

Opinion of Independent Financial Advisor
on a connected transaction

of



KANG YONG ELECTRIC PUBLIC COMPANY LIMITED

By



FINNEX ADVISORY COMPANY LIMITED

18th June 2018

(Translation)

18th June 2018

Subject Opinion of Independent Financial Advisor on a connected transaction regarding product development fee between Mitsubishi Electric Cooperation and Kang Yong Electric Public Company Limited

To Shareholders of Kang Yong Electric Plc.

According to the Special Board of Directors' Meeting of Kang Yong Electric Plc ("the Company" or "KYE") No.1/2018 held on June 14, 2018, resolved to grant approval to propose to the Annual General Meeting of Shareholders for the year 2018, will be held on Wednesday, July 25, 2018, to consider and approve the connected transaction for product development fee with Mitsubishi Electric Cooperation ("MELCO") who is the major shareholders of the Company. Referring the book of shareholders' registration on April 24, 2018, MELCO holds 8,978,020 shares or 40.81% of paid up capital of the Company. In order that the connected transaction, the company shall pay a product development fee over a period five years from April 1, 2019 – March 31, 2024 to Mitsubishi Electric Cooperation ("MELCO") who is the major shareholders of the Company. The transaction size is equal to the amount payable for the product development fee incurred period April 1, 2019 – March 31, 2024, and based on the actual cost, the amount of which cannot accurately identify at present. The payment of product development fee to MELCO, the Company will seek the approval for the budget of the product development fee to the Annual General Meeting of Shareholders at the rate not exceed 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement for each fiscal year.

This rate has not stated in the terms and conditions of both Agreements which is going to renew. Under the Agreement, payment for development fee to MELCO will base on the actual cost which may higher than 4% of revenue from the sale of goods and rendering of services. In the previous, the Company paid the development fee in an average rate at 3.13% of revenue from the sale of goods and rendering of services. In addition, the development process will be MELCO, the Company, and distributors' cooperate to consider the development plan. The Company will follow and monitor the budget in every quarter. In this respect, the Board of Directors is assigned to monitor the product development to ensure it reaches the highest effectiveness and efficiency in responding to the changing market demand. The information on this transaction shall disclose in the Company's annual report and propose to the Annual General Meeting of Shareholders.

The said transaction is considered as a Category 2 connected transaction, defined as a normal business supporting transaction, which does not have a general trading conditions comply with the Notification of the Capital Market Supervisory Board, No, TorChor. 21/2551 Re: Rules on Connected Transaction, and Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Others Acts of Listed Companies Concerning the Connected Transactions B.E.2546. The size of the transaction

is expected to exceed 3% of net tangible assets of the Company according to the financial statement as of fiscal year end on March 31, 2018, and the total value is expected to exceed Baht 20 million. As such, the Company is obligated to disclose information on such transaction to the SET. And appoint an independent financial advisor to provide opinion to the shareholders and seek approval from its shareholders with a required affirmative vote not less than three-fourths of total votes of shareholders or their proxies (if any) attending the meeting and having the right to vote, excluding the shareholders who have vested interest and conflict of interest.

In this regard, the Company has appointed Finnex Advisory Company Limited who is a financial advisor approved by the Securities and Exchange Commission, has no relationship with the Company, its subsidiaries and related companies, as an Independent Financial Advisor (“IFA”). To provide opinion to independent directors, audit committee and the shareholders with respect to reasonableness and fairness of the product development fee and conditions for the said connected transaction. Finnex Advisory Company Limited as an Independent Financial Advisor has conducted the study and prepared the opinion on the transaction as follows:

1. Characteristics and Details of the Connected transaction
2. Reasonableness of the transaction
3. Fairness of the product development fee and conditions of the transaction
4. Independent Financial Advisor’s opinion

Result of the study by the IFA as presented herein is derived based on information supplied by the Company combining the Company Directors’ interview as well as information available publicly that have been accepted for reliability, accuracy and completeness. The IFA has rendered the opinion under assumption that the obtained information and documents are true and correct without any material changes thereto and based upon the economic condition and information occurring at the time conducting the study only. Therefore, any crucial change in such factors could have an impact on our opinion.

