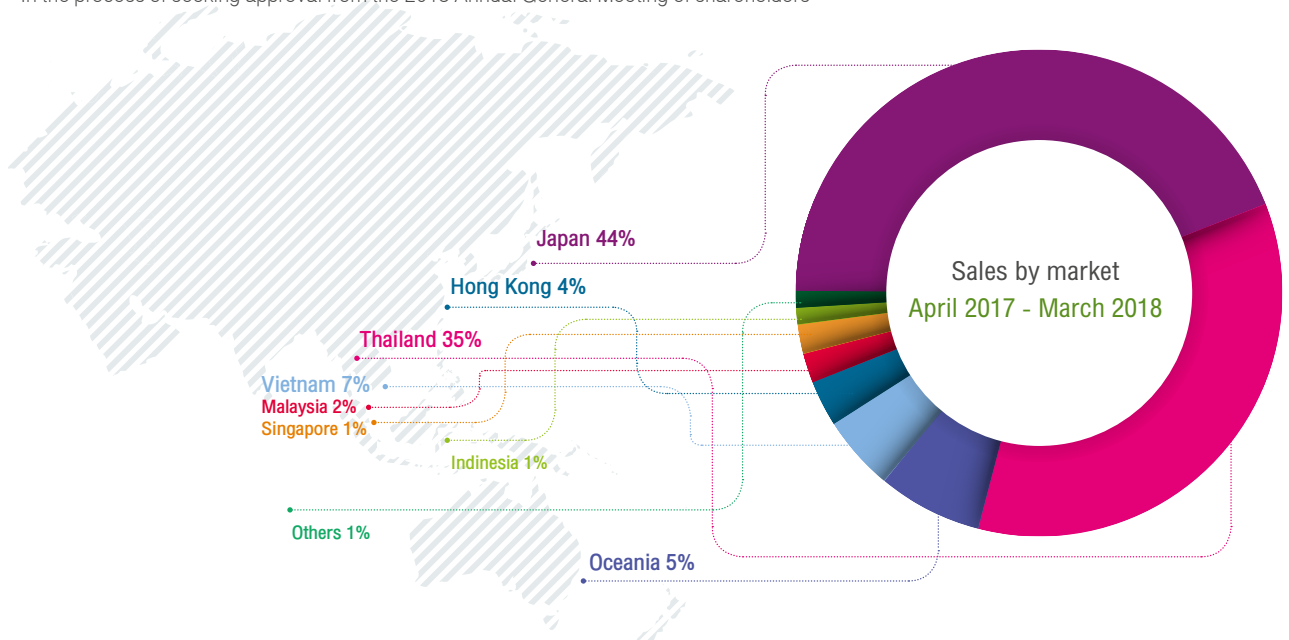
Financial Highlights (Million Baht)	as at March 31		
	2016	2017	2018
Total Sales	8,805	9,055	8,632
Total Revenues	9,511	10,049	9,215
Cost of Sales	7,524	7,436	7,266
Gross Profit	1,281	1,619	1,366
Selling and Administrative Expenses	1,080	1,153	1,154
Net Profit	842	1,336	719
Total Assets	7,376	8,297	8,136
Total Liabilities	1,955	1,964	1,761
Total Shareholder's Equity	5,421	6,333	6,375



Financial Ratio				
Net Profit Ratio	%	9.56	14.75	8.33
Return on Equity	%	16.09	22.73	11.32
Return on Assets	%	11.81	17.05	8.75
Dividend pay out Ratio	%	50.02	50.00	*
Liabilities per Equities Ratio	Times	0.36	0.31	0.28
Earning per Share	Baht	38.27	60.72	32.69
Dividend per Share	Baht	19.14	30.36	*
Book value per Share	Baht	246.40	287.85	289.79
Total Staff		2,324	2,044	2,290



\* In the process of seeking approval from the 2018 Annual General Meeting of shareholders



## Report of the Board of Directors

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 the active implementation of infrastructure development megaprojects and stimulus measures taken by their respective governments, hence positive factors for our business operation.

In the fiscal year 2017, 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, competitive market edge, and product quality consistently from the previous year. Besides, 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, to pave the way for the Company’s stable and sustainable development gearing up for Thailand 4.0 industrial platform.



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.

KYE's sales revenue was 8,631.7 million baht, decrease from 2016 4.6% year-on-year. Amid the extreme fluctuation of the exchange-rate and undesirable weather in domestic and overseas, it was a problematic task to influence to manage administrative cost and expenses. Nonetheless, due to the continual cost reduction activity, and better management of production cost including raw material cost compared with the previous year. As a result, the net profit after tax was 719.3 million baht, which constituted earnings per share of 32.69 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 2018 Annual General Meeting of Shareholders for approval of dividend payment for fiscal 2017 at 16.35 baht per share or 50.01% of net profit after tax which is in line with the Company's dividend payment policy.

The economic prospects of Thailand 2018 are expected to expand by 3.6-4.6%, due to an improvement of the global economy that would have accelerated the expansion of the industrial production and would have supported the economy as a whole. Nevertheless, the company will continue to strive for the continued growth of sales revenues and profitability, prioritizing the product development research, and considering the new business opportunities, product-wise and market-wise, in parallel with social responsibility under corporate governance principles and code of ethics, and with 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 continued trust in and continued support of the Company. We will remain committed to 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 to maintain the shareholders' trust and support. Again, thank you very much.



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

## Board of Directors

### 01 Mr. Praphad Phodhivorakhun

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



### 02 Mr. Takenori Adachi

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



### 03 Mr. Akira Nakamichi

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

### 04 Mr. Praphon Potivorakun

Director / Executive Director



### 05 Mr. Hirotaka Abo

Director / Deputy General Manager

### 06 Mr. Chackchai Panichapat

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



### 07 Mr. Arthakrit Visudtibhan

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

**08 Mr. Manu Leopairote**

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

**09 Police Major General Sahaschai Indrasukhsri**

Independent Director /  
Member of Nomination and  
Remuneration Committee

**10 Mr. Tanabodee Kusinkert**

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

**11 Mr. Shinji Sasaki**

Director

**12 Mr. Yasumichi Tazunoki**

Director

**13 Mr. Tomohiko Kasai**

Director

**14 Associate Professor Dr. Issaree Hunsacharoonroj (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 72 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. Takenori Adachi**

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



**Age 53 year**

**Education**

- Bachelor of Engineering , Tokyo University Japan

**Training** : -None-

**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 - 2014 General Manager Kang Yong Electric Public Co., Ltd.
- 2014 - 2015 Assistant to Senior Manager, Refrigerator Manufacturing Department, Mitsubishi Electric Corporation, Shizuoka Works
- 2015 - 2018 Senior Manager, Refrigerator Manufacturing Department, Mitsubishi Electric Corporation, Shizuoka Works
- Apr. 2018 - 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 56 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**

- 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 68 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. Hiroataka Abo**

Director /  
Deputy General Manager



**Age 50 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**

- 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 79 year****Education**

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

**Training**

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

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

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

**Working Experience in the last 5 years**Listed Companies

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

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 /  
Member of Product Pricing Committee /  
Chairman of Product Pricing Committee

**Age 62 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             |
| • Feb. 2009-Present | Chairman of Product Pricing Committee, Kang Yong Electric Public Company Limited |
| • Nov. 2003-Present | Human Resources Director, Serm Suk Public Company Limited                        |
| • Jan. 2017-Present | Director (Consultant to the President), Serm Suk Public Company Limited          |

**Mr. Manu Leopairote**

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

**Age 75 year****Education**

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

**Training**

DCP30/2013, RCP3/2001

**Shareholding (%)** : -None-**Family Relationship with Executives in other company, which may cause a conflict of interest** : -None-**Working Experience in the last 5 years**

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

**Police Major General Sahaschai Indrasukhsri**

Independent Director /  
Member of Nomination and Remuneration Committee

**Age 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**

- Jul. 2012 - Present Independent Director, Kang Yong Electric Public Company Limited
- Jul. 2012 - Mar. 2014 Product Pricing Committee, Kang Yong Electric Public Company Limited
- Feb. 2014 - Present Chairman, Member of Nomination and Remuneration Committee, 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 73 year**

**Education**

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

**Training**

DGP24/2002

**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 Company Limited
- May. 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 61 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 55 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**

- 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. Tomohiko Kasai**

Director

**Age 54 year**

**Education**

- Bachelor of Engineering Kyoto University

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

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

**Working Experience in the last 5 years**

- 2013 - 2016 Deputy Senior General Manager Air-Conditioning & Refrigeration System Division, Living Environment & Digital Media Equipment Group, Mitsubishi Electric Corporation
- Apr. 2016 - Mar.2018 General Manager Air-Conditioning & Refrigeration System Work, Mitsubishi Electric Corporation, (Wakayama)
- Mar. 2018 - Present General Manager, Mitsubishi Electric Corporation, (Shizuoka Works)
- Apr. 2018 - Present Director, Kang Yong Electric Public Company Limited



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

Director

**Age 64 year**

**Education**

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

**Training**

DCP/2012, KPI 15

**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
- Feb. 2015 - Feb. 2018      Board Director, International Institute for trade and development
- Feb. 2015 - Feb. 2018      Board Director, International Institute for trade and development



**Dr. Apichai Boontharawara**

Director

**Age 64 year**

**Education**

- Bachelor Degree of Economic, Thammasat University      • Master Degree of Business Administrative, Thammasat University
- Ph. D. of Economic, Washington 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.
- 2017 - Present      Director, Kang Yong Electric Public Company Limited

Non-Listed Companies

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

# “ 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 located on an area of 73 rai 2 ngan 23 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, competitive market 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 stable 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 2017

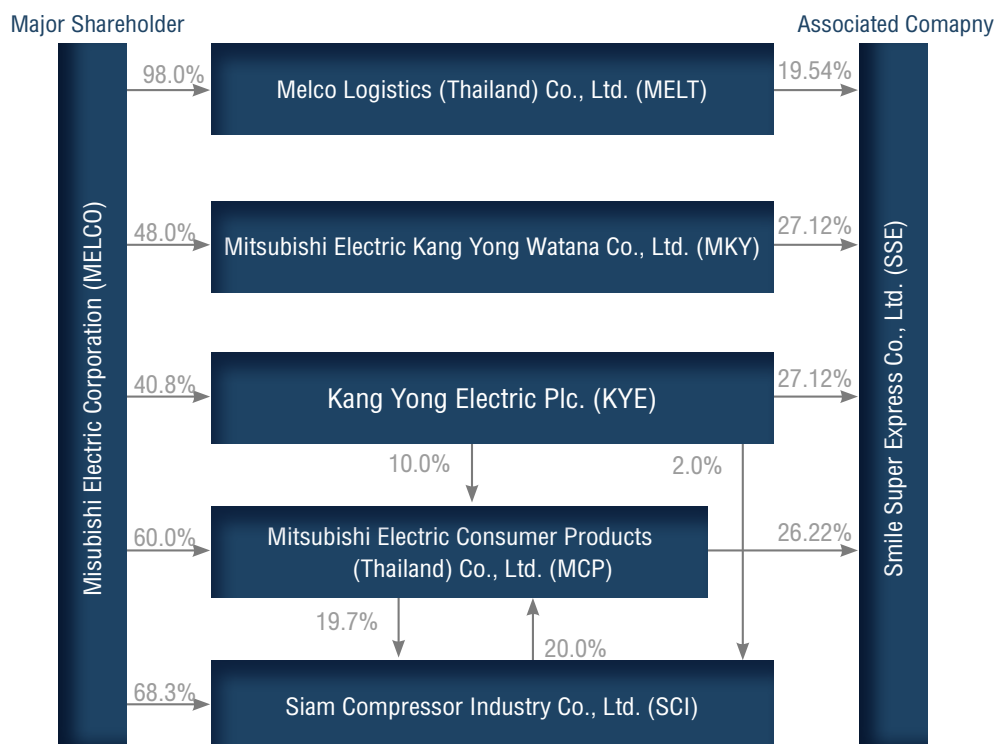
- On July 26, 2017, the Annual General Meeting of Shareholders resolved to approve profit appropriation for dividend payment at 30.36 baht per share, totaling 667.9 million baht, to shareholders on August 24, 2017.
- The Company developed and launched new product models both at Thai domestic and overseas to meet customers' diverse demand and better serve utilization needs, with focus on energy saving and quality, hence increase in sales.
  - March 2017: Started production of new models of DC-Fan for export to Taiwan. Also, started production a new model of Living fan with bluetooth control through smartphone applications for more convenient use in the Domestic market.
  - August 2017: Started production of a new model of refrigerator, Inverter compressor 3-door model New Bottom Freezer CX Series 272 Litre for export to Japan, Hong Kong, Vietnam, and Australia.
  - September 2017: Started production of a new model of refrigerator, Inverter compressor 4-door model New Bottom Freezer LX Series 555 Litre for export to Australia, Vietnam, Malaysia, and Indonesia.
  - December 2017: Started production of a new model of refrigerator, Inverter compressor 4-door model New Bottom Freezer LX Series 555 Litre for Domestic.
  - January 2018: Started production of new models of VD Series duct ventilating fans designed and launched, by adding "Dual Barrier Coating" to reduce the accumulation of dirt and dust, easy cleaning, maintaining performance for longer. It also developed and manufactured small motors to abort the Stator coating which harms the environment. Using the advanced technology to produce for maintaining the precision also, retain the quality motor. And using this small motor with the ventilating fan window type and duct type.
- The Company has invested and improved the production process for the year 2017.
  - August 2017: Refrigerator production has changed the food liner and door liner production process from manual to automatic which able to reduce the time 40%, save energy and reduce using raw materials.
  - December 2017: Fan production has replaced the die-cast injection machine and mold system to improve the production efficiency, reduce the quality issue and reduce the risks in safety matter.
  - March 2018: Refrigerator production installed the ABS sheet extruder which able to do the ABS sheet 100% in-house production, reduce the cost of outsourcing, and reduce the production lead time.

- Award in year 2017
  - May 2017: The company has been awarded the IP Champion Award 2017 in the Category of Industrial Design: Large Enterprise from Department of Intellectual Property, Ministry of Commerce.
  - May 2017: The company has been awarded the certificate of Best health environment and health promotion practice in the workplace from Department of Health, Ministry of Public Health.
  - September 2017: The company has been awarded the Best Labor Relations and Welfare Management Award from Department of Labour Protection and Welfare, Ministry of Labour 11 years in a row (2007-2017).

## Relationship with Major Shareholder's Business Group

The company is a manufacturer and distributor of home electrical appliances under “Mitsubishi Electric” trademark, with the copyright and manufacturing technology from Mitsubishi Electric Corporation (MELCO) which is the major shareholder of the company. The Company has significant business relationships with its major shareholders. The company cooperates with MKY and MCP which are the major shareholders to establish SSE for managing and maintains the inventory of all three companies to increase efficiency in managing and controlling the logistics costs of the company.

In March 2018, SSE changed its management by Melco Logistics (Thailand) Co., Ltd. (MELT) with to experience in inventory management and freight forwarding has come to manage, expand sales and profit in the future



## Related company

<b>Company name</b>	:	Melco Logistics (Thailand) Co., Ltd. (MELT)
<b>Business characteristic</b>	:	Logistics Providers
<b>Date of Establishment</b>	:	1 <sup>th</sup> December 2004
<b>Registered Capital / Paid-up Capital</b>	:	Baht 39 million / Baht 39 million
<b>The relationship</b>	:	-
<b>Unorganized Reasons</b>	:	Different Business

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<b>Company name</b>	:	Mitsubishi Electric Kang Yong Watana Co., Ltd. (MKY)
<b>Business characteristic</b>	:	Distributor of home electrical appliances
<b>Date of establishment</b>	:	1 <sup>st</sup> November 1971
<b>Registered Capital / Paid-up Capital</b>	:	Baht 120.1 million / Baht 120.1 million
<b>The relationship</b>	:	3 common directors, Mr.Praphad Phodhivorakhun, Mr.Praphon Potivorakun and Mr.Yasumichi Tazunoki
<b>Unorganized Reasons</b>	:	Different Business

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<b>Company name</b>	:	Mitsubishi Electric Consumer Products (Thailand) Co.,LTD. (MCP)
<b>Business characteristic</b>	:	Air Conditioner Manufacturer
<b>Date of Establishment</b>	:	27 <sup>th</sup> November 1989
<b>Registered Capital / Paid-up Capital</b>	:	Baht 120 million / Baht 120 million
<b>The relationship</b>	:	2 common directors, Mr.Takenoru Adachi and Mr.Shinji Sasak
<b>Unorganized Reasons</b>	:	Different Business

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<b>Company name</b>	:	Siam Compressor Industry Co., Ltd. (SCI)
<b>Business characteristic</b>	:	Compressor manufacturer for air conditioning
<b>Date of Establishment</b>	:	7 <sup>th</sup> December 1988
<b>Registered Capital / Paid-up Capital</b>	:	Baht 1,603.8 million / Baht 1,603.8 million
<b>The relationship</b>	:	1 common director, Mr.Tomohiko Kasai
<b>Unorganized Reasons</b>	:	Different Business

## 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, 2016, 2017 and 2018 was as follows:

Value: Million Baht

Product	2016		2017		2018	
	Sales	%	Sales	%	Sales	%
<b>Domestic and Export Sales</b>						
Electric fans and ventilating fans	1,574.2	17.9	1,516.7	16.8	1,434.1	16.6
Refrigerators	6,196.9	70.4	6,440.1	71.1	6,236.8	72.2
Water pumps	918.2	10.4	962.9	10.6	841.6	9.8
Jet towels	55.5	0.6	61.3	0.7	45.0	0.5
Others	60.4	0.7	74.3	0.8	74.2	0.9
<b>Total value</b>	<b>8,805.2</b>	<b>100</b>	<b>9,055.3</b>	<b>100</b>	<b>8,631.7</b>	<b>100</b>

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 a 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 right consumers' demand information. In 2017, refrigerators were designed to meet diversified consumers' demand and preferences as follows:

- Unique Design: The refrigerator is designed to be 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 employed for good food hygiene, food freshness, and clean interior space, as below:
  - Anti-bacteria food liner: Silvery inorganic anti-bacteria material contained in the food liner of a freezer and cooling compartment 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 a 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 the 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 carefully selected for the products, including non-flammable 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 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 2017, the Company developed new models of refrigerators using Neuro Inverter compressors to enhance energy saving, additional 3-Door Bottom Freezer, and 4-Door Bottom Freezer to respond to customers' preference for the cooling compartment on the top for easy access and energy saving. For 4-Door Bottom Freezer will use the Tempered Glass door panel and Touch screen panel to control without opening the door.

## Electric Fans

The Company has further developed electric fan line-up to suit diverse applications, comprising desk fan, Living fan, Tatami fan, wall fan, cycle fan, and ceiling fan. The blade of the fan is of the size that suits each fan type. The 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 2017 new electric fan models were launched to boost sales, by developing a new model of Living fan with bluetooth control through smartphone applications for more convenient use and for DC-fan was expanded to Taiwan 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 inadequate ventilation or where there are lots of facilities and equipment, heat could build up and directly affect indoor thermal comfort. Therefore, proper 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 considered a useful product is helping improve quality of life of consumers. Meticulous attention has been paid to the product development process to ensure excellent and efficient air circulation and ventilation, whether it is the 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 a diversity of products to suit well consumers' conditions of use and locations, e.g., buildings, houses or rooms which are in different landscape and decorations, comprising a wall type, window type, ceiling 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 2017, new models of VD Series duct ventilating fans designed and launched, by adding "Dual Barrier Coating" to reduce the accumulation of dirt and dust, easy cleaning, maintaining performance for longer. It also developed and manufactured small motors to abort the Stator coating which harms the environment. Using the advanced technology to produce for maintaining the precision also, retain the quality motor. And using this small motor with the ventilating fan window type and duct type.

## 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 pursuing ongoing developments of its products with the 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, automatically based on water tap operation type, constant pressure type and, inverter type, an energy saver using electronics board to measure water level.

In 2017, the Company has developed more the energy-saving models. Domestic market obtained the energy saving No.5 for the models that comply with the new regulation of The Electricity Generating Authority of Thailand. Moreover, 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 designed for being genuinely environmentally friendly by being of the 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 the use of a resource with a 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

### Market and Sales Situation

The Company sells products in three principal markets, i.e., domestic market, Japanese market and other export markets. In fiscal 2017, its sales to these markets were in a proportion of 35:44:21 respectively, a change from 2016 proportion of 36:42:22. The difference was in line with the Company's plan, set before the start of the fiscal year, to increase sales ratio in Japan market. Due to the Japan economy has improved and demand for goods is likely to be higher.

### 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 2017, at the beginning of the year, electrical appliances business slightly decelerate compared with the year 2016. Due to the temperature lower than last year. Also, the real property business was still sluggish. However, at the end of the year, the government's consistent implementation of economic stimulus campaigns consecutively. Moreover, the dealers arranged the sales promotion to stimulate the market which able to recover some.

Domestic market situation in fiscal 2017 is summarized for each type of products as follows:

- Refrigerator: Overall demand for the refrigerator in 2017 slightly decreased from the previous year. For 2-door and 4-door trend was on the increase. For 1-door and 3-door trend was reducing. Especially, 1-door as consumer behavior changed to buy 2-door small model which price was similar to 1-door but had more functions also, an Inverter model tends to be more popular.
- Water Pump: Overall demand for water pump declined as a result of the decrease in expansion of residential constructions, especially duplex house and townhouse. Because 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 especially via modern-trade. Moreover, the company offered the warranty for the Flow Switch of the constant pressure water pump.

## Japan Market

In 2017, Japan economic significant risks such as the Japanese yen has continued to appreciate, private investment has not yet recovered, political uncertainty in Europe, and US trade policy caused the slow pace in export sector.

At present, the Company exports four types of products to Japan comprising refrigerators, electric fans, ventilating fans and hand dryers (jet towels). In fiscal 2017, the Japanese markets for the Company's products were as below:

- Refrigerator: Overall demand similar to the previous year. The growth rate was very low for small 2-door model. In the past year, the company developed the new small 3-door Inverter model which more energy-efficient, was able to stimulate sales in this model.
- Electric fan: Overall demand similar to the previous year. 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.

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.

## Other Export Markets

In 2017, 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 by cooperating with the sales companies of Mitsubishi Electric in each country to accelerate the sales and increase the market share such as in Vietnam, Indonesia, and Oceania. However, the growth rate declined, compared with the last year because of the cold weather longer than usual in some countries such as North Vietnam thus, was unable to achieve the sales target. Nevertheless, the company has tried to reinforce the plan to improve the sales channel and strengthen the dealers to enhance the competitiveness.

## Procurement of Products and Services

### Nature of Product Procurement

The Company's factory 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) 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 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 manufactured in the form of mass production. The process starts with receiving customers' orders, followed by production planning; procurement of raw materials, components and parts; and manufacturing of products according to production plan of each production line. The vital sub-process includes parts production, manufacturing equipment preparation, assembling, and packaging, etc.

Recognizing the reliable product quality, the Company conducts the 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. In order 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 2015-2017 are tabulated below:

K:SET

Products	Unit	2015	2016	2017
<b>Refrigerator</b>				
Rated capacity	units	1,200.00	1,200.00	1,200.00
Actual production	units	885.38	839.14	790.87
Capacity utilization rate	%	74%	70%	66%
<b>Electric fan &amp; ventilating fan</b>				
Rated capacity	pieces	1,700.00	1,700.00	1,700.00
Actual production	pieces	1,601.69	1,536.41	1,494.56
Capacity utilization rate	%	94%	90%	88%
<b>Water pump</b>				
Rated capacity	pieces	250.00	250.00	260.00
Actual production	pieces	230.01	238.24	207.35
Capacity utilization rate	%	92%	95%	80%
<b>Hand dryer (Jet towel)</b>				
Rated capacity	pieces	50.00	50.00	50.00
Actual production	pieces	19.62	21.84	14.42
Capacity utilization rate	%	39%	44%	29%

## Raw Material Procurement

Raw materials used for production:

	Proportion of Purchase/Usage (%)	Supply Sources	
		Domestic	Overseas
1. Compressor	15.7	√	√
2. Steel for parts making	13.1	√	√
3. Foaming agent	6.4	√	√
4. Copper	6.8	√	√
5. Resin	12.0	√	√
6. Electric cord	3.8	√	
7. Motor	2.4	√	
8. Die cast	2.2	√	
9. Electronic parts	11.5	√	√
10. Paper carton	2.2	√	
11. Others	23.9	√	√
Total	100.0		

## Proportion of Domestic and Overseas Supply of Raw Materials

The Company still has to import the raw materials, entailing compressor, steel for parts making, and electronic components. Since all finished products must meet quality standards defined explicitly by MELCO, the Company cannot procure locally available parts. After all, by purchasing parts and raw materials in a massive volume through a MELCO subsidiary, the Company can 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) regarding and based on the ISO 14001 guideline.

Based on the 2017 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 3Rs activity (Reduce Reuse Recycle) such as reduce using of hazardous chemicals, reduce use of foaming agent in the nozzle calibration process, stop using silicone for refrigerator door gasket seal by using highly efficient auto vacuum forming in forming plastic sheet for refrigerator door, and recycling of waste plastic from plastic injection to reuse.
- Saved energy by encouraging improvement in the production process. To explore and improve electricity consumption, to appropriate with the production quantity such as control the usage of LPG, control the production efficiency, improve the high electric consumption machine, temperature control in the testing room, installation of air-conditioning control system with the central unit to control switch on/off in a more efficient manner ,and examining as well as solving air leak in the production process to reduce waste etc.
- Protected the environment:
  - Treated wastewater 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 refrigerants by using R600a in place of R134a to help reduce and prevent a 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 wastewater disposal by keeping it in wastewater 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 environmental 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 prevention aims to ensure that the Company has sound risk management which can help prevent any possible damage to its business operation. In fiscal 2017, 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 the 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 2017, 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 a business plan with the sales companies in the respective countries with a focus on expanding market share and responding more to consumer demand with flexible marketing plans. Such marketing plans aimed to meet customer demand concerning 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 particular markets, a variety of colors, and more new choices of product functions, etc. Moreover, expansion of distribution channels in each country was another critical strategy adopted by the Company.

## 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 concerning functionality, appearance and energy saving so that all its products can compete well in the market. However, technological changes and product development could pose a risk of fast product obsolescence and rapid replacement by new models. The Company must, therefore, keep abreast of all changing circumstances closely and conduct a study on product development trends to match market demand on a yearly basis 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 the best energy-saving feature. In 2017, for refrigerator, the Company used Neuro Inverter compressor with more models of its 3-door and 4-door bottom freezer refrigerators to offer more choices to the customers. For the electric fan and ventilating fan have adjusted the motor to save the energy to comply with the EGAT regulation. For the water pump has been preparing to improve the product to comply with the EGAT regulation in the next year.

The consumers have also given importance to the product appearance thus, the company too changed the door panel design of 4-door refrigerator by using a Tempered glass and a Touchscreen control panel which make it looks more elegant.

Besides, 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 2017, 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:

- Improving the assembly and the foam injection of refrigerator door panel process by monitoring real time to reduce the over cost of the workforce and lead time.
- Quality control by using the barcode to confirm the model before supply part to assemble to prevent the mistake on the assembly line.
- Applying “RFID system” to record the parameter and the machine usage history in the foam injection of the refrigerator, and utilizing the information to plan the maintenance as Total Productive Maintenance (TPM) to prevent the machine break down an issue.
- For the electric fan, using the real-time product label printing to common the carton box of the product which uses the same size of the carton box. It was able to reduce the carton box purchase order and storage space.

## Inventory management risk

Inventory management is considered an important task in the business operation. The Company’s inventory management in 2017 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 impairs the selling price stability. Price-wise sale promotion packages have provided 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 previous year.
- *Restriction in the export expansion:* Different customs procedure, sanitation measures and industrial standards prescribed by each country and changes of which every year can regard as a hindrance to the Company's exports. The Company has to conduct the study to have an 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 nations take a longer time, and sometimes exports cannot be made to some certain countries for a specified period, 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 create diverse products, with design flexibility, and export its products to all ASEAN member countries following product standards put in place by the respective countries.

Also, 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 specific 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, 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 an 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.
- Risk from impacts of foreign policies of economic powers. Such as 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 effect 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 careful 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

The announcement of minimum wage increase in 2017, which make the wage in Samutprakarn lower than Chonburi and Rayong caused the Labor shortage which, is a problem facing all sectors in Thailand, especially the private manufacturing sector. The primary cause of this problem is the country's meager increase rate of population and workers' increased preference for higher education which accordingly drives them away from the labor sector. This issue leads to a situation where employers have to compete for labor by offering better compensation and welfare 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 foreign 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 ก้านยงอีเลคทริก 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, Bangchalong, Bangplee, Samutprakarn 10540 Tel. : 0-2337-2900 (auto) Fax : 0-2337-2439-40
Main Business	:	Manufacturer and exporter of Electric Home Appliance such as refrigerator, Electric Fan, Ventilating Fan, Water Pump and Jet Towel (Hand Dryer) under “Mitsubishi Electric” trademark
Registered Capital	:	As at March 31, 2018 : 220 million baht
Home Page	:	<a href="http://www.mitsubishi-kye.com">www. mitsubishi-kye.com</a>
Company's Co-ordinator	:	Corporate Strategic Planning Office Tel : 0-2337-2900 ext.1120 Fax : 0-2337-2439-40 E-mail address : <a href="mailto:information@kye.meap.com">information@kye.meap.com</a>

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### Reference

Registrar	:	Thailand Securities Depository Co.,Ltd. 93 Ratchadaphisek Rd., Dindaeng, Bangkok 10400 Tel : 0-2009-9000 Fax : 0-2009-9991
Certified Public Accountant	:	Ms. Orawan Sirirattanawong Registration No.3757 and /or Ms. Vipavan Pattavanvivek Registration No.4795 and/or Ms. Patamavan Vadhankul Registration No. 9832 KPMG Phoomchai Audit Ltd. 48 <sup>th</sup> Ampire Tower, 195 South Sathorn Rd., Bangkok 10120 Tel : 0-2677-2000 Fax : 0-2677-2222 <a href="http://www.kpmg.com">www.kpmg.com</a>
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. 1300 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. 1502 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 April 24, 2018 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	1,000,000	4.55
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	620,000	2.82
9. Mrs.Penchantra Visudtibhan	479,089	2.18
10. THAI NVDR Co., Ltd.	407,925	1.85
<b>Total</b>	<b>17,249,285</b>	<b>78.41</b>

The shareholder group as of April 24, 2018 as follows :

	Total	Total shares	%
1. Mitsubishi Electric Group <sup>*1</sup>	3	9,053,020	41.15
2. Phodhivorakhun Group <sup>*2</sup>	9	5,430,306	24.68
3. Other shareholders	2,403	7,516,674	34.17
<b>Grand Total</b>	<b>2,415</b>	<b>22,000,000</b>	<b>100.00</b>

Remark : - The company has Thai Shareholders 2,381 names or 57.86% of total shares and Foreign Shareholders 34 names or 42.14% of total shares.

*1. Mitsubishi Electric Group consist of :	<b>Share</b>	<b>%</b>
- Mitsubishi Electric Corporation	8,978,020	40.81
- Mitsubishi Electric Asia Pte. Ltd.	70,000	0.32
- Setsuyo Astec Corporation Co., Ltd.	5,000	0.02

*2. Phodhivorakhun group consist of :	Share	%
- 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	2012	2013	2014	2015	2016
Earning per Share (EPS)	39.09	23.00	42.13	38.27	60.72
Dividend per Share (DPS)	19.55	11.50	21.07	19.14	30.36
Dividend payment policy (D/P)	50.02%	50.00%	50.01%	50.02%	50.00%

## 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. Chairman 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, 2018, is shown below:

Name	Position	Board of Director Meeting	
		Number of Meeting	Number of Attendance
1.Mr. Praphad Phodhivorakhun	Chairman	7	7
2.Mr. Tsutomu Shimizu*	Vice Chairman	7	7
3. Mr. Akita Nakamichi	Director	7	7
4. Mr. Praphon Potivorakun	Director	7	5
5. Mr. Hitotaka Abo	Director	7	6
6. Mr. Chackchai Panichapat	Independent Director	7	7
7. Mr. Arthakrit Visudtibhan	Independent Director	7	6
8. Mr. Manu Leopairote	Independent Director	7	7
9. Pol. Maj. Gen. Sahaschai Indrasukhsri	Independent Director	7	7
10. Mr. Tanabodee Kusinkert	Independent Director	7	7
11. Mr. Shinji Sasaki	Director	7	4
12. Mr. Yasumichi Tazunoki	Director	7	4
13. Mr. So Suzuki*	Director	7	4
14. Assoc.Prof.Dr.Issaree Hunsacharoonroj	Director	7	7
15. Dr. Apichai Boontherawara	Director	7	5

Remarks : The Special Board of Directors' Meeting 3/2560 on March 29, 2018 had appointed new directors replace resigned director\* (new director name: Mr. Takenori Adachi , Mr. Tomohiko Kasai)

## Directors authorized to sign in binding the Company

Authorized directors: Either Mr. Praphad Phodhivorakhun or Mr. Praphon Potivorakun to co-sign with either Mr. Takenori Adachi 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