However, Finnex Advisory Company limited as an independent financial advisor, hereby to certify that we have performed the study and analyzed the said information with the prudence and use of the professional practices by hugely concerning the shareholders’ benefit. The IFA prepared the original version in Thai and also, translated into English for the foreign shareholders’ understanding. Nonetheless, in term of any compliance, please refer to the original document in Thai language.

Table of Contents	Page
Summary of KYE's management	5-7
Part 1 : Characteristics and Details of the connected transaction	8-16
Part 2 : Operational guidelines and information for report	17
Part 3 : General Information of Kang Yong Electric Plc and General Information of Mitsubishi Electric Cooperation	17 – 36
Part 4 : Independent Financial Advisor's opinion related to Reasonableness of the transaction	37 – 49
Part 5 : Independent Financial Advisor's opinion related to Fairness of the product development fee and conditions of the transaction	50 – 60
Part 6 : Summary of Independent Financial Advisor's Opinion	61 – 63

Definitions

“The Company” or “KYE”	:	Kang Yong Electric Public Company Limited
“MELCO”	:	Mitsubishi Electric Corporation
“TAKU”	:	Teral Taku Corporation
“Independent Financial Advisor” or “IFA”	:	Finnex Advisory Company Limited
“Connected Transaction Notification”	:	Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions and Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546
“The agreement”	:	The Technical Assistance Agreement
“SEC”	:	The Office of the Securities and Exchange Commission
“SET”	:	The Stock Exchange of Thailand

As Kang Yong Electric Public Company Limited (“the company” or “KYE”) entered into the Technical Assistance Agreement with Mitsubishi Electric Corporation (“MELCO”) on April 26, 1979, and another agreement on April 1, 2008. Under which the Company shall be licensed to manufacture and distribute home appliances, including refrigerators, electric fans, ventilating fans, air-conditioner, Television, and water pumps, under “Mitsubishi Electric” brand and MELCO shall provide the Company with technical know-how and production technology for new product development. At present, the company manufactures refrigerators, electric fans, ventilating fans, jet towel (hand dryer), and water pumps. In consideration thereof, the Company is obligated to pay a development fee to MELCO based on the actual cost, which consists of material cost, design & trial cost, and engineering & technician fee, in yen currency and on a quarterly basis. The agreement period is five years and is extendable automatically for every five years. The current term of the agreement lasts from April 1, 2014, to March 31, 2019.

In order that the Agreement will expire on March 31, 2019. The Special Board of Directors' Meeting of Kang Yong Electric Plc No. 1/2018 held on June 14, 2018, resolved to grant approval to propose to the Annual General Meeting of Shareholders for the year 2018, will be held on Wednesday, July 25, 2018, to consider and approve the connected transaction for product development fee with Mitsubishi Electric Corporation (“MELCO”) who is the major shareholders of the Company. By renewal, the Agreement will be active for a further five years (From April 1, 2019, to March 31, 2024). The company is obligated to pay the development fee based on the actual cost, the amount of which cannot accurately identify at present. The Company will seek the approval for the budget of the product development fee to the Annual General Meeting of Shareholders at the rate not exceed 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement for each fiscal year. This rate has not stated in the terms and conditions of both Agreements which is going to renew. Under the Agreement, payment for development fee to MELCO will base on the actual cost which may higher than 4% of revenue from the sale of goods and rendering of services. In the previous, the Company paid the development fee in an average rate at 3.13% of revenue from the sale of goods and rendering of services. In addition, the development process will be MELCO, the Company, and distributors' cooperate together to consider the development plan. The Company will follow and monitor the budget in every quarter. In case of in the future the development fee higher than 4% of revenue from sale of goods and rendering of services, the Company will seek the approval of the next Meeting of Shareholders. As for the source of funds for the payment of Development, a fee will come from the operating results of the company which the management of the Company has estimated the revenue from the sale of goods in the further five years onward. By expecting the size of transaction in total value not exceed Baht 2,156 million or 34.40% of net tangible assets of the Company (NTA) according to the financial statement as of fiscal year end on March 31, 2018, and the total value is expected to exceed Baht 20 million or exceed 3% of net tangible assets of the Company. As such, the Company is obligated to disclose information on such transaction to the SET. And appoint an independent financial advisor to provide opinion to the shareholders and seek approval from its shareholders with a required