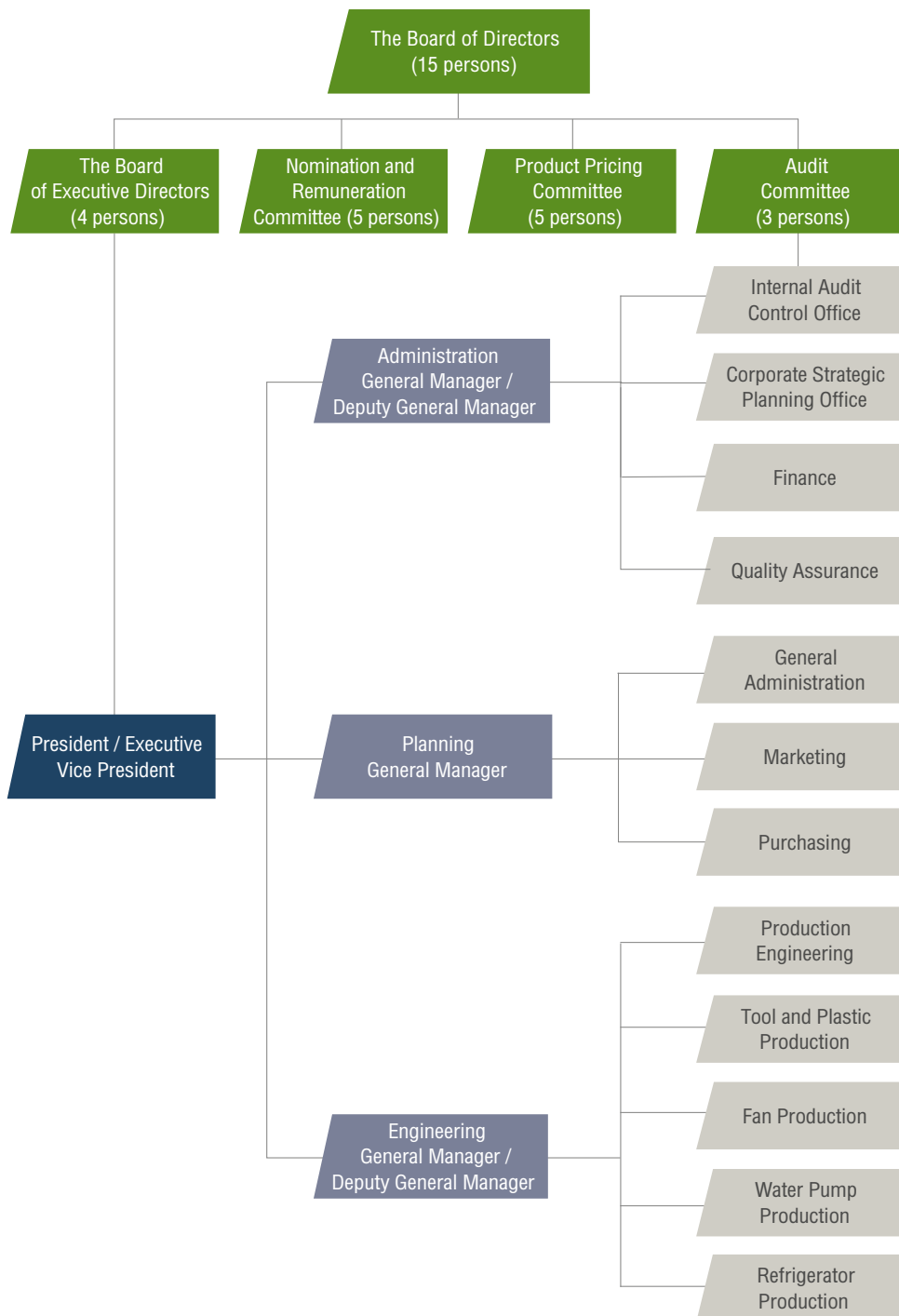
The Company's management\* compose of 18 persons as below:

- |                   |                   |   |
|-------------------|-------------------|---|
| 1. Mr. Praphad    | Phodhivorakhun    | Chairman of Board of Executive Director   |
| 2. Mr. Takenori   | Adachi            | 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 (acting)   |
| 6. Mr. Sinchai    | Kowitwatanapaisal | General Manager (Production) and Production Engineering Department Manager (acting) |
| 7. Mr. Hirotaka   | Abo               | Deputy General Manager (Production)   |
| 8. Mr. Katsuyoshi | Fujisawa          | Deputy General Manager (Production)   |
| 9. Mr. Aniwat     | Saelim            | Deputy General Manager (Administration), and Finance Department Manager             |
| 10. Mr. Pensak    | Plavuthithothai   | Corporate Strategic Planning Office, Department Manager                             |
| 11. Mr. Kritsana  | Chatchaivorawong  | Internal Audit Control Office, Department Manager                                   |
| 12. Mr. Mongkol   | Thadtayatikom     | Quality Assurance Department Manager  |
| 13. Mr. Tsutomu   | Sekizawa          | Marketing Department Manager  |
| 14. Mr. Hitoshi   | Otake             | Purchase Department Manager   |
| 15. Mr. Pornthep  | Subromyeen        | Tool and Plastic Production Department Manager                                      |

- 16. Mr. Vinij Phomma Fan Production Department Manager
- 17. Mr. Arthit Manubud Water Pump Production Department Manager
- 18. Mr. Traiwit Wongtragul Refrigerator Production Department Manager

Note: \*The first four executives descending from Chairman of Board of Executive Directors are as designated in the Company’s organization structure announced on April 1, 2018, comprising President, Vice President, General Manager, Deputy General Manager and Department Manager.

### Management Structure as at April 1, 2018





## 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 shareholders 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 during April 2017 -March 2018. The details of the directors' remunerations are as follows:

Name	Position	Remuneration (Thousand Baht)				
		BOD	AC	NRC	PPC	Total
1. Mr. Praphad Phodhivorakhun	Chairman	468		114		582
2. Mr. Tsutomu Shimizu*	Vice Chairman	402		114	79	595
3. Mr. Akira Nakamichi	Director	324			79	403
4. Mr. Praphon Potiovrakun	Director	267				267
5. Mr. Hirotaka Abo	Director	297				297
6. Mr. Chackchai Panichapat	Independent Director	324	366	114		804
7. Mr. Arthakrit Visudtibhan	Independent Director	294	246		109	649
8. Mr. Manu Leopatrote	Independent Director	324		170	79	573
9. Pol. Maj. Gen. Sahaschai Indrasukhsri	Independent Director	324		114		438

Name	Position	Remuneration (Thousand Baht)				
		BOD	AC	NRC	PPC	Total
10. Mr.Tanabodee Kusinkert	Independent Director	324	246		79	649
11. Mr. Shinji Sasaki	Director	234				234
12. Mr. Yazumichi Tazunoki	Director	237				237
13. Mr. So Suzuki*	Director	237				237
14. Assoc.Prof.Dr.Issaree Hunsacharoonroj (Ph.D)	Director	324				324
15. Dr. Apichai Boontherawara	Director	264				264
Total		4,644	858	626	425	6,553

Acronyms : BOD = The Board of Directors , AC = Audit Committee ,

NRC = Nomination and Remuneration Committee

PPC = Product Pricing Committee

## Management's Remuneration

During April 2017 - March 2018, the remunerations for 32 Executives (Executive directors and Executive managers) for remunerations (i.e. salary and other) are 74.21 million baht.

## Manpower

As of 31 March 2018, the company has 2,290 employees detailed as follows:

1. Employees of production department 2,046 persons
2. Employees of production support department 91 persons
3. Employees of administration department 153 persons

## Compensation of Employees

In the fiscal year 2017, the total payroll expense was 909.53 million baht that namely salary, wages, overtime and bonus. In addition, the Company has provided welfare for employees such as provident funds, medical expenses, and traveling expenses, etc.

## Employee Development Policy

To develop company's organizational and employee's individual capabilities, in order to facilitate domestic and overseas 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 overseas 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 2017, 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 2017, the Company convened one annual general meeting of shareholders on Wednesday, July 26, 2017 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 2017 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, 2017 and so notified the shareholders through the SET. Moreover, the Company posted information on its website at [www.mitsubishi-kye.com](http://www.mitsubishi-kye.com), giving details about the procedure and method of consideration in a clear and transparent manner. For the 2017 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](mailto:information@kye.meap.com) or by fax or registered mail during January 19 - March 20, 2018, the matter of which was already notified by the Company to the SET, none of the shareholders proposed agenda items for such meeting and/or nominated qualified candidates for director election.

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

## 3. Roles of Stakeholders

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

### Shareholders

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

### Employees

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

### Customers

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

### Trade Competitors

1. The Company abides by the fair competition rules.
2. The Company will not acquire its competitors' trade secrets by any unlawful or improper means.

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

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

1. Creditors are treated fairly and equitably with fair benefits to both parties.
2. All agreements and agreed terms and conditions are strictly honored. In the case where any condition cannot be fulfilled, the Company will promptly notify its business partners and/or creditors in order to jointly seek remedial measures.
3. In making any business deal, 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. 510 or at e-mail: [information@kye.meap.com](mailto:information@kye.meap.com).

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

## 5. Responsibility of the Board of Directors

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

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

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



### Attendance of Directors

In fiscal 2017, the Company held a total of seven 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 two meetings of the Nomination and Remuneration Committee, whereas the Board of Executive Directors held the meeting twice a month in order to enable the Company to carry on its operation with flexibility and efficiency. Most of the directors regularly attended the meeting. Details of meeting attendance by the individual directors are as tabulated below:

Information as of March 31, 2018

Board of Directors	No. of attendance/No. of meetings held				
	BOD	AC	NRC	PPC	Total
1. Mr. Praphad Phodhivorakhun	7/7		2/2		9/9
2. Mr. Tsutomu Shimizu	7/7		2/2	3/3	12/12
3. Mr. Akira Nakamichi	7/7			3/3	10/10
4. Mr. Praphon Potivorakun	5/7				5/7
5. Mr. Hirotaka Abo	6/7				6/7
6. Mr. Chackchai Panichapat	7/7	4/4	2/2		13/13
7. Mr. Arthakrit Visudtibhan	6/7	4/4		3/3	13/14
8. Mr. Tanabodee Kusinkert	7/7	4/4		3/3	14/14
9. Mr. Manu Leoparote	7/7		2/2	3/3	12/12
10. Pol. Maj. Gen. Sahaschai Indrasukhsri	7/7		2/2		9/9
*11. Mr. Shinji Sasaki	4/7				4/7
*12. Mr. Yasumichi Tazunoki	4/7				4/7
*13. Mr. So Suzuki	4/7				4/7
14. Assoc. Prof. Dr. Issaree Hunsacharonroj	7/7				7/7
15. Dr. Apichai Boontharawara	5/7				5/7

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 13, 2018 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 2018 the third year. The Company by the Company Secretary sent the Board members the self-assessment form in February 2018 for the Board to evaluate their 2017 performance, and the result of which was reported to the Board meeting on May 25, 2018. The Board's self-assessment result for 2017 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 3.99 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. Takenori Adachi        | 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. Takenori Adachi 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. Takenori Adachi                   | Member of the Nomination and Remuneration Committee   |
| 4. Mr. Chackchai Panichapat              | Member of the Nomination and Remuneration Committee   |
| 5. Pol. Maj. Gen. Sahaschai Indrasukhsri | Member of the Nomination and Remuneration Committee   |

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

1. To establish, and ensure clarity and transparency of, the policy, rule and method for nomination and remuneration of the Directors, Executive Directors and members of other board committees and propose for the Board of Directors' approval.

2. To nominate, select and propose qualified persons, as defined by the Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), to serve as the Directors, Executive Directors and members of all board committees for approval by the Board of Directors.

3. To review the structure of the Board of Directors and remuneration in conformity with changes in rules and regulations of the SEC and the SET by basing on the core structure of the Board of Directors, Board of Executive Directors and all board committees, and to review and ensure that it fits with the Company's business status and is commensurate with their duties and responsibilities for further approval by the Board of Directors.

4. To review and amend the NRC Charter to conform to changes in rules and regulations of the SEC and the SET.

5. To perform any tasks as assigned by the Board of Directors and concerned with directors' nomination and remuneration.

## 4. Product Pricing Committee

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

### Group 1

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

1. Mr. Takenori Adachi                      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 Leoparote                      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 1,238,000 baht.

- Non-audit fee

# Corporate Social Responsibility (CSR)



## 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 the corporate success and sustainable development are gauged not only by profit, financial performance or economic growth but also by value added the Company could create beyond its active 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 personal 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 happy with the community and the public, and concurrently bring ongoing prosperity to all stakeholders.



The Company's corporate social responsibility (CSR) 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 the creation of mutual value between the business and the community which will lead to sustainable business development. It has embedded CSR principles into its operation to strengthen its overall management system.

In 2017, 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 to being an organization that gives priority to labor relations, welfare, health 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 11 straight years (2007-2017).



- The IP Champion Award 2017 in the Category of Industrial Design: Large Enterprise from Department of Intellectual Property, Ministry of Commerce.



- The certificate of Best health environment and health promotion practice in the workplace from Department of Health, Ministry of Public Health.



## Stakeholder Connecting

In assessing the stakeholders, the Company's work units in charge of dealing and coordinating with groups of stakeholders. Have through joint the meetings, communication via email: [information@kye.meap.com](mailto:information@kye.meap.com) compiled complaints, recommendations, and comments from the stakeholders. For use as guidelines for 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 by integrity and fairness 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"> <li>• Fair remuneration and proper welfare suited for economic conditions</li> <li>• Career advancement and security</li> <li>• Well-being and safety at workplace</li> <li>• Access to ongoing skill and knowledge development</li> </ul>	<ul style="list-style-type: none"> <li>• Regular survey of market remuneration payment</li> <li>• Development of succession plan</li> <li>• Welfare Committee, and Occupational Health, Safety and Environment Committee</li> <li>• Preparation of personnel development roadmap</li> <li>• Development of communication channel between the Company and employees via Internet</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of employees' fundamental rights at work pursuant to work regulations.</li> <li>• Payment of remuneration and other benefits on a par with the industry</li> <li>• Arrangement of work environment to ensure safety and good sanitation supportive to good work performance</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Punctual delivery of safe and quality products in the required quantity</li> <li>• Offering of products at reasonable prices</li> <li>• Other services supportive to economic, social and environmental issues</li> <li>• Trade agreements under fair conditions</li> <li>• Keeping customers' information confidential</li> <li>• Accurate information on products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Survey of customer satisfaction</li> <li>• Making available system and channel for customers to lodge complaints on product and service quality and safety</li> <li>• Holding meetings for sharing of information and opinions/comments</li> <li>• Giving technical support to customers regarding use of the Company's products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Research, development and production of safe and energy-saving products</li> <li>• Quality policy</li> <li>• Training on technical knowledge and provision of knowledge on products to dealers</li> <li>• Trade agreement rules and criteria</li> </ul>

Stakeholders	Requirements	Process	Guidelines and Strategy
Business partners	<ul style="list-style-type: none"> <li>• Equitable treatment of business partners and fairness in procurement</li> <li>• Fair consideration and agreements</li> <li>• Strict observance of agreements and conditions agreed upon</li> </ul>	<ul style="list-style-type: none"> <li>• Making available transparent and examinable procurement system</li> <li>• Holding annual meeting to give explanation on the procurement policy for business partners' information</li> <li>• Holding meetings to track work progress to be in line with the plan on a continuous basis</li> </ul>	<ul style="list-style-type: none"> <li>• Keeping abreast of procurement rules, regulations and criteria, such as those regarding selection of procurement sources</li> <li>• Rules and regulations regarding inspection and follow-up of procurement sources</li> <li>• Compliance with fair trade conditions</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Bringing about worthwhile investment returns, both short-term and long-term</li> <li>• Building business growth and security</li> <li>• Fair and transparent management with adequate and timely disclosure of information</li> </ul>	<ul style="list-style-type: none"> <li>• Holding annual general meeting of shareholders to allow for shareholders' exercise of rights to vote and express opinions on an equitable basis</li> <li>• Making available contact channel through Company Secretary and Company website</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure of Company information in annual report, form 56-1, and press release</li> <li>• Availability of complaint filing channel</li> <li>• Additional channel for communication and disclosure of information, such as website</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Environment protection</li> <li>• Fostering of quality of life and good relationship with the community</li> <li>• Participation in community activity and respect for and preservation of local custom and tradition</li> </ul>	<ul style="list-style-type: none"> <li>• Social activities and campaigns</li> <li>• Acknowledgment and sharing of opinions</li> <li>• Company management being key in coordinating with the community</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous communication with community leaders regarding community development</li> <li>• Regular cooperation with government sector in running activities of social and environmental contribution</li> </ul>

Stakeholders	Requirements	Process	Guidelines and Strategy
Government agencies	<ul style="list-style-type: none"> <li>• Compliance with relevant laws, rules and regulations</li> <li>• Management of environmental quality and caring for the community</li> </ul>	<ul style="list-style-type: none"> <li>• Attending seminars and training courses arranged by government agencies and keeping contact and coordination with relevant government agencies</li> <li>• Official or unofficial meetings and consultation with government agencies regarding regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Keeping abreast of developments of laws, rules and regulations</li> <li>• Making reports completely and by the deadline set forth</li> <li>• No payment to government officers without reasonable grounds</li> </ul>

## CSR in Process

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

### 1. Fair Business Operation

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

#### 1.1 Fair Competition

- The Company adheres to the principle of conducting business in strict conformity with rules and laws governing trade competition and monopolization, both domestically and overseas, as specified in the "Mitsubishi Electric Group Conduct Guidelines." The Company has put in place "criteria for compliance with trade competition law" for internal implementation regarding "do's and don'ts" about meetings of trade associations or conferences 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.
- 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 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 efficiently by complying with the applicable laws, whether Thai or foreign. In 2017, the company has been granted patents product design for the fan base, desk fan. And many other design patent applications for the electric fan, ventilating fan, and water pump.
  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 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 2017, 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 passing score of at least 80% (in case of failure, they have to retake the test until they achieve the passing score). Such e-learning and evaluation 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 whistleblowing, 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. In 2017, the company has set the regulation related to anti-corruption such as Anti-Bribery regulation, Compliance Hot Line, Conflict of Interest Rules
- The Company makes available channels for all groups of stakeholders to make a complaint or report an incident or activity (whistleblowing) 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 a 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 to protect, and prevent 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 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.

The Company assessed for its progress in the 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 prevention has exhibited the Board of Directors' steadfast determination to fight corruption within the organization.

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 to build stakeholders' confidence in its business operation.

The Company has been assessed on the level of progress towards the Anti-Corruption Progress Indicator from the Thaipat institute at Level 3 Established (communicating and training of staff to educate) The anti-corruption guideline shows that the Board of Directors It is committed to fighting against corruption and corruption within the organization.

Besides, 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 656 companies listed on the Stock Exchange of Thailand.

### **3. Respect for Human Rights**

The Company operates the business by fostering respect for human rights without discrimination as to nationality, race, religion, social status or disability of its employees. It makes sure 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 workforce 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 11 consecutive years. This award 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 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 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 following 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 also provided with the 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 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 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 the rectification of any risk-prone area that may cause danger, upholding the rules and regulations, and ensure staff wear personal safety equipment that is up to standards in risky area on a strict basis.
- All systems and measures are improved to prevent any danger from the operation of machinery and tools, such as the installation of equipment separating workspace of machinery controller from machinery spot. Staff is supervised and trained about how to use newly procured tools and machines with new technology based on risk assessment to mitigate risks at the average level or higher. Risks at all levels across the organization are contained, and set annual occupational health, safety, and environment objectives to be communicated to concerned staff to perform this task in a bid to develop a knowledge base in operation consistently.
- Safety knowledge and training are made available for all the employees and safety exhibition are 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 simulated possible accident risk by setting up an unsafe realization room to build awareness of potential danger and underline the degree of workspace 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 a pedestrian path around the building and a 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 2017, five injured employees were recorded representing 0.2% 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 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 not harm 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 cheap 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 a fire.

### Procedures

1. Assess inflammable parts which result from the use of components 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 the 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 for 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 see. 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 the safe use of products.

#### **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 provided in the 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 firmly 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 important the environment is, the Company has set policy and goal on environmental management and has a process to do a yearly review for ongoing development. The Company also establishes that employees at all levels have to translate such policy into practice.

In 2017, the Company's environmental management policy has 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 essential 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 the 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 adequately controlling use and treatment of chemicals, reducing the use of hazardous and toxic chemicals in the manufacturing process, controlling and monitoring quality of wastewater and polluted air before discharge or emission to the environment, and conserving a community environment through control of disturbing noise and vibration resulting from the manufacturing.

In 2017, the activities undertaken according to the environmental policy in the manufacturing process included:

**Natural resource conservation** Focusing on the protection of natural resources with the worthwhile use of resources applying the 3Rs (Reduce, Reuse, Recycle) principle in undertaking the manufacturing activity to ensure resource optimization, such as:

- Reduce the use of hazardous chemicals such as Varnish, Solvent paint, and Polyurethane, etc.
- Reduce consumption of the 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 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 the refrigerator door.
- Reuse plastic waste and runner scrap from the plastic injection.
- Reduce the use of hazardous chemicals such as Varnish, Solvent paint and Polyurethane etc.

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

- Change light bulbs of T8 and T5 type to be LED bulbs, which help save 168,437 kWh/year electricity.
- Improving the air conditioner system in the VIP canteen and the training room from Spit type to City-Multi type which able to save energy 59%.
- Inspect and solve air leakage in the production process.

- Controlling the LPG usage and inspecting by following safety standard.
- Installed the new plastic part injection machine with the electric system to replace the old machine. The old machine was with the hydraulic system. As a result, able to reduce the production lead time 10% and save 325,632 kwh/years electricity.

#### ***Pollution control***

- 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 (CO<sub>2</sub>) emissions by shortening the distance of each trip of the truck and having selected delivery to nearby locations.
  - Reuse paper cartons left from manufacturing process as buffers to protect products against any damage in the delivery process.
- Protect the environment by setting the quality standard of wastewater and air emission to the environment to 20% lower than those specified by law respectively, and having a warning system to automatically stop the discharge of wastewater to the environment in case where water quality does not meet the standard so that timely corrective action can be taken.
- Inspect the environmental quality including the manufacturing water quality, the rain drain water quality, the air quality, lighting, sound, heat, vapor, noise, etc. To collect the result and report to the government sectors and relevant parties.

#### ***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 the 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 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 a positive impact on the world and the humanity through technology and action focusing on:

- 1) Creating a low-carbon society** The Company is committed to reducing carbon dioxide (CO<sub>2</sub>) emissions from the overall manufacturing by 30% and from consumers' use of products by 30%.

**2) Creating a recycling-based society** The Company is committed to zero discharge of pollutants from its operating activities, and promotion of natural resource preservation and 3Rs (Reduce, Reuse, Recycle) activities.

**3) Respecting biodiversity** The Company is committed to ensuring harmony with nature and fostering environmental awareness.

Therefore, the Company has established environmental objective & target; EMP FY 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 2017, a number of activities were held as follows:

1. The 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 a certificate as evidence of completion of the program.
2. 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 2017,
  - The Company cooperated with vocational institutions to provide their students with occupational experience in their field of study with enhancement of ability and understanding 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 a classroom.
  - Provision of educational supports for students who had the outstanding performance while in training.
  - Recruitment and employment of 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 driver 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 2017, the Company developed innovation for its products and manufacturing process as follows:

#### **Electric Fan**

- Innovative development of electric fan (Living fan) using bluetooth control through smartphone applications for more convenient use in the Domestic market.
- Adding “Dual Barrier Coating” to reduce the accumulation of dirt and dust for VD Series duct ventilating fans
- Developed and manufactured small motors to abort the Stator coating which harms the environment.

#### **Refrigerator**

A change in the refrigerator to Touchscreen door panel to control without opening the door which eases the consumers and saves the energy.

#### **Water pump**

Planning to invent the innovations for designing and producing the new better performance product.

#### **Production process**

Installed the new plastic part injection machine with the electric system to replace the old machine. The old machine was with the hydraulic system. As a result, able to reduce the production lead time and save electricity.

## **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 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 2014, 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

### Promotion of ethics and morality among employees

- **The Company and staffs hosting the “Royal Kathina**

“His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun” graciously granted Kathin robes to the Company to cherish and native culture, tradition and the Buddhism a Wat Pho Nimit, Bang Yiruea, Thonburi, Bangkok. The company and staffs also, donate the money. And some of the donations granted to Wat Pho Nimit School.



- **CSR activity at Wat Sang Suk and Buddhist Lent candle offering**

The Company and “Mitsubishi Electric Thai Foundation” joined the CSR activity at Wat Sri Chantaram, Bangpoo, Muang, Samutprakarn by cleaning, planting the trees, painting the church and Lent candle offering.



- Making merit and offering foods to 10 monks of Wat Worapotsangkhawas, Chonburi, with monks chanting prayers in tribute to mark the 1st year of mourning for His Majesty King Bhumibol Adulyadej in the realization of His Majesty’s great kindness and graciousness.

### Education

- The Company has the policy to promote education through the provision of scholarships to its employees’ children to help relieve their educational expense burden and extend educational opportunities for the youth. In 2017, altogether 36 scholarships were given classified by academic levels as Primary level, Junior secondary level, Senior secondary level, Vocational level, and Tertiary level (Undergraduate)





- The Company granted the National children’s day’s presents to the schools and the community in Samutprakarn and Bangkok in total 14 places.



- Provision of the scholarship, Lunch, and education equipment to Ban Mai Root School, Klong Yai, Trat on the National children’s day to be a part of creating excellent opportunities for the youth to grow up with the quality. And it is essential to develop our country further.



**Recreation**

- Arranging Sports day under the name “One KYE Sport Day” at the Company. Aiming the internal relationship, creating the harmony, encouraging the healthy body in the organization.



**External CSR**

- Volunteering for big cleaning of seven bus stop shelters construction of which was sponsored by the Company for public benefits on along Bangna-Trad Road in total seven places to look cleaner and more beautiful for use for the employees and commuters in general.



- Coral transplantation activity in collaboration with Mitsubishi Electric Thai Foundation at Nang Rong Beach, Sattahip, Chonburi.



- Cleaning Activities for Saen Saep Canal, the Company cooperated with Bangchalong Sub District Administration Organization cleaned the canal under the project “Clean canal lively community” at Moo 7, Bangchalong, Bangplee, Samutprakarn.



- Blood donation at National Blood Center, Thai Red Cross Society.
- Deliver the waste segregation kit five sets to the Nikhom lamnarai school, Chaibadal, Lopburi. To educate and encourage the students to concern about the environment by segregating the waste.
- Granted the Cycle fan to the Bann Nontaphoom Protection and Development of Disabled People, Nonthaburi
- Road cleaning at Soi Vilalai and the community around the company to offer a charity to His Majesty King Bhumibol Adulyadej.

- Having the “World Environment Day 2017” activity, under the topic “Connecting People to Nature, My Life in Nature” at the company’s canteen. To get employees involved and aware of the importance of conserving Thailand’s natural resources and the environment in a balanced and sustainable manner.
- Helping the flood victims in the South of Thailand by being a center to publicize to the employees to donate the money and necessary appliances through Thai Red Cross Society.

### Other Activities

- Marigold Plantation Tribute to the Late King Bhumibol Adulyadej



- Making the Dok mai chan (funeral cremation flowers) to the Late King Bhumibol Adulyadej. And deliver to the City Hall, Samutprakarn to utilize in the royal cremation ceremony.



- Construction the communication canteen, aiming to be the place which able to hold the meeting and welcoming the guests.
- Renovation the toilet to be clean, safe and hygienic.

# 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. For ensuring efficiency and effectiveness in the 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 sum 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. To be 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 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 line as the follow:

- Administration line composed of four departments are Corporate Strategic Planning Office, Internal Audit Control Office, Finance Department, and Quality Assurance Department
- Planning line composed of three departments are General Administration Department, Marketing Department, and Purchase Department.

- Engineering line composed of five department are Production Engineering, Tool & Plastic Production, Fan Production, Water Pump Production and, Refrigerator Production.

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, on a semi-annual basis, 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 examined 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 acknowledgment and consideration.

### 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 to achieve such aims. 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 entirely 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 for 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 the significant 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 adequate information and communication system. It has prepared accurate, complete and reliable information within an appropriate period, 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 precisely and as prescribed by relevant laws via such channels as e-mail, Intranet, and communication through activities and joint meetings to strengthen coordination and operation to achieve the targets set forth.

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

Moreover, the Company has made available a channel for its stakeholders to report any incident or any act prone to a violation of the laws and rules as well as the 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 an investigation there of 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 to meet the Company's objectives and targets.

At the Board of Directors meeting on May 23, 2017, 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 Office, and taking effect on October 1, 2013. Mr. Kritsana Chatchaivorawong has had internal audit work experience for eight 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 2017 (April 2017-March 2018) can summarize as below:

### Financial Statement Review

The Audit Committee reviewed important information on quarterly financial statements and annual financial report for the fiscal year 2017. With the explanation given by and inquiries 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 an adequate and reliable disclosure of information following 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.

Besides, the Audit Committee acknowledged the salient points and implementation relating to the changes in the relevant accounting and financial reporting standards.

### 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 2017, the Committee acknowledged the management's anti-fraud and anti-corruption activities. The Company's fraud and corruption risk 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 the 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 the joint meeting held with the administration 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.

### **Internal Control and Internal Audit Review**

The Audit Committee considered and endorsed the annual audit plan of an 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 the 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.

### **Proposal for Appointment of Auditor and Auditor Remuneration for 2017**

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 2017, 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.

## 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 the conflict of interest with the Company. In the fiscal year 2017, the Committee considered connected transactions and disclosure of such information and opined that the management entered into such connected transactions following 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.

## Audit Committee Meeting

In the fiscal year 2017, 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 administration. 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 2017 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 entirely 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 16, 2018

# Connected Transaction

## Related Transaction

The Company has specified rule including guidelines clearly on the related transaction with the associated persons, subject to strictly comply 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 still strictly adhere 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 2017 and 2016 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
					2017	2016	
1	<b>Sale of Product and Spare parts</b>			<b>Sale of Product and Spare parts</b>	<b>8,628.2</b>	<b>9,050.1</b>	
	1.1) Mitsubishi Electric Corporation	Japan	Parent, 40.81 % shareholding	KYE sell electric home appliance products, comprising electric fans, exhaust fans, refrigerators, water pump ,hand dryer and spare part to related parties company	3,639.6	3,663.2	MELCO has clearly defined the characteristics of the product sale that the company will sell the product through its subsidiaries or an associate of Melco who are high experienced. The company has benefited from the sales growth throughout. Moreover, the company has a policy to determine the price based on the principle of "market transactions or under the terms of general trade"
	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)		2,996.2	3,260.9	
	1.3) Mitsubishi Electric Life Network Co., Ltd.	Japan			159.2	156.9	
	1.4) Mitsubishi Electric Taiwan Co., Ltd.	Taiwan			17.9	13.4	
	1.5) Mitsubishi Electric Asia Pte.Ltd	Singapore			337.2	393.3	
	1.6) Mitsubishi Electric Australia Pty.Ltd.	Australia			253.1	262.8	
	1.7) Mitsubishi Electric (Hong Kong) Limited	Hongkong			308.1	311.9	
	1.8) Mitsubishi Electric Sales Malaysia Sdn.	Malaysia			132.0	122.6	
	1.9) Mitsubishi Electric Sales (Malaysia) Sdn.Bhd.	Malaysia			6.2	5.6	
	1.10) Mitsubishi Electric Vietnam Company Limited.	Vietnam			620.3	706.2	
	1.11) P.T.Mitsubishi Electric Indonesia Co., Ltd.	Indonesia			78.8	68.9	
	1.12) Mitsubishi Electric Trading Corporation	Japan			23.7	20.5	
	1.13) Melco Trading (Thailand) Co.,Ltd.	Thailand			3.3	2.9	
	1.14) Mitsubishi Electric Europe B.V.	France			-	1.9	
	1.15) Mitsubishi Electric Russia LLC.	Russia			52.2	59.0	
	1.16) Smile Super Express Co.,Ltd.	Thailand	Associate, 27.12% 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
					2017	2016	
2	<b>Procurement parts and raw materials</b>			<b>Procurement parts and raw materials</b>	<b>1,166.3</b>	<b>1,160.7</b>	
	2.1) Thai Refrigeration Components Co.,Ltd.	Thailand	Common director was Mr.Praphad Phodhivorakhun	Evaporators used for assembly refrigerator	21.2	22.7	The Company had necessity to purchase parts and raw materials from related companies. As its has produced of electrical appliances under the standard of "Mitsubishi" ,for procurement from MELCO's subsidiaries in massive quantity which helps to reduce production cost and controllable as the quality standard specified.
	2.2) Kulthorn Kirby Public Company Limited.	Thailand		Compressors for assembly refrigerator	185.6	192.6	
	2.3) Mitsubishi Electric Asia Pte. Ltd	Singapore	A subsidiary of the Company's parent	Electronic parts used for assembly electric fan and refrigerator	132.8	153.6	
	2.4) Setsuyo Astec Corporation	Japan		Electronic parts used for assembly and refrigerator	73.6	69.0	
	2.5) Mitsubishi Electric Trading Corporation	Japan			43.5	38.3	
	2.6) Melco Trading (Thailand) Co., Ltd.	Thailand			208.9	207.0	
	2.7) Mitsubishi Electric (H.K.) Ltd.	Hongkong			7.5	0.5	
	2.8) Mitsubishi Electric & Electronics (Shanghai) Co., Ltd.	China			3.6	4.2	
	2.9) Setsuyo Astec (Thailand) co.,Ltd.	Thailand			143.7	165.9	
2.10) Setsuyo Astec Corporation Seoul Branch.	Korea			346.0	306.9		

No	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction	
					2017	2016		
3	<b>Complementing Fee</b>			<b>Complementing Fee</b>	<b>765.3</b>	<b>776.2</b>		
	3.1) บริษัท มิซูบิชิ อิเล็กทริก ก้านงวัฒนา จำกัด	Thailand	A subsidiary of the Company's parent and common directors (MELCO was MKY 48.5% shareholding)	Advertising support	12.5	10.2	Competition situation in each market has vary violent at each period time which the promotion support expense is a necessary tool for business operation.	
	3.2) Mitsubishi Electric Asia Pte.Ltd	Singapore	A subsidiary			0.7	0.5	Currently, taking the expenditure for obtain better sales or maintain desired market share. Therefore it is more necessary to such transaction under a clear - cut scope and certainly criteria
	3.3) Mitsubishi Electric Sales Malaysia Sdn.	Malaysia						
	3.4) Mitsubishi Electric Sales (Malaysia) Sdn.Bhd.	Malaysia						
	3.5) Mitsubishi Electric Taiwan Co., Ltd.	Taiwan						
	3.6) P.T.Mitsubishi Electric Indonesia Co., Ltd.	Indonesia						
	3.7) Mitsubishi Electric Vietnam Co., Ltd.	Vietnam						
	3.8) Mitsubishi Electric Australia Pty.Ltd.	Australia						
	3.9) Mitsubishi Electric Asia (Thailand).Ltd	Thailand						
	3.10) Melco Travel Co.Ltd	Japan						
	3.11) Mitsubishi Electric Trading Corporation	Japan						
	3.12) Mitsubishi Electric (Hong Kong) Limited	Hongkong						
	3.13) Mitsubishi Electric Life Network Co., Ltd.	Japan						
	3.14) Melco Logistic (Thailand) Co.,Ltd.	Thailand						
	3.15) KGM Service Co.,Ltd.	Thailand						
					A subsidiary of the Company's parent		Logistic Fee	
						4.0	1.2	Besides, KYE has also had contracts with other companies, who are not related to MELCO as well upon to destination of each market.
					Others Expense	0.5	0.1	
	3.16) Mitsubishi Electric Factory Automation (Thailand) Co.,Ltd.	Thailand			0.3	-		
	3.17) Mitsubishi Electric Automation (Thailand) Co.,Ltd.	Thailand			0.3	0.4		
	3.18) Mitsubishi Electric Consumer Product (Thailand)	Thailand			0.0	0.0		
	3.19) Melco Trading (Thailand) Co.,Ltd.	Thailand						