affirmative vote not less than three-fourths of total votes of shareholders or their proxies (if any) attending the meeting and having the right to vote, excluding the shareholders who have vested interest and conflict of interest. The Independent Financial Advisor (“IFA”) has a comment that the electronic devices and home appliances industry has rapid technological changes and development are prevalent. As such, KYE needs to consistently improve and develop its product quality such as in term of energy saving, safety, and environment, etc. to meet all regulatory standards and requirements applicable. At present, the competition is quite high, new competitors’ entry into the market. The Company as one of the leaders in the market, it is necessary to give top priority to its product improvement to maintain the standard of “Mitsubishi Electric” and increase efficiency and competitiveness and to maintain the market share also, supports the new market expansion plan to many target countries. The cooperation with MELCO enables the Company to obtain several rights and benefits, including, among others, trademark licensing, technical cooperation and assistance in the manufacturing of world-class quality products, new technology transfer to its employees, and relief of burden on investment in R&D unit of its own. As the IFA is of the opinion that the Company is essential to proceed the connected transaction and the conditions of the connected transaction are “Appropriate and Fair” as without any of the conditions that enabled the company to benefit less than the existing Agreement. And the period for renewal this agreement is in the same period as compared with other listed companies with the same Agreement matter such as CPR Gomu Industrial Public Co., LTD (CPR), Muramoto Electron (Thailand) Public Company Limited (METCO), Thai Mitsuwa Public Company Limited (TMW), and Varopakorn Public Company Limited (VARO) and when compared with the others Home Appliances Businesses in Japan such as Toshiba Corporation and Hitachi, Ltd. According to the current Agreement, the Company has gained the technical assistance since April 1, 2014, which the Agreement will expire on March 31, 2019.

Considering the purposes and benefits, which the company will obtain. Including deemed the advantage, disadvantage and other risks to renew the Agreement. Finnex Advisory Company Limited who is a financial advisor approved by the Securities and Exchange Commission, and being an independent financial advisor of the company would like to summarize the opinion that to proceed the connected transaction is reasonable and beneficial to the Company which will create the opportunity to gain higher revenue and profit. As a result, the company has greater financial stability and has a probability of generating a continually greater return to shareholders.

Therefore, the shareholders shall approve the connected transaction pertaining to payment of product development fee to MELCO pursuant to the resolution of the Special Board of Directors Meeting No.1/2018 held on June 14, 2018. The Company is obligated to pay the product development fee based on the actual cost and the fairness. The Company will seek the approval for the budget of the product development fee at the rate not exceed 4% of revenue from sale of goods and rendering of services according to the Company’s financial statement for each fiscal year. However, at the rate 4% of revenue from sale of goods and rendering of services as mentioned, it is the approval of the budget for the management of the Company. This rate has not stated in the terms and conditions of both Agreements which is going to renew. Under the Agreement, payment for development fee to MELCO will base on the actual cost which may be higher than 4% of revenue from sale of

goods and rendering of services. In the previous, the Company paid the development fee in an average rate at 3.13% of revenue from sale of goods and rendering of services. The Company will follow and monitor the budget in every quarter. In case of in the future the development fee higher than 4% of revenue from sale of goods and rendering of services, the Company will seek the approval of the next Meeting of Shareholders. By expecting the size of transaction in the further five years onward effective from April 1, 2019, to March 31, 2024 the total value not exceed Baht 2,156 million or 34.40% of net tangible assets of the Company (NTA) according to the financial statement as of fiscal year end on March 31, 2018. In case the shareholders do not approve the renewal of the Technical Assistance Agreement. This will affect the Company in 3 main areas as follow:

1) The Company will not be entitled to use “Mitsubishi Electric” trademark and other rights, which could cause disruption to, or discontinuation of, its business.