No	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2017	2016	
3.20)	K.Y. Intertrade Co.,Ltd.	Thailand	Common director was Mr.Praphad Phodhivorakhun		0.3	0.1	
3.21)	Mitsubishi Electric Corporation	Japan	Parent, 40.81 % shareholding	Royalty sale, afterservice and Technician fee	279.2	287.0	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)	295.1	305.7	Research and development of products and are vital to the business operations of the company. For improvement modern products and meet consumers demand and because the company was not ready to develop by own high technology product. There is also a need to rely on MELCO technology, which is owned technology and trademark
3.22)	Smile Super Express Co.,Ltd.	Thailand	Associate, 27.12% shareholding.	Storage, Handling & Transportation Charge.	90.4	89.5	KYE needs a place for storing its finished goods before delivery to customers by hiring SSE for management with fairly rate

No	Related Parties	Location	Relationships	Type of the connected transaction	Value of the transaction (Million Baht)		Reasonableness of the transaction
					2017	2016	
4	<b>Giving or receiving of financial assistance</b> 4.1) Meico 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% per year.  Short-term loans - Interest Received	27.5 0.2	74.3 0.4	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	<b>Lease or lease out of real estate for not over 3 years</b> 5.1) Smile Super Express Co.,Ltd.	Thailand	Associate, 27.12% shareholding.	SSE has rented land and 2 buildings from KYE including water charge and electric charge.	18.1	17.9	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.
6	<b>Procurement of asset</b>			<b>Procurement of asset</b>	<b>13.4</b>	<b>3.8</b>	
	6.1) Mitsubishi Electric Corporation (Nakatsugawa)	Japan	A subsidiary of the Company's parent	Function fixture for PCB Invertors LX-4	2.3	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		Mold and Die for 39 SDW FAN Prod	6.8	-	
	6.3) Mitsubishi Electric (Hong Kong) Limited	Hong Kong		Mold and Die support C56-RW FAN Prod	1.2	1.3	
	6.4) Mitsubishi Electric Kang Yong Wattana Co.,Ltd.	Thailand		Air condition & Projectors	2.3	2.1	
	6.5) Mitsubishi Electric Automation (Thailand) Co.,Ltd.	Thailand		Overhaul wire-cut Machine	0.4	-	
	6.6) Mitsubishi Electric Asia Pte.Ltd	Singapore		Function fixture for PWB Invertors LX-4	0.4	0.2	



Balance as at 31 March 2018 and 31 March 2017 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	
	2018	2017	2018	2017	2018	2017	2018	2017
Mitsubishi Electric Kang Yong Watana Co., Ltd.	494.4	519.1	-	-	-	-	7.5	7.3
Mitsubishi Electric Corporation	293.4	353.5	-	1.1	-	-	278.1	294.1
Mitsubishi Electric Vietnam Co., Ltd.	192.9	196.0	-	-	-	-	8.9	6.0
Mitsubishi Electric Australia Pty. Ltd.	61.2	70.9	-	-	-	-	-	-
Mitsubishi Electric Life Network Corporation.	56.2	47.6	-	-	-	-	0.1	0.2
Mitsubishi Electric Asia Pte. Ltd.	56.1	59.8	-	-	8.5	12.0	0.5	0.3
Mitsubishi Electric (Hong Kong) Limited	43.4	53.1	4.1	-	3.3	0.1	4.5	3.1
P.T.Mitsubishi Electric Indonesia Co., Ltd.	34.2	44.5	-	-	-	-	8.6	5.6
Mitsubishi Electric Sales Malaysia Sdn.	28.9	21.2	-	-	-	-	5.5	7.6
Mitsubishi Electric Russia LLC.	20.8	28.5	-	-	-	-	-	-
Mitsubishi Electric Taiwan Co., Ltd.	3.4	2.3	-	-	-	-	-	-
Mitsubishi Electric Sales (Malaysia) Sdn,Bhd.	1.8	1.3	-	-	-	-	-	-
Mitsubishi Electric Trading Corporation	1.5	1.2	-	-	3.6	3.8	0.3	0.3
Melco Trading (Thailand) Co., Ltd.	0.5	0.3	-	-	16.6	22.6	-	-
Kulthorn Kirby Public Company Limited	-	-	-	-	35.9	32.7	-	-
Setsuyo Astec Corporation Seoul Branch.	-	-	-	-	30.6	39.5	-	0.1
Setsuyo Astec Thailand Co., Ltd.	-	-	-	-	11.9	18.8	-	-
Setsuyo Astec Corporation Japan.	-	-	-	-	2.9	4.3	-	0.1
Thai Refrigeration Components Co., Ltd.	-	-	-	-	2.6	0.8	-	-
Mitsubishi Electric & Electronic (Shanghai) Co., Ltd.	-	-	-	-	-	0.3	-	-
Mitsubishi Electric Consumer Product (Thailand)	-	-	-	164.9	-	-	-	0.0
Melco Thai Capital Co., Ltd.	-	-	27.5	74.3	-	-	-	-
Siam Compressor Industry Co., Ltd.	-	-	-	9.0	-	-	-	-
Smile Super Express Co., Ltd.	-	0.0	1.7	1.5	-	-	8.8	10.8
Melco Logistic (Thailand) Co., Ltd.	-	-	-	-	-	-	1.5	1.1
K.G.M. Services Co., Ltd.	-	-	-	-	-	-	0.1	0.4
Melco Travel Co., Ltd.	-	-	-	-	-	-	0.0	-
Mitsubishi Electric Factory Automation (Thailand) Co., Ltd.	-	-	-	-	-	-	0.2	0.1
K.Y.Intertrade Co., Ltd.	-	-	-	-	-	-	0.0	0.2
Mitsubishi Electric Asia (Thailand). Ltd.	-	-	-	-	-	-	1.4	2.2
<b>Total</b>	<b>1,288.9</b>	<b>1,399.3</b>	<b>33.3</b>	<b>250.7</b>	<b>115.9</b>	<b>134.9</b>	<b>326.1</b>	<b>339.4</b>

## Management's Discussion and Analysis

With reference to Kang Yong Electric Public Company Limited's submission of financial statements for the year 2017 (ended March 31, 2018) duly reviewed by a certified public accountant, we would like to give clarification on the Company's operating results and financial position as follows:

Summary of financial information	(Unit)	March 31	
		2018	2017
Total assets	Baht million	8,136	8,297
Total liabilities	Baht million	1,761	1,964
Shareholders' equity	Baht million	6,375	6,333
Revenues from sales and rendering of services	Baht million	8,632	9,055
Total revenues	Baht million	9,215	10,049
Costs of sales and rendering of services	Baht million	7,266	7,436
Gross profit	Baht million	1,366	1,619
Selling and administrative expenses	Baht million	1,154	1,153
Net profit	Baht million	719	1,336
<b>Financial ratios</b>			
<b>Liquidity ratios</b>			
Current ratio	time	4.48	4.12
Quick ratio	time	3.71	3.52
Cash flow liquidity ratio	time	0.15	0.48
Accounts receivable turnover ratio	time	6.42	6.78
Average collection period	day	57	54
Inventory turnover ratio	time	7.55	7.91
Average age of inventories	day	48	46
Accounts payable turnover ratio	time	7.84	7.30
Repayment period	day	47	50
Cash cycle	day	58	50
<b>Profitability ratios</b>			
Gross profit margin	%	15.83	17.89
Net profit to sales ratio	%	8.33	14.75
Return on equity	%	11.32	22.73

Summary of financial information	(Unit)	March 31	
		2018	2017
<b>Efficiency ratios</b>			
Return on total assets	%	8.75	17.05
Return on fixed assets	%	75.20	127.32
Assets turnover ratio	time	1.12	1.28
<b>Financial policy ratios</b>			
Debt to equity ratio	time	0.28	0.31
Dividend payout ratio	%	*	50.00

\* In process of seeking approval from the Annual General Meeting of Shareholders 2018

## Summary of operating results for FY2017 in comparison with FY2016:

Unit: Baht million	For the year ended March 31			
	2018	2017	Diff.	%
Revenues from sales and rendering of services	8,631.7	9,055.3	(423.6)	-4.7%
Costs of sales and rendering of services	7,265.7	7,435.7	(170.0)	-2.3%
Gross profit	1,366.0	1,619.6	(253.6)	-15.7%
Selling expenses	416.8	411.5	5.3	1.3%
Administrative expenses	736.7	741.0	(4.3)	-0.6%
Other revenues (including dividend income)	559.2	995.2	(436.0)	-43.8%
Profit before income tax	771.7	1,462.3	(690.6)	-47.2%
Income tax	52.4	126.5	(74.1)	-58.5%
Net profit for the year	719.3	1,335.8	(616.5)	-46.2%

## Revenues from sales and services, by business segment

Unit: Baht million	For the year ended March 31			
	2018	2017	Diff.	%
Domestic market	3,001.8	3,268.9	(267.1)	-8.2%
Japan	3,825.2	3,840.7	(15.5)	-0.4%
Others	1,804.7	1,945.7	(141.0)	-7.2%
Export market	5,629.9	5,786.4	(156.5)	-2.7%
Total	8,631.7	9,055.3	(423.6)	-4.7%

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

For the fiscal year 2017, the Company's revenues from sales and service decreased by Baht 423.6 million or 4.7% from Baht 9,055.3 million in 2016 to Baht 8,631.7 million in 2017, divided into the following three major business groups as follow:

1. The domestic market, sales decreased from Baht 3,268.9 million in 2016 to Baht 3,001.8 million in 2017 or decreased Baht 267.1 million or 8.2% mainly due to the sale of refrigerators. Water pump and electric fan reduced.
2. Export to Japan market, sales slightly decreased from Baht 3,840.7 million in 2016 to Baht 3,825.2 million in 2017 or decreased Baht 15.5 million or 0.4%. The sales of 3 door refrigerators have increased. Sales of 1 door and 2 doors refrigerators have decreased a lot, also affected by fluctuations in exchange rates which caused sales revenue decreased by Baht 133 million.
3. Export to markets elsewhere, sales decreased from Baht 1,945.7 million in 2016 to Baht 1,804.7 million in 2017 or decreased Baht 141.0 million or 7.2% from the same period last year. Due to
  - Changing of sales channels in Vietnam caused sales of refrigerators and electric fans decreased.
  - Due to the impact of baht exchange rate appreciation compared to the US dollar. Sales decreased about 91 million baht.

## Other revenues

Other revenues for the fiscal year 2017 was Baht 559.2 million, a decrease of Baht 436.0 million or 43.8% compared to the fiscal year 2016. This was due to a decrease in investment revenues of Baht 341.1 million and there was special revenues Baht 58.6 million from sales of the land at Samrong last year.

## Selling costs and expenses

The cost of sales in the fiscal year 2017 accounted for 84.2% of sales and services. The ratio increased by 2.1% compared to the year 2016 due to higher raw material prices and lower revenue from foreign exchange differences for exporting the products.

Selling and administrative expenses in the year 2017 accounted for 13.3% of sales and service income, the increase of 0.5% from a year earlier. As a result of

- Selling expenses increased by Baht 5.3 million. In the year 2016, the Company had the amount of Baht 411.5 million to Baht 416.8 million. Advertising and promotion expenses increased.
- Administrative expenses decreased by Baht 4.3 million. From Baht 741.0 million in the year 2015 to Baht 736.7 million in the year 2016.

## Profit

In FY2017, the Company posted a gross profit margin of 15.8%, which was 2.1% lower than that in the foregoing year. With the above increases in selling and administrative expenses, decrease in other revenues and income tax is taken into account, the Company's net profit for FY2017 amounted to Baht 719.3 million, representing 8.3% of revenues from sales and services, and decreased 14.8% from the previous year. As a result, yields on equity in FY2017 are projected to fall from 22.7 % in FY2016 to 11.3 % in FY2017.

## Summary of financial position

Unit: Baht million	For the year ended March 31			
	2018	2017	Diff.	%
Cash and cash equivalents	609.3	1,531.0	(921.7)	(60.2)
Current investments	3,300.0	2,500.0	800.0	32.0
Trade accounts receivable and other receivables	1,352.0	1,631.6	(279.6)	(17.1)
Inventories	1,046.2	878.2	168.0	19.1
Property, plant and equipment	1,463.3	1,365.9	97.4	7.1
Others	365.1	390.3	(25.2)	(6.5)
<b>Total assets</b>	<b>8,135.9</b>	<b>8,297.0</b>	<b>(161.1)</b>	<b>(1.9)</b>
Trade accounts payable and other payables	1,394.9	1,546.4	(151.5)	(9.8)
Others	365.7	418.0	(52.3)	(12.5)
<b>Total liabilities</b>	<b>1,760.6</b>	<b>1,964.4</b>	<b>(203.8)</b>	<b>(10.4)</b>
<b>Shareholders' equity</b>	<b>6,375.3</b>	<b>6,332.6</b>	<b>42.7</b>	<b>0.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,135.9</b>	<b>8,297.0</b>	<b>(161.1)</b>	<b>(1.9)</b>

## Total assets

As of March 31, 2018, the Company recorded total assets of Baht 8,135.9 million, decline from the corresponding period of the previous year by Baht 161.1 million or 1.9%, with changes in major asset items as follows:

- Cash and cash equivalents as of March 31, 2018, was Baht 609.3 million, decline from a year earlier by Baht 921.7 million or 60.2% as there was an investment of Baht 800.0 million.
- Current investments as of March 31, 2018, amounted to Baht 3,300 million, increasing by Baht 800.0 million or 32.0% and comprising short-term deposits with financial institutions for a period ranging from 7 months to 12 months.
- Trade accounts receivable and other receivables as of March 31, 2018, totaled Baht 1,352.0 million, decrease by Baht 279.6 million or 17.1% 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 57 days in 2017, a delay of 3 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, 2018, amounted to Baht 1,046.2 million, increase Baht 168.0 million or 19.1% from a year earlier. The average age of inventories was shortened by 2 days from 46 days in 2016 to 48 days in 2017. Due to the high inventory left over at dealers in Japan and Domestic, it is necessary to adjust the production plans to decrease in March.
- Property, plant, and equipment as of March 31, 2018, amounted to Baht 1,463.3 million, increasing by Baht 97.4 million or 7.1%. In 2017, the Company invested Baht 443.9 million in machinery, equipment and molds. Its return on fixed assets was 75.2%.

## Total liabilities

As of March 31, 2018, the Company had total liabilities of Baht 1,760.5 million, decrease Baht 203.8 million or 10.4% from March 31, 2017. Trade and other payables amounted to Baht 1,394.9 million, decrease Baht 151.5 million or 9.8% due primarily to purchases of parts and raw materials and procurement of machinery and equipment for production.

The average repayment period for trade accounts payable faster than the year 2016 by 3 days from the average of 50 days to 47 days in 2017.

Cash cycle was 8 days delayed from 50 days in 2016 to 58 days in 2017, hence efficient cash management. The Company still had plentiful liquidity, with its current ratio rising from 4.12 times in 2016 to 4.48 times in 2017. Quick ratio also went up annually, from 3.52 times in 2016 to 3.71 times in 2017. The Company thus maintained a strong financial position.

## Shareholders' equity

As at March 31, 2018, the Company recorded shareholders' equity of Baht 6,375.3 million, growing by Baht 42.7 million or 0.7% from 2016, driven by its comprehensive profit for 2017 of Baht 710.6 million. In August 2017, the Company paid dividends to its shareholders in the total amount of Baht 667.9 million at 30.36 baht per share, according to the shareholders' meeting as of 26 July 2017, the resolution was approved.

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 2017.

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, 2018 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. Takenori Adachi)  
President

June 14, 2018



# Financial Statements and Notes to the Financial Statements

KANG YONG ELECTRIC PUBLIC COMPANY LIMITED



## **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 2018, 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 2018 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 that is 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	
<b>The key audit matter</b>	<b>How the matter was addressed in the audit</b>
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"> <li>- Inquiring management to gain understanding on the process for estimation of provision for warranties.</li> <li>- Testing the reliability of actual warranties report by comparing actual claimed data with actual warranties report including testing on sampling basis of relevant documents.</li> <li>- Challenging management regarding the method used for estimation to evaluate the reasonableness of the method and assumptions used.</li> <li>- Considering the appropriateness of assumptions used for estimation of expected damage from warranty by comparing with historical actual claimed data.</li> <li>- Testing the calculation of provision for warranties by consider total sales of finished goods, total actual warranty expense and average claimed year.</li> <li>- Considering the adequacy of the Company's disclosures in accordance with the related Thai Financial Reporting Standards.</li> </ul>

#### *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.

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.