2) Under the Technical Assistance Agreement, the Company will receive technical assistance, which is deemed as a trade secret under “Mitsubishi Electric” brand, from MELCO. Not renewal might cause the production quality issue and cause disruption to, or discontinuation of, its business. And.

3) Research and development of products to live up to the existing standards could lead to a product development cost that is higher than usual because a non-connected party will certainly take a maximum profit or benefit from rendering technical assistance to the Company. Otherwise, the Company will have to invest in an R&D unit of its own, which might not be a worthwhile investment.

1.1 Characteristics and Details of the transaction

According to the resolution of the Special Board of Directors' Meeting of Kang Yong Electric Plc ("the Company" or "KYE") No.1/2018 held on June 14, 2018 that approved the Company to extend the Technical Assistance Agreement with MELCO, who is a Connected party pursuant to the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions and Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546. A period of The Agreement is five years from April 1, 2019 – March 31, 2024.

Under the Technical Assistance Agreement, the Company is obligated to pay the development fee to MELCO base on the actual cost. Expecting the payment shall not exceed 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement for each fiscal year, however, at the rate 4% of revenue from sale of goods and rendering of services as mentioned, it is the approval of the budget for the management of the Company. This rate has not stated in the terms and conditions of both Agreements which is going to renew. Under the Agreement, payment for development fee to MELCO will base on the actual cost which may be higher than 4% of revenue from sale of goods and rendering of services. In order to estimate the transaction size of this agreement, will determine at 4% of revenue from sale of goods and rendering of services in the next 5 years which the total value exceeds Baht 20 million and exceed 3% of net tangible assets of the Company according to the Company's financial statement ended March 31, 2018. As such, the Company is obligated to disclose information on such transaction to the SET. And appoint an independent financial advisor to provide opinion to the shareholders and seek approval from its shareholders with a required affirmative vote not less than three-fourths of total votes of shareholders or their proxies (if any) attending the meeting and having the right to vote, excluding the shareholders who have vested interest and conflict of interest. The Company will propose to the Annual General Meeting of Shareholders for the year 2018, will be held on Wednesday, July 25, 2018,

Characteristics of Business

Kang Yong Electric Plc. ("the Company" or "KYE") was established on January 12, 1964, by Mr. Sithiphon Phodhivorakhun with the objective to manufacture and distribute home appliances of "Mitsubishi Electric" brand under a license and technical assistance granted by its strategic partner, the Japan-based Mitsubishi Electric Corporation.

On April 26, 1979, KYE entered into the Technical Assistance Agreement with Mitsubishi Electric Corporation ("MELCO"). The agreement period is five years and is extendable automatically for every five years. The current term of the agreement will expire on March 31, 2019. Details as follow:

Technical Assistance Agreement				
Period	Rate and Development fee			Agreement Period (Year)
	%	Total Value (Million Baht)	Average Value per year (Million Baht)	
<u>Previous Agreement</u> April 1, 2009 – March 31, 2014	≤ 3.00	1,214.86	242.97	5
<u>Current Agreement</u> April 1, 2014 – March 31, 2019	≤ 4.00	1,379.08 ¹⁾	275.82	5
<u>Extended Agreement</u> April 1, 2019 – March 31, 2024	≤ 4.00	Not exceed 2,155.63 ²⁾	Not exceed 431.13	5

Note: 1) As of March 31, 2018, the Company had actual payments totaling Baht 1,101.00 million. The Agreement amounts remaining for 12 months to March 31, 2022, are estimated to be in the amount of Baht 278.08 million, in total current agreement the development fee is Baht 1,379.08 million.