- 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  
16 May 2018

**Kang Yong Electric Public Company Limited**  
**Statement of financial position**

Assets	Note	Financial statements			
		in which the equity method		Separate financial statements	
		is applied		31 March	
		31 March	2017	2018	2017
		2018	2017	2018	2017
		(in Baht)			
<b>Current assets</b>					
Cash and cash equivalents	5	609,288,331	1,531,005,314	609,288,331	1,531,005,314
Current investments	10	3,300,000,000	2,500,000,000	3,300,000,000	2,500,000,000
Trade accounts receivable	4, 6	1,289,039,709	1,399,665,572	1,289,039,709	1,399,665,572
Other receivables	4, 7	62,911,776	231,886,703	62,911,776	231,886,703
Short-term loans to related party	4	27,508,007	74,273,866	27,508,007	74,273,866
Inventories	8	1,046,186,172	878,227,300	1,046,186,172	878,227,300
Other current assets		14,277,214	10,275,231	14,277,214	10,275,231
<b>Total current assets</b>		<b>6,349,211,209</b>	<b>6,625,333,986</b>	<b>6,349,211,209</b>	<b>6,625,333,986</b>
<b>Non-current assets</b>					
Available-for-sale investments	10	7,724,541	11,032,028	7,724,541	11,032,028
Investment in an associate	9	19,507,099	18,513,076	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	4,188,669	4,188,669	4,188,669
Property, plant and equipment	12	1,463,284,639	1,365,916,177	1,463,284,639	1,365,916,177
Intangible assets	13	44,675,017	37,569,589	44,675,017	37,569,589
Deferred tax assets	14	64,077,861	63,537,460	64,077,861	63,537,460
Other non-current assets	15	25,835,319	13,575,194	25,835,319	13,575,194
<b>Total non-current assets</b>		<b>1,786,654,845</b>	<b>1,671,693,893</b>	<b>1,770,147,746</b>	<b>1,656,180,817</b>
<b>Total assets</b>		<b>8,135,866,054</b>	<b>8,297,027,879</b>	<b>8,119,358,955</b>	<b>8,281,514,803</b>

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

# Kang Yong Electric Public Company Limited

## Statement of financial position

	Note	Financial statements			
		in which the equity method		Separate financial statements	
		is applied		31 March	
		31 March	2017	2018	2017
<b>Liabilities and equity</b>		2018	2017	2018	2017
		<i>(in Baht)</i>			
<b>Current liabilities</b>					
Trade accounts payable	4, 16	894,460,316	959,107,265	894,460,316	959,107,265
Other payables	4, 17	500,410,176	587,279,499	500,410,176	587,279,499
Income tax payable		-	45,316,361	-	45,316,361
Other current liabilities		22,087,687	16,015,614	22,087,687	16,015,614
<b>Total current liabilities</b>		<b>1,416,958,179</b>	<b>1,607,718,739</b>	<b>1,416,958,179</b>	<b>1,607,718,739</b>
<b>Non-current liabilities</b>					
Provision for warranties	19	108,624,795	141,112,217	108,624,795	141,112,217
Non-current provisions for employee benefits	18	220,420,086	200,484,521	220,420,086	200,484,521
Provident funds	27	14,561,239	15,100,457	14,561,239	15,100,457
<b>Total non-current liabilities</b>		<b>343,606,120</b>	<b>356,697,195</b>	<b>343,606,120</b>	<b>356,697,195</b>
<b>Total liabilities</b>		<b>1,760,564,299</b>	<b>1,964,415,934</b>	<b>1,760,564,299</b>	<b>1,964,415,934</b>
<b>Equity</b>					
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
Share premium	20				
Share 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
Other reserve		420,000,000	420,000,000	420,000,000	420,000,000
Unappropriated		4,985,234,510	4,939,898,710	4,968,727,411	4,924,385,634
Other component of equity	21	1,967,245	4,613,235	1,967,245	4,613,235
<b>Total equity</b>		<b>6,375,301,755</b>	<b>6,332,611,945</b>	<b>6,358,794,656</b>	<b>6,317,098,869</b>
<b>Total liabilities and equity</b>		<b>8,135,866,054</b>	<b>8,297,027,879</b>	<b>8,119,358,955</b>	<b>8,281,514,803</b>

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

# Kang Yong Electric Public Company Limited

## Statement of comprehensive income

	Note	Financial statements			
		in which the equity method is applied		Separate financial statements	
		For the year ended 31 March		For the year ended 31 March	
	2018	2017	2018	2017	
(in Baht)					
<b>Revenue</b>					
Revenue from sale of goods and rendering of services	4	8,631,742,023	9,055,348,793	8,631,742,023	9,055,348,793
Investment income	4, 23	554,252,738	895,393,633	555,252,738	895,393,633
Net foreign exchange gain		-	9,961,696	-	9,961,696
Gain on sale of investment property	11	-	58,580,433	-	58,580,433
Other income	4, 24	28,703,336	30,064,821	28,703,336	30,064,821
<b>Total revenue</b>		<b>9,214,698,097</b>	<b>10,049,349,376</b>	<b>9,215,698,097</b>	<b>10,049,349,376</b>
<b>Expenses</b>					
Cost of sale of goods and rendering of services	4	7,265,653,309	7,435,655,716	7,265,653,309	7,435,655,716
Distribution costs	4, 25	416,829,996	411,524,979	416,829,996	411,524,979
Administrative expenses	4, 26	736,712,180	741,027,377	736,712,180	741,027,377
Net foreign exchange loss		25,776,919	-	25,776,919	-
<b>Total expenses</b>		<b>8,444,972,404</b>	<b>8,588,208,072</b>	<b>8,444,972,404</b>	<b>8,588,208,072</b>
Share of profit of an associate	4, 9	1,994,023	1,198,544	-	-
<b>Profit before income tax expense</b>		<b>771,719,716</b>	<b>1,462,339,848</b>	<b>770,725,693</b>	<b>1,461,141,304</b>
Tax expense	29	(52,462,446)	(126,538,428)	(52,462,446)	(126,538,428)
<b>Profit for the year</b>		<b>719,257,270</b>	<b>1,335,801,420</b>	<b>718,263,247</b>	<b>1,334,602,876</b>
<b>Other comprehensive income</b>					
<i>Item that will be reclassified subsequently to profit or loss</i>					
Loss on remeasurement available-for-sale investments	29	(3,307,487)	(2,633,696)	(3,307,487)	(2,633,696)
Income tax relating to item that will be reclassified subsequently to profit or loss		661,497	526,739	661,497	526,739
		<b>(2,645,990)</b>	<b>(2,106,957)</b>	<b>(2,645,990)</b>	<b>(2,106,957)</b>
<i>Item that will not be reclassified to profit or loss</i>					
Losses on remeasurements of defined benefit plans	18, 29	(7,501,838)	(1,130,801)	(7,501,838)	(1,130,801)
Income tax relating to item that will not be reclassified to profit or loss		1,500,368	226,160	1,500,368	226,160
		<b>(6,001,470)</b>	<b>(904,641)</b>	<b>(6,001,470)</b>	<b>(904,641)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>(8,647,460)</b>	<b>(3,011,598)</b>	<b>(8,647,460)</b>	<b>(3,011,598)</b>
<b>Total comprehensive income for the year</b>		<b>710,609,810</b>	<b>1,332,789,822</b>	<b>709,615,787</b>	<b>1,331,591,278</b>
<b>Basic earnings per share</b>	31	<b>32.69</b>	<b>60.72</b>	<b>32.65</b>	<b>60.66</b>

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

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

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

	Retained earnings				Other component of equity			Total equity
	Share premium on ordinary shares	Legal reserve	Other reserve	Unappropriated reserve	Available-for-sale investments			
<b>Year ended 31 March 2017</b>								
<b>Balance at 1 April 2016</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>4,026,081,931</b>	<b>6,720,192</b>		<b>5,420,902,123</b>	
<b>Transactions with owners, recorded directly in equity</b>								
<i>Distributions to owners of the Company</i>								
Dividends to owners of the Company	-	-	-	(421,080,000)	-		(421,080,000)	
<b>Total distributions to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(421,080,000)</b>	<b>-</b>		<b>(421,080,000)</b>	
<b>Comprehensive income for the year</b>								
Profit	-	-	-	1,335,801,420	-		1,335,801,420	
Other comprehensive income	-	-	-	(904,641)	(2,106,957)		(3,011,598)	
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,334,896,779</b>	<b>(2,106,957)</b>		<b>1,332,789,822</b>	
<b>Balance at 31 March 2017</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>4,939,898,710</b>	<b>4,613,235</b>		<b>6,332,611,945</b>	

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



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

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

	Retained earnings				Other component of equity		Total equity
	Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Other reserve (in Baht)	Unappropriated	Available-for-sale investments	
<b>Year ended 31 March 2018</b>							
<b>Balance at 1 April 2017</b>	<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>4,939,898,710</b>	<b>4,613,235</b>	<b>6,332,611,945</b>
<b>Transactions with owners, recorded directly in equity</b>							
<i>Distributions to owners of the Company</i>							
Dividends to owners of the Company	-	-	-	-	(667,920,000)	-	(667,920,000)
<b>Total distributions to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(667,920,000)</b>	<b>-</b>	<b>(667,920,000)</b>
<b>Comprehensive income for the year</b>							
Profit	-	-	-	-	719,257,270	-	719,257,270
Other comprehensive income	-	-	-	-	(6,001,470)	(2,645,990)	(8,647,460)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>713,255,800</b>	<b>(2,645,990)</b>	<b>710,609,810</b>
<b>Balance at 31 March 2018</b>	<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>4,985,234,510</b>	<b>1,967,245</b>	<b>6,375,301,755</b>

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

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
	Retained earnings				Other component of equity		Total equity	
	Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Other reserve	Unappropriated	Available-for-sale investments		
<i>Note</i>								
<b>Year ended 31 March 2018</b>								
<b>Balance at 1 April 2017</b>	<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>4,924,385,634</b>	<b>4,613,235</b>	<b>6,317,098,869</b>	
<b>Transactions with owners, recorded directly in equity</b>								
<i>Distributions to owners of the Company</i>								
Dividends to owners of the Company	-	-	-	-	(667,920,000)	-	(667,920,000)	
<b>Total distributions to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(667,920,000)</b>	<b>-</b>	<b>(667,920,000)</b>	
<b>Comprehensive income for the year</b>								
Profit	-	-	-	-	718,263,247	-	718,263,247	
Other comprehensive income	-	-	-	-	(6,001,470)	(2,645,990)	(8,647,460)	
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>712,261,777</b>	<b>(2,645,990)</b>	<b>709,615,787</b>	
<b>Balance at 31 March 2018</b>	<b>220,000,000</b>	<b>726,100,000</b>	<b>22,000,000</b>	<b>420,000,000</b>	<b>4,968,727,411</b>	<b>1,967,245</b>	<b>6,358,794,656</b>	

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

# Kang Yong Electric Public Company Limited

## Statement of cash flows

	<b>Financial statements</b>			
	<b>in which the equity method</b>		<b>Separate financial statements</b>	
	<b>is applied</b>			
	For the year ended 31 March		For the year ended 31 March	
	2018	2017	2018	2017
	<i>(in Baht)</i>			
<b><i>Cash flows from operating activities</i></b>				
Profit for the year	719,257,270	1,335,801,420	718,263,247	1,334,602,876
<i>Adjustments to reconcile profit to cash receipts (payments)</i>				
Tax expense	52,462,446	126,538,428	52,462,446	126,538,428
Depreciation	344,484,753	340,966,828	344,484,753	340,966,828
Amortisation	7,121,932	4,126,315	7,121,932	4,126,315
Provisions for employee benefits	18,981,004	22,779,976	18,981,004	22,779,976
Provision for warranties	30,910,776	22,467,058	30,910,776	22,467,058
Unrealised loss on exchange	5,157,430	5,439,728	5,157,430	5,439,728
Share of profit of an associate	(1,994,023)	(1,198,544)	-	-
Losses on inventories devaluation	28,166,221	16,100,025	28,166,221	16,100,025
(Gain) loss on disposal of property, plant and equipment	(305,882)	340,268	(305,882)	340,268
Gain on sale of investment property	-	(58,580,433)	-	(58,580,433)
Dividend income	(478,914,270)	(819,143,573)	(479,914,270)	(819,143,573)
Interest income	(58,150,447)	(59,054,540)	(58,150,447)	(59,054,540)
Rental income	(17,188,020)	(17,195,520)	(17,188,020)	(17,195,520)
	<u>649,989,190</u>	<u>919,387,436</u>	<u>649,989,190</u>	<u>919,387,436</u>
<b><i>Changes in operating assets and liabilities</i></b>				
Trade accounts receivable	105,309,201	(133,949,869)	105,309,201	(133,949,869)
Other receivables	(8,341,331)	25,838,162	(8,341,331)	25,838,162
Inventories	(196,125,093)	107,625,194	(196,125,093)	107,625,194
Other current assets	(4,001,983)	(5,235,686)	(4,001,983)	(5,235,686)
Other non-current assets	(2,790,669)	7,262,992	(2,790,669)	7,262,992
Trade accounts payable	(64,364,241)	(72,157,250)	(64,364,241)	(72,157,250)
Other payables	(86,272,402)	70,509,216	(86,272,402)	70,509,216
Other current liabilities	6,072,073	384,424	6,072,073	384,424
Product warranties paid	(63,398,198)	(66,296,924)	(63,398,198)	(66,296,924)
Employee benefits paid	(6,547,277)	(6,215,342)	(6,547,277)	(6,215,342)
Provident fund paid	(539,218)	(762,741)	(539,218)	(762,741)
Net cash generated from operating	328,990,052	846,389,612	328,990,052	846,389,612
Taxes paid	(105,626,799)	(86,100,342)	(105,626,799)	(86,100,342)
<b>Net cash from operating activities</b>	<b><u>223,363,253</u></b>	<b><u>760,289,270</u></b>	<b><u>223,363,253</u></b>	<b><u>760,289,270</u></b>

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

# Kang Yong Electric Public Company Limited

## Statement of cash flows

	<b>Financial statements</b>			
	<b>in which the equity method</b>		<b>Separate financial statements</b>	
	<b>is applied</b>			
	For the year ended 31 March		For the year ended 31 March	
	2018	2017	2018	2017
	<i>(in Baht)</i>			
<b><i>Cash flows from investing activities</i></b>				
Proceeds from sale of property, plant and equipment	2,302,932	1,119,112	2,302,932	1,119,112
Acquisition of property and equipment	(444,478,038)	(434,687,432)	(444,478,038)	(434,687,432)
Sale of investment property	-	59,362,430	-	59,362,430
Acquisition of computer software	(14,227,360)	(33,245,365)	(14,227,360)	(33,245,365)
Short-term loans to related party	(520,027,252)	(535,433,515)	(520,027,252)	(535,433,515)
Proceeds from short-term loans to related party	566,793,111	497,357,508	566,793,111	497,357,508
Dividends received	653,787,550	798,855,173	653,787,550	798,855,173
Interest received	61,498,799	57,630,940	61,498,799	57,630,940
Rental received	17,190,022	16,983,966	17,190,022	16,983,966
Increase in current investments	(800,000,000)	(300,000,000)	(800,000,000)	(300,000,000)
<b>Net cash from (used in) investing activities</b>	<b>(477,160,236)</b>	<b>127,942,817</b>	<b>(477,160,236)</b>	<b>127,942,817</b>
<b><i>Cash flows from financing activities</i></b>				
Dividends paid to owners of the Company	(667,920,000)	(421,080,000)	(667,920,000)	(421,080,000)
<b>Net cash used in financing activities</b>	<b>(667,920,000)</b>	<b>(421,080,000)</b>	<b>(667,920,000)</b>	<b>(421,080,000)</b>
<b>Net increase (decrease) in</b>				
<b>cash and cash equivalents</b>	<b>(921,716,983)</b>	<b>467,152,087</b>	<b>(921,716,983)</b>	<b>467,152,087</b>
Cash and cash equivalents at 1 April	1,531,005,314	1,063,853,227	1,531,005,314	1,063,853,227
<b>Cash and cash equivalents at 31 March</b>	<b>609,288,331</b>	<b>1,531,005,314</b>	<b>609,288,331</b>	<b>1,531,005,314</b>
<b><i>Supplemental disclosure of cash flows information</i></b>				
<b><i>Non-cash transactions</i></b>				
Property and equipment purchased during the year are detailed as follows:				
Property and equipment purchased during the year	(443,850,265)	(440,487,472)	(443,850,265)	(440,487,472)
Increase (decrease) in payables on purchases of property and equipment	(627,773)	5,800,040	(627,773)	5,800,040
<b>Net purchase of property and equipment paid by cash</b>	<b>(444,478,038)</b>	<b>(434,687,432)</b>	<b>(444,478,038)</b>	<b>(434,687,432)</b>

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

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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 16 May 2018.

**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 2017. 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 2018 and have not been adopted in the preparation of these financial statements. The Company has made a preliminary assessment of the potential initial impact on the financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statement in the period of initial application.

**(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 investments	Fair value
Defined benefit liability	Present value of the defined benefit obligations, 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 these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market 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 initially recognised 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 measured 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 measured 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.

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Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Any 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 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 actual claimed 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.

Relationship with an associate was described in note 9. Relationships with key management and other related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
<b>Parent</b>		
Mitsubishi Electric Corporation	Japan	Parent, 40.81% shareholding
<b>Associate</b>		
Smile Super Express Co., Ltd.	Thailand	Associate, 33.33% shareholding From March 2018, 27.12 shareholding
<b>Key management personnel</b>		
Key management personnel	Japanese, Thai	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company
<b>Other related parties</b>		
Thai Refrigeration Components Co., Ltd.	Thailand	Common director
Kulthorn Kirby Public Company Limited	Thailand	Common director

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Name of entities	Country of incorporation/ nationality	Nature of relationships
Mitsubishi Electric Kang Yong Watana Co., Ltd.	Thailand	A subsidiary of the Company's parent and common director
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	Thailand	A subsidiary of the Company's parent and common director
Siam Compressor Industry Co., Ltd.	Thailand	A subsidiary of the Company's parent
Mitsubishi Electric Life-Network Co., Ltd.	Japan	A subsidiary of the Company's parent
Mitsubishi Electric Engineering Co., Ltd.	Japan	A subsidiary of the Company's parent
Mitsubishi Electric Home Appliance Co., Ltd.	Japan	A subsidiary of the Company's parent
Mitsubishi Electric Taiwan Co., Ltd.	Taiwan	A subsidiary of the Company's parent
Mitsubishi Electric Asia Pte. Ltd.	Singapore	A subsidiary of the Company's parent
Mitsubishi Electric Australia Pty. Ltd.	Australia	A subsidiary of the Company's parent
Mitsubishi Electric Ryoden Air - Conditioning & Visual Information Systems (Hong Kong) Ltd.	Hongkong	A subsidiary of the Company's parent
Mitsubishi Electric Sales Malaysia Sdn.	Malaysia	A subsidiary of the Company's parent
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.