2) Estimating by the company which calculates from 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement period April 1, 2019 – March 31, 2024, Estimated Baht 431.13 million per year. The Company explained that in the development process, the three significant parties comprising MELCO, KYE, and the distributor will hold the meeting and planning together to determine the development plan for the next year. (Details as of the topic 5.1.3)

1.2 Nature of the Agreement

Nature of the Technical Assistance Agreement which will renew is not different from the previous Agreement in 2014. Term and conditions including the Agreement period remained the same. Summary as the follow:

Agreement 1

Name of Agreement	:	Technical Services Agreement
Service Receiver	:	Kang Yong Electric Public Company Limited ("The Company" or "KYE")
Service Provider	:	Mitsubishi Electric Corporation ("MELCO")
Signing date (First time)	:	April 26, 1979
Agreement period	:	April 1, 2014 – March 31, 2019
Agreement term	:	Five years, and if both the Company and MELCO have been approved by the shareholders' meeting to renew the Agreement. The Agreement will automatically renew for 5 years.

Terms and Conditions : 1. KYE shall be licensed to manufacture and distribute refrigerators, electric fans, ventilating fans, and Jet towel under "Mitsubishi Electric" trademark.

2. MELCO shall provide cooperation and assistance in technical know-how and production technology to KYE. Including provide the information, advice, and training in production. It also provides staffing assistance. To experience and knowledge to employees of KYE.

3. When MELCO imposes any models for KYE to manufacture, MELCO, Japan will not produce the same model. MELCO will import that model to sell.

4. The Agreement is unable to transfer or assign to the other parties without the written consent of the parties.

5. In case of changing terms and conditions in the Agreement. It is needed to be written consent of the parties.

6. Terminating the Agreement is by giving a written notice for six months in advance.

Development fee and Royalty fee : 1. The Development fee is paid in yen currency and on a quarterly basis, based on the actual cost, which consists of material cost, design & trial cost, and engineering & technician fee by receiving payment details

2. KYE shall pay the royalty fee for refrigerators, electric fans and ventilating fans at a rate of 2.5% of net sales to MELCO in yen currency.

Terms and method of payment : The Development fee is paid in yen currency and on a quarterly basis. The Royalty fee is paid in Thai Baht and on a yearly basis.

Note: Royalty Fee is a normal business support transaction with general trading conditions, which is fair and does not generate any profit. As such, the principle of the royalty fee of the Company is able to approve by the Board of Directors to be within the authority of the management. And not considered as the connected transaction.

Agreement 2

Name of Agreement : Technical Services Agreement

Service Receiver : Kang Yong Electric Public Company Limited
(“The Company” or “KYE”)

Service Provider : Mitsubishi Electric Corporation (“MELCO”)
Teral Taku Corporation (“TAKU”)

Signing date (First time) : April 1, 2008

Agreement period	:	April 1, 2018 – March 31, 2019
Agreement term	:	Five years, and if the Company, TAKU, and MELCO have been approved by the shareholders' meeting to renew the Agreement. The Agreement will automatically renew for 5 years.
Terms and Conditions	:	<ol style="list-style-type: none"> 1. KYE shall be licensed to manufacture and distribute water pump under “Mitsubishi Electric” trademark. 2. MELCO and Taku shall provide cooperation and assistance in technical know-how and production technology to KYE. Including provide the information, advice, and training in production. It also provides staffing assistance. To experience and knowledge to employees of KYE. 3. The Agreement is unable to transfer or assign to the other parties without the written consent of the parties. 4. In case of changing terms and conditions in the Agreement. It is needed to be written consent of the parties. 5. Terminating the Agreement is by giving a written notice for six months in advance.
Development fee and Royalty fee	:	<ol style="list-style-type: none"> 1. The Development fee is paid in yen currency and on a quarterly basis, based on the actual cost, which consists of material cost, design & trial cost, and engineering & technician fee by receiving payment details 2. KYE shall pay the royalty fee for water pumps at a rate of 1% of net sales to TAKU and 1.5% of net sales to MELCO in Thai Baht
Terms and method of payment	:	The Development fee is paid in yen currency and on a quarterly basis. The Royalty fee is paid in Thai Baht and on a yearly basis.

Note: Royalty Fee is a normal business support transaction with general trading conditions, which is fair and does not generate any profit. As such, the principle of the royalty fee of the Company is able to approve by the Board of Directors to be within the authority of the management. And not considered as the connected transaction.

1.3 Contractual Parties and Nature of Relationship

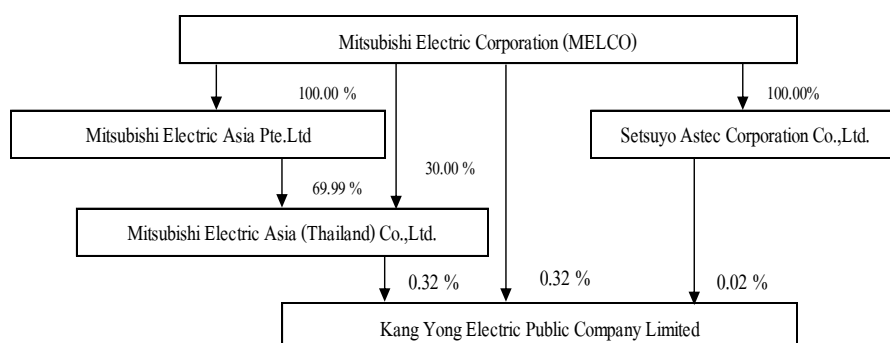
Payer of product development fee	:	Kang Yong Electric Plc.
Receiver of product development fee	:	Mitsubishi Electric Corporation and Teral Taku Corporation

Relationship

:

Mitsubishi Electric Corporation

- MELCO group is deemed as the Company's connected party owning, as at April 24, 2018, a total of 9,053,020 shares or 41.15% in the Company, being composed of:
 - 1) MELCO holding 8,978,020 shares or 40.81%;
 - 2) A subsidiary, Mitsubishi Electric Asia Pte. Ltd. , holding 70,000 shares or 0.32%; and
 - 3) An associated company, Setsuyo Astec Corporation, holding 5,000 shares or 0.02%.



Teral Taku Corporation

- The Company is not a connected person of TAKU, the Company, shareholders, directors and management of the Company are not a shareholder nor a director and not an executive or management of TAKU. TAKU is a company who cooperate with MELCO to develop production technology of home water pump. Thus, the Company is obligated to pay the royalty fee as the rate that stated in the Agreement. Moreover, the pay for the development fee base on the actual cost.

Top 10 list of major shareholders of the Company as at April 24, 2018, as the register book of the Company:

No.	Name	No. of Shares (Shares)	%
1.	MITSUBISHI ELECTRIC CORPORATION	8,978,020	40.81
2.	Phodhivorakhun Co., Ltd. ^{/1}	1,960,024	8.91
3.	K.Y. Intertrade Co., Ltd. ^{/2}	1,773,024	8.06
4.	Mr.Somchart Sottimai	1,000,000	4.55
5.	Kang Yong Co., Ltd. ^{/3}	697,324	3.17
6.	Mrs. Kamolwan Phodhivorakhun	683,879	3.11
7.	Mr. Supachai Suthipongchai	650,000	2.96

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

Note : ¹ Major shareholders as Mrs. Kamolwan Phodhivorakhun 33.34% , Mr.Prophon Potivorakhun 16.67%, Ms.Lapaslada Phodhivorakhun 16.66% (Data