**Kang Yong Electric Public Company Limited**  
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- 3 Purchase policy of property, plant and equipment are prices agreed between the parties.
- 4 Royalty fee is payable annually at a proportion of sales.
- 5 Product development fee is payable based on actual amount.
- 6 Technical assistance fee chargeable under technical assistance agreement with 5 years term and automatic rollover period of 5 years.
- 7 The Company entered into a rental agreement with an associate. The rental fee is based on the market value.
- 8 The Company has inventory management service fee with an associate. The service fee is based on the area used.
- 9 The Company entered into an agreement with various companies in the Mitsubishi Group, to manage total funding of the Group by the use of pooling accounts. The Company may earn or 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.
- 13 Dividend income as declared amount.

Significant transactions for the years ended 31 March 2018 and 2017 with related parties were as follows:

<i>Year ended 31 March</i>	<b>Financial statements in which the equity method is applied</b>		<b>Separate financial statements</b>	
	2018	2017	2018	2017
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Revenue from sale of goods	3,639,622	3,663,231	3,639,622	3,663,231
Other income	268	152	268	152
Royalty fee	192,533	201,663	192,533	201,663
Product development fee	295,117	305,733	295,117	305,733
Product warranties expense	58,433	61,444	58,433	61,444
Technical assistance fee	16,699	16,246	16,699	16,246
Other selling and administrative expenses	11,564	7,608	11,564	7,608

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**Notes to the financial statements**  
**For the year ended 31 March 2018**

<i>Year ended 31 March</i>	<b>Financial statements in which the equity method is applied</b>		<b>Separate financial statements</b>	
	2018	2017	2018	2017
	<i>(in thousand Baht)</i>			
<b>Associate</b>				
Revenue from sale of goods	80	132	80	132
Rental income	17,178	17,178	17,178	17,178
Dividend income	-	-	1,000	-
Other income	951	753	951	753
Inventory management service fee	82,864	81,803	82,864	81,803
Other selling and administrative expenses	7,511	7,741	7,511	7,741
Share of profit of investment	1,994	1,198	-	-
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefits	73,032	68,480	73,032	68,480
Post-employment benefits	1,167	949	1,167	949
Other long-term benefits	12	11	12	11
Total key management personnel compensation	<u>74,211</u>	<u>69,440</u>	<u>74,211</u>	<u>69,440</u>
<b>Other related parties</b>				
Revenue from sale of goods	4,988,463	5,386,787	4,988,463	5,386,787
Purchases of raw material	1,166,339	1,160,689	1,166,339	1,160,689
Dividend income	478,901	819,128	478,901	819,128
Other selling and administrative expenses	97,411	90,192	97,411	90,192
Purchases of equipment	13,408	8,563	13,408	8,563
Other income	9,602	4,873	9,602	4,873
Product warranties expense	3,160	4,137	3,160	4,137
Interest income	240	378	240	378
Technical assistance fee	-	61	-	61

Balances as at 31 March 2018 and 2017 with related parties were as follows:

<i>Trade accounts receivable - related parties</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
Parent	293,365	353,458
Associate	-	8
Other related parties	995,493	1,045,907
<b>Total</b>	<u><b>1,288,858</b></u>	<u><b>1,399,373</b></u>

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*Other receivables - related parties*

**Financial statements in which  
the equity method is applied  
and separate financial statements**  
2018                      2017  
*(in thousand Baht)*

*Accrued dividend income*

**Other related parties**

Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.

Siam Compressor Industry Co., Ltd.

-	164,892
-	8,981
<b>-</b>	<b>173,873</b>

*Others*

Parent

Associate

Other related parties

-	1,061
1,679	1,513
4,088	16
<b>5,767</b>	<b>2,590</b>

**Total**

<b>5,767</b>	<b>176,463</b>
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*Short-term loans to related party*

**Interest rate**  
2018                      2017  
*(% per annum)*

**Other related party**

Melco Thai Capital Co., Ltd.

0.80                      0.80

**Financial statements in which the  
equity method is applied  
and separate financial statements**  
2018                      2017  
*(in thousand Baht)*

<b>27,508</b>	<b>74,274</b>
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Movements during the years ended 31 March 2018 and 2017 of short-term loans to related party were as follows:

*Short-term loans to related party*

**Financial statements in which  
the equity method is applied  
and separate financial statements**  
2018                      2017  
*(in thousand Baht)*

**Other related party**

At 1 April

Increase

Decrease

**At 31 March**

74,274	36,198
520,027	535,434
(566,793)	(497,358)
<b>27,508</b>	<b>74,274</b>

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**  
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*Trade accounts payable - related parties*

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

	2018	2017
	<i>(in thousand Baht)</i>	
Other related parties	115,615	134,894

*Other payables - related parties*

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

	2018	2017
	<i>(in thousand Baht)</i>	
Parent	278,086	294,130
Associate	8,769	10,795
Other related parties	39,257	34,464
<b>Total</b>	<b>326,112</b>	<b>339,389</b>

*Significant agreements with related parties*

*Technical assistance agreement*

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

*Building rental agreement*

The Company entered into a building rental agreement for its warehouse for finished goods with Smile Super Express Co., Ltd. for a period of two years with rental rate as specified in the agreement. This agreement is renewed by either party notification in writing to the other party at least sixty days before expiration of this agreement. In May 2017, the Company notified to renew such agreement for a period of two years expiring on 31 July 2019.

*Thai Baht pooling service agreement*

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

**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**  
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**5 Cash and cash equivalents**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
Cash on hand	150	150
Cash at banks - savings and current accounts	89,138	80,855
Fixed deposits	520,000	1,450,000
<b>Total</b>	<b>609,288</b>	<b>1,531,005</b>

**6 Trade accounts receivable**

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2018	2017
		<i>(in thousand Baht)</i>	
Related parties	4	1,288,858	1,399,373
Other parties		182	293
<b>Total</b>		<b>1,289,040</b>	<b>1,399,666</b>

Bad and doubtful debts expenses for the year	-	-
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Aging analyses for trade accounts receivable were as follows:

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
<b>Related parties</b>		
Within credit terms	1,287,589	1,385,733
Overdue		
Less than 3 months	1,269	13,640
	<b>1,288,858</b>	<b>1,399,373</b>
<b>Other parties</b>		
Within credit terms	182	279
Overdue		
Less than 3 months	-	12
3 – 6 months	-	2
	<b>182</b>	<b>293</b>
<b>Total</b>	<b>1,289,040</b>	<b>1,399,666</b>

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

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

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2018	2017
		<i>(in thousand Baht)</i>	
Value added tax receivable		36,425	37,341
Prepaid expenses		7,839	8,365
Accrued interest income		4,649	7,997
Accrued rental income	4	1,679	1,513
Accrued dividend income	4	-	173,873
Others		12,320	2,798
<b>Total</b>		<b>62,912</b>	<b>231,887</b>

**8 Inventories**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
Finished goods	381,065	396,174
Work in process	81,439	195,433
Raw materials and factory supplies	605,034	291,452
Goods in transit	27,410	15,764
	<b>1,094,948</b>	<b>898,823</b>
<i>Less allowance for decline in value of inventories</i>	<i>(48,762)</i>	<i>(20,596)</i>
<b>Net</b>	<b>1,046,186</b>	<b>878,227</b>



**Kang Yong Electric Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2018**

**9 Investment in an associate**

	<i>Note</i>	<b>Financial statements in which the equity method is applied</b>		<b>Separate financial statements</b>	
		2018	2017	2018	2017
At 1 April		18,513	17,315	3,000	3,000
Share of profit of investment - equity method	4	1,994	1,198	-	-
Dividend income		(1,000)	-	-	-
<b>At 31 March</b>		<b>19,507</b>	<b>18,513</b>	<b>3,000</b>	<b>3,000</b>

On 6 March 2018, Smile Super Express Co., Ltd. which is the associate increased the share capital from Baht 9.00 million (divided into 9,000 shares at par value of Baht 1,000 per share) to Baht 11.06 million (divided into 11,060 shares at par value of Baht 1,000). The Company did not exercise the right to purchase newly issue shares in associate company resulting in the Company's shareholding decreased from 33.33% to 27.12%.

However, the Company still has significant influence in such company.



**Kang Yong Electric Public Company Limited**  
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**For the year ended 31 March 2018**

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.			
	For the period 1 April 2017 - 28 February 2018	For the period 1 March 2018 - 31 March 2018	For the year ended 31 March 2018	For the year ended 31 March 2017
	<i>(in thousand Baht)</i>			
Revenue	159,316	17,229	176,545	158,484
Total comprehensive income (100%)	3,942	2,507	6,449	3,595
% hold	33.33	27.12		33.33
<b>Company's share of total comprehensive income</b>	<b>1,314</b>	<b>680</b>	<b>1,994</b>	<b>1,198</b>
Current assets			81,194	62,066
Non-current assets			11,230	14,463
Current liabilities			(15,289)	(15,344)
Non-current liabilities			(5,787)	(5,646)
Net assets (100%)			71,348	55,539
% hold			27.12	33.33
<b>Carrying amount of interest in associate</b>			<b>19,507</b>	<b>18,513</b>

**10 Other investments**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
<b><i>Current investments</i></b>		
Short-term deposits at financial institutions	3,300,000	2,500,000
	<b>3,300,000</b>	<b>2,500,000</b>
<b><i>Other long-term investments</i></b>		
Equity securities available-for-sale	7,724	11,032
Other non-marketable equity securities	157,362	157,362
	<b>165,086</b>	<b>168,394</b>
<b>Total</b>	<b>3,465,086</b>	<b>2,668,394</b>

Short-term deposits at financial institutions amounted to Baht 3,300 million as at 31 March 2018 (2017 : Baht 2,500 million), which have period of maturity within 7 months to 12 months, have annual interest rates ranging from 1.25% to 1.60% (2017 : 1.55% to 1.75%).

**Kang Yong Electric Public Company Limited**  
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Equity securities available-for-sale as at 31 March 2018 and 2017 were as follows:

	<b>Financial statements in which the equity method is applied and separate financial statements</b>			
	2018		2017	
	Cost	Fair value <i>(in thousand Baht)</i>	Cost	Fair value
<b><i>Marketable securities - Available-for-sale securities</i></b>				
Kulthorn Kirby Public Co., Ltd.	4,965	7,222	4,965	10,582
City Sports and Recreation Public Co., Ltd.	300	502	300	450
	<b>5,265</b>	<b>7,724</b>	<b>5,265</b>	<b>11,032</b>
<i>Add revaluation</i>	2,459	-	5,767	-
<b>Total</b>	<b>7,724</b>	<b>7,724</b>	<b>11,032</b>	<b>11,032</b>

**Kang Yong Electric Public Company Limited**  
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Other non-marketable equity securities as at 31 March 2018 and 2017, 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	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
		(in thousand Baht)											
Thai Refrigeration Components Co., Ltd.	Manufacturing of roll-bond evaporators	10.57	10.57	50,000	50,000	5,286	5,286	-	-	5,286	5,286	264	264
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	Manufacturing of air conditioners	10.00	10.00	1,200,000	1,200,000	120,000	120,000	-	-	120,000	120,000	445,212	772,416
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	33,038	45,869
<b>Total</b>				<b>157,362</b>	<b>157,362</b>	<b>157,362</b>	<b>157,362</b>	<b>-</b>	<b>-</b>	<b>157,362</b>	<b>157,362</b>	<b>478,514</b>	<b>818,549</b>

**Kang Yong Electric Public Company Limited**  
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**11 Investment properties**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>		
	Land	Buildings	Total
	<i>(in thousand Baht)</i>		
<b>Cost</b>			
At 1 April 2016	10,360	91,436	101,796
Disposals	(782)	-	(782)
<b>At 31 March 2017 and 1 April 2017</b>	<b>9,578</b>	<b>91,436</b>	<b>101,014</b>
<b>At 31 March 2018</b>	<b>9,578</b>	<b>91,436</b>	<b>101,014</b>
<b>Accumulated depreciation and impairment losses</b>			
At 1 April 2016	5,389	91,436	96,825
<b>At 31 March 2017 and 1 April 2017</b>	<b>5,389</b>	<b>91,436</b>	<b>96,825</b>
<b>At 31 March 2018</b>	<b>5,389</b>	<b>91,436</b>	<b>96,825</b>
<b>Net book value</b>			
At 1 April 2016	4,971	-	4,971
<b>At 31 March 2017 and 1 April 2017</b>	<b>4,189</b>	<b>-</b>	<b>4,189</b>
<b>At 31 March 2018</b>	<b>4,189</b>	<b>-</b>	<b>4,189</b>

Investment properties comprise land and buildings that are leased to an associate and plots of land that are not used in operations. As at 31 March 2018, fair value of land and buildings that are leased to its associate was determined by the independent professional valuers under Income Approach at Discounted cash flows method. Fair value of land not used in operations was considered by appraisal value of Treasury Department. As at 31 March 2018, fair value of land and buildings that are leased to its associate and land not used in operations totaled approximately Baht 154.56 million.

As at 31 March 2017, 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. 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 of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment properties regularly.

The fair value measurement for investment properties of Baht 154.56 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 2018**

**12 Property, plant and equipment**

<i>Cost</i>	Financial statements in which the equity method is applied and separate financial statements							Total
	Land and improvements	Buildings and improvements	Machinery and equipment	Factory equipment <i>(in thousand Baht)</i>	Office equipment	Vehicles	Assets under construction and installation	
At 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)
<b>At 31 March 2017 and 1 April 2017</b>	<b>163,969</b>	<b>716,283</b>	<b>1,577,462</b>	<b>3,031,375</b>	<b>125,471</b>	<b>1,167</b>	<b>155,171</b>	<b>5,770,898</b>
Additions	-	944	12,642	66,064	9,797	3	354,400	443,850
Transfers	-	23,323	146,422	286,899	5,452	-	(462,096)	-
Disposals	-	-	(19,548)	(49,874)	(4,202)	(982)	-	(74,606)
<b>At 31 March 2018</b>	<b>163,969</b>	<b>740,550</b>	<b>1,716,978</b>	<b>3,334,464</b>	<b>136,518</b>	<b>188</b>	<b>47,475</b>	<b>6,140,142</b>
<i>Accumulated depreciation</i>								
At 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)
<b>At 31 March 2017 and 1 April 2017</b>	<b>34,471</b>	<b>633,364</b>	<b>1,111,324</b>	<b>2,545,573</b>	<b>79,182</b>	<b>1,068</b>	<b>-</b>	<b>4,404,982</b>
Depreciation charge for the year	-	21,875	70,599	236,975	15,011	24	-	344,484
Disposals	-	-	(19,029)	(48,430)	(4,168)	(982)	-	(72,609)
<b>At 31 March 2018</b>	<b>34,471</b>	<b>655,239</b>	<b>1,162,894</b>	<b>2,734,118</b>	<b>90,025</b>	<b>110</b>	<b>-</b>	<b>4,676,857</b>

**Kang Yong Electric Public Company Limited**  
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<i>Net book value</i>	Financial statements in which the equity method is applied and separate financial statements						Total	
	Land and improvements	Buildings and improvements	Machinery and equipment	Factory equipment	Office equipment	Vehicles		Assets under construction and installation
At 1 April 2016	130,440	87,823	491,761	491,261	23,918	21	42,885	1,268,109
At 31 March 2017 and 1 April 2017	129,498	82,919	466,138	485,802	46,289	99	155,171	1,365,916
At 31 March 2018	129,498	85,311	554,084	600,346	46,493	78	47,475	1,463,285

The gross amount of the Company's fully depreciated plant and equipment that was still in use as at 31 March 2018 amounted to Baht 3,630.3 million (2017: Baht 2,856.6 million).

In September 2016, the Company has donated partial plots of land that was under land servitude with a cost of Baht 0.94 million for public use. As at 31 March 2018, the Company's land with a cost approximately Baht 9.30 million that was partially under land servitude, was completely free from land servitude.



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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>				Total
	Software licences	Other computer software	Golf course membership	Software under installation	
	<i>(in thousand Baht)</i>				
<b>Cost</b>					
At 1 April 2016	-	12,754	962	-	13,716
Additions	17,900	6,945	-	8,400	33,245
Disposals	-	(462)	-	-	(462)
<b>At 31 March 2017 and 1 April 2017</b>	<b>17,900</b>	<b>19,237</b>	<b>962</b>	<b>8,400</b>	<b>46,499</b>
Additions	10,250	3,978	-	-	14,228
Transfers	8,400	-	-	(8,400)	-
<b>At 31 March 2018</b>	<b>36,550</b>	<b>23,215</b>	<b>962</b>	<b>-</b>	<b>60,727</b>
<b>Accumulated amortisation</b>					
At 1 April 2016	-	5,223	42	-	5,265
Amortisation for the year	1,044	2,890	192	-	4,126
Disposals	-	(462)	-	-	(462)
<b>At 31 March 2017 and 1 April 2017</b>	<b>1,044</b>	<b>7,651</b>	<b>234</b>	<b>-</b>	<b>8,929</b>
Amortisation for the year	2,914	4,014	195	-	7,123
<b>At 31 March 2018</b>	<b>3,958</b>	<b>11,665</b>	<b>429</b>	<b>-</b>	<b>16,052</b>
<b>Net book value</b>					
At 1 April 2016	-	7,531	920	-	8,451
<b>At 31 March 2017 and 1 April 2017</b>	<b>16,856</b>	<b>11,586</b>	<b>728</b>	<b>8,400</b>	<b>37,570</b>
<b>At 31 March 2018</b>	<b>32,592</b>	<b>11,550</b>	<b>533</b>	<b>-</b>	<b>44,675</b>

**14 Deferred tax**

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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>			
	Assets		Liabilities	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	<i>(in thousand Baht)</i>			
Total	79,552	76,537	(15,474)	(12,999)
Set off of tax	(15,474)	(12,999)	15,474	12,999
<b>Net deferred tax assets</b>	<b>64,078</b>	<b>63,538</b>	<b>-</b>	<b>-</b>

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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>			<b>At 31 March 2018</b>
	<b>At 1 April 2017</b>	<b>(Charged) / Credited to :</b>		
		Profit or loss	Other comprehensive income	
		<i>(in thousand Baht)</i>		
<b><i>Deferred tax assets</i></b>				
Inventories				
<i>(allowance for decline in value)</i>	4,119	5,633	-	9,752
Provision for warranties	28,222	(6,497)	-	21,725
Employee benefit obligations	40,097	2,487	1,500	44,084
Provident funds	3,021	(108)	-	2,913
Impairment losses on land not used in operations	1,078	-	-	1,078
<b>Total</b>	<b>76,537</b>	<b>1,515</b>	<b>1,500</b>	<b>79,552</b>
<b><i>Deferred tax liabilities</i></b>				
Available-for-sale securities				
<i>(revaluation)</i>	(1,153)	-	661	(492)
Property, plant and equipment				
<i>(depreciation difference)</i>	(11,846)	(3,136)	-	(14,982)
<b>Total</b>	<b>(12,999)</b>	<b>(3,136)</b>	<b>661</b>	<b>(15,474)</b>
<b>Net</b>	<b>63,538</b>	<b>(1,621)</b>	<b>2,161</b>	<b>64,078</b>

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	<b>Financial statements in which the equity method is applied and separate financial statements</b>			<b>At 31 March 2017</b>
	<b>At 1 April 2016</b>	<b>(Charged) / Credited to :</b>		
		Profit or loss	Other comprehensive income	
		<i>(in thousand Baht)</i>		
<b><i>Deferred tax assets</i></b>				
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
<b>Total</b>	<b>81,170</b>	<b>(4,859)</b>	<b>226</b>	<b>76,537</b>
<b><i>Deferred tax liabilities</i></b>				
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)
<b>Total</b>	<b>(10,888)</b>	<b>(2,638)</b>	<b>527</b>	<b>(12,999)</b>
<b>Net</b>	<b>70,282</b>	<b>(7,497)</b>	<b>753</b>	<b>63,538</b>

**15 Other non-current assets**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
Refundable import duty	10,437	10,085
Refundable corporate income tax	9,469	-
Loans to employees	4,377	2,753
Others	1,552	737
<b>Total</b>	<b>25,835</b>	<b>13,575</b>

**16 Trade accounts payable**

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2018	2017
		<i>(in thousand Baht)</i>	
Related parties	4	115,615	134,894
Other parties		778,845	824,213
<b>Total</b>		<b>894,460</b>	<b>959,107</b>

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**17 Other payables**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
Royalty fee and development fee payables	267,034	280,891
Accrued employee benefits	87,103	97,550
Payables on purchases of property and equipment	12,839	13,467
Others	133,434	195,372
<b>Total</b>	<b>500,410</b>	<b>587,280</b>

**18 Non-current provisions for employee benefits**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
<b>Statement of financial position</b>		
<b>Non-current provisions for:</b>		
Post-employment benefits	204,271	184,276
Other long-term employee benefits	16,149	16,209
<b>Total</b>	<b>220,420</b>	<b>200,485</b>
<b>Statement of comprehensive income</b>		
<i>for the year ended 31 March</i>		
<b>Recognised in profit or loss:</b>		
Post-employment benefits	17,184	21,423
Other long-term employee benefits	1,797	1,357
<b>Total</b>	<b>18,981</b>	<b>22,780</b>
<b>Recognised in other comprehensive income:</b>		
Actuarial losses recognised in the year	<b>7,501</b>	<b>1,131</b>

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.

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Movement in the present value of the defined benefit obligations:

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
At 1 April	200,485	182,789
<b>Included in profit or loss:</b>		
Current service cost	13,409	12,088
Past service cost	189	6,263
Interest on obligations	5,383	4,429
	<u>18,981</u>	<u>22,780</u>
<b>Included in other comprehensive income:</b>		
Actuarial losses	7,501	1,131
<b>Other</b>		
Benefit paid	(6,547)	(6,215)
<b>At 31 March</b>	<u>220,420</u>	<u>200,485</u>

Actuarial losses recognised in other comprehensive income arising from:

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
Demographic assumptions	2,253	-
Financial assumptions	-	(4,331)
Experience adjustment	5,248	5,462
<b>Total</b>	<u>7,501</u>	<u>1,131</u>

***Actuarial assumptions***

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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	%	
Discount rate	2.75	2.75
Future salary increases	5.00	5.00

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

At 31 March 2018, the weighted-average duration of the defined benefit obligations was 8 years (2017 : 9 years).

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*Sensitivity analysis*

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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	Increase	Decrease
	<i>(in thousand Baht)</i>	
<b>At 31 March 2018</b>		
Discount rate (0.50% movement)	(9,065)	9,738
Future salary increases (1.00% movement)	15,802	(13,895)
<b>At 31 March 2017</b>		
Discount rate (0.50% movement)	(8,714)	9,360
Future salary increases (1.00% movement)	14,953	(13,139)

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**

	<b>Financial statements in which the equity method is applied and separate financial statements</b>
	<i>(in thousand Baht)</i>
At 1 April 2016	184,942
Provisions made	22,467
Provisions used	(66,297)
<b>At 31 March 2017 and 1 April 2017</b>	<b>141,112</b>
Provisions made	30,911
Provisions used	(63,398)
<b>At 31 March 2018</b>	<b>108,625</b>

A provision for product warranties is recognised when the underlying products or services are sold. The provision is based on historical actual claimed 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)	2018 Number      Amount ( in thousand shares/ in thousand Baht)		2017 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>
<b>At 31 March</b>					
- ordinary shares	10	<u><b>22,000</b></u>	<u><b>220,000</b></u>	<u><b>22,000</b></u>	<u><b>220,000</b></u>
<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>
<b>At 31 March</b>					
- ordinary shares	10	<u><b>22,000</b></u>	<u><b>220,000</b></u>	<u><b>22,000</b></u>	<u><b>220,000</b></u>

*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 2018 and 2017 was as follows:

<i>Year ended 31 March</i>	<b>Financial statements in which the equity method is applied</b>							
	Domestic		Japan		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue from sale of goods and rendering of services	3,001,774	3,268,950	3,825,215	3,840,678	1,804,753	1,945,721	8,631,742	9,055,349
Segment profit	440,945	515,881	602,570	613,240	34,062	201,390	1,077,577	1,330,511
Unallocated expenses							(865,031)	(863,371)
Investment income							554,253	895,394
Net foreign exchange gain (loss)							(25,777)	9,962
Gain on sale of investment properties							-	58,580
Other income							28,703	30,065
Share of profit of an associate							1,994	1,198
Profit before income tax expense							771,719	1,462,339
Income tax expense							(52,462)	(126,538)
<b>Profit for the year</b>							<b>719,257</b>	<b>1,335,801</b>
Segment assets as at 31 March							8,135,866	8,297,028
Segment liabilities as at 31 March							1,760,564	1,964,416

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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 6,636 million (2017: Baht 6,924 million) of the Company's total revenues.

**23 Investment income**

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2018	2017	2018	2017
<i>(in thousand Baht)</i>					
<b>Rental income</b>					
Operating lease rental income					
Investment properties		17,188	17,196	17,188	17,196
		<u>17,188</u>	<u>17,196</u>	<u>17,188</u>	<u>17,196</u>
<b>Dividend income</b>					
Associate	4, 9	-	-	1,000	-
Related parties	4, 10	478,901	819,128	478,901	819,128
Other parties		13	15	13	15
		<u>478,914</u>	<u>819,143</u>	<u>479,914</u>	<u>819,143</u>
<b>Interest income</b>					
Related parties	4	240	378	240	378
Financial institutions		57,911	58,677	57,911	58,677
		<u>58,151</u>	<u>59,055</u>	<u>58,151</u>	<u>59,055</u>
<b>Total</b>		<u>554,253</u>	<u>895,394</u>	<u>555,253</u>	<u>895,394</u>

**24 Other income**

	Financial statements in which the equity method is applied and separate financial statements	
	2018	2017
<i>(in thousand Baht)</i>		
Revenue from scrap sales	13,809	12,512
Product development income	-	4,824
Others	14,894	12,729
<b>Total</b>	<u>28,703</u>	<u>30,065</u>

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**25 Distribution costs**

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2018	2017
		<i>(in thousand Baht)</i>	
Royalty fee	4	192,533	201,663
Transportation expenses		103,627	95,310
Advertising and sales promotion expenses		63,740	59,007
Product warranty expense	19	30,911	22,467
Employee benefit expenses		19,023	20,363
Others		6,996	12,715
<b>Total</b>		<b>416,830</b>	<b>411,525</b>

**26 Administrative expenses**

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2018	2017
		<i>(in thousand Baht)</i>	
Product development fee	4	295,117	305,733
Employee benefit expenses		176,462	164,222
Warehouse rental charge		85,109	84,047
Tax and duty		20,688	24,681
Technical assistance fee	4	16,699	16,367
Travelling expenses		10,731	8,936
Professional fee		9,992	11,691
Insurance premium		7,640	7,490
Maintenance expenses		7,545	10,919
Rental expense		7,325	7,971
Others		99,404	98,970
<b>Total</b>		<b>736,712</b>	<b>741,027</b>

**27 Employee benefit expenses**

	<i>Note</i>	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
		2018	2017
		<i>(in thousand Baht)</i>	
Wages and salaries		773,855	737,552
Contributions to provident fund		28,622	21,588
Defined benefit plan expenses	18	18,981	22,780
Others		88,073	120,091
<b>Total</b>		<b>909,531</b>	<b>902,011</b>

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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 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. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

**28 Expenses by nature**

		<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	<i>Note</i>	2018	2017
		<i>(in thousand Baht)</i>	
<b><i>Included in cost of sale of goods:</i></b>			
Changes in inventories of finished goods and work in process		129,103	70,590
Raw materials and consumables used		5,636,304	5,788,005
Employee benefit expenses		714,046	717,426
Depreciation		324,877	329,588
<b><i>Included in distribution costs:</i></b>			
Royalty fee	4, 25	192,533	201,663
Transportation expenses	25	103,627	95,310
Advertising and sales promotion expenses	25	63,740	59,007
<b><i>Included in administrative expenses:</i></b>			
Product development fee	4, 26	295,117	305,733
Employee benefit expenses	26	176,462	164,222
Warehouse rental charge	26	85,190	84,047

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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	
		2018	2017
		<i>(in thousand Baht)</i>	
<b>Current tax expense</b>			
Current year		50,841	116,808
Under provided in prior years		-	2,233
		<b>50,841</b>	<b>119,041</b>
<b>Deferred tax expense</b>			
Movements in temporary differences	14	1,621	7,497
<b>Total income tax expense</b>		<b>52,462</b>	<b>126,538</b>

*Income tax recognised in other comprehensive income*

	Financial statements in which the equity method is applied and separate financial statements					
	2018			2017		
	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)	(3,307)	661	(2,646)	(2,634)	527	(2,107)
Defined benefit plan actuarial losses	(7,502)	1,500	(6,002)	(1,131)	226	(905)
<b>Total</b>	<b>(10,809)</b>	<b>2,161</b>	<b>(8,648)</b>	<b>(3,765)</b>	<b>753</b>	<b>(3,012)</b>

*Reconciliation of effective tax rate*

	Financial statements in which the equity method is applied			
	2018		2017	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense		771,720		1,462,340
Income tax using the Thai corporation tax rate	20.00	154,344	20.00	292,468
Income not subject to tax		(95,983)		(163,828)
Additional deduction expenses for tax purposes		(6,238)		(5,106)
Expenses not deductible for tax purposes		339		771
Under provided in prior years		-		2,233
<b>Total</b>	<b>6.80</b>	<b>52,462</b>	<b>8.65</b>	<b>126,538</b>

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	<b>Separate financial statements</b>			
	2018		2017	
	<i>Rate</i> (%)	<i>(in</i> <i>thousand</i> <i>Baht)</i>	<i>Rate</i> (%)	<i>(in</i> <i>thousand</i> <i>Baht)</i>
Profit before income tax expense		770,726		1,461,141
Income tax using the Thai corporation tax rate	20.00	154,145	20.00	292,228
Income not subject to tax		(95,983)		(163,828)
Additional deduction expenses for tax purposes		(6,238)		(5,106)
Expenses not deductible for tax purposes		538		1,011
Under provided in prior years		-		2,233
<b>Total</b>	<b>6.81</b>	<b>52,462</b>	<b>8.66</b>	<b>126,538</b>

### 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 2018 and 2017 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:

	<b>Financial statements in which the equity method is applied</b>		<b>Separate financial statements</b>	
	2018	2017	2018	2017
	<i>(in thousand Baht / thousand shares )</i>			
<b>Profit for the year attributable to ordinary shareholders of the Company (Basic)</b>	<b>719,257</b>	<b>1,335,801</b>	<b>718,263</b>	<b>1,334,603</b>
<b>Number of ordinary shares outstanding</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>
<b>Earnings per share (Basic) (in Baht)</b>	<b>32.69</b>	<b>60.72</b>	<b>32.65</b>	<b>60.66</b>

### 32 Dividends

At the annual general meeting of the shareholders of the Company held on 26 July 2017, the shareholders approved the appropriation of dividends of Baht 30.36 per share, amounting to Baht 667.9 million. The dividend was paid to the shareholders in August 2017.

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.

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**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)	<b>Financial statements in which the equity method is applied and separate financial statements</b> Within 1 year (in thousand Baht)
<b>2018</b>		
Current		
Deposits at financial institutions	0.50 - 1.15	609,138
Short-term investments - fixed deposits	1.25 - 1.60	3,300,000
Short-term loans to related party	0.80	27,508
<b>2017</b>		
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

*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.

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

	<b>Financial statements in which the equity method is applied and separate financial statements</b>	
	2018	2017
	<i>(in thousand Baht)</i>	
<b><i>United States Dollars</i></b>		
Trade accounts receivable	427,028	454,268
Trade accounts payable	(75,941)	(62,304)
Other accounts payable	(26,853)	(23,486)
<b>Net exposure</b>	<b>324,234</b>	<b>368,478</b>
<b><i>Japanese Yen</i></b>		
Trade accounts receivable	56,246	47,560
Trade accounts payable	(9,186)	(7,719)
Other accounts payable	(86,152)	(93,018)
<b>Net exposure</b>	<b>(39,092)</b>	<b>(53,177)</b>
<b><i>Russian Ruble</i></b>		
Trade accounts receivable	20,832	28,510
<b>Net exposure</b>	<b>20,832</b>	<b>28,510</b>
<b><i>Other currencies</i></b>		
Other accounts payable	(2,952)	(209)
<b>Net exposure</b>	<b>(2,952)</b>	<b>(209)</b>
<b>Net</b>	<b>303,022</b>	<b>343,602</b>

***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.



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*Carrying amounts 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>					
<b>31 March 2018</b>					
<i>Financial assets measured at fair value</i>					
Equity securities available-for-sale	7,724	7,222	-	502	<b>7,724</b>
<b>31 March 2017</b>					
<i>Financial assets measured at fair value</i>					
Equity securities available-for-sale	11,032	10,582	-	450	<b>11,032</b>

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

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

**34 Commitments with non-related parties**

	Financial statements in which the equity method is applied and separate financial statements	
	2018	2017
	<i>(in thousand Baht)</i>	
<i>Capital commitments</i>		
<i>Contracted but not provided for</i>		
Acquisition of property, plant and equipment	<b>38,980</b>	<b>49,617</b>
<i>Future minimum lease payments under non-cancellable operating leases</i>		
Within one year	4,010	6,644
After one year but within five years	4,915	5,879
<b>Total</b>	<b>8,925</b>	<b>12,523</b>

The Company entered into several long-term lease agreements covering vehicles which have four and five year terms which will expire in various periods up to the year 2021. In consideration thereof, the Company is committed to pay rental fee at various annual rental rates as specified in the agreements.

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**35 Reclassification of accounts**

Certain accounts in the 2017 financial statements have been reclassified to conform to the presentation in the 2018 financial statements as follows:

	<b>2017</b>		
	<b>Financial statements in which the equity method is applied and separate financial statements</b>		
	Before reclass.	Reclass.	After reclass.
	<i>(in thousand Baht)</i>		
<b><i>Statement of financial position</i></b>			
Trade accounts payable	1,078,668	(119,561)	959,107
Other payables	467,719	<u>119,561</u>	587,280
		<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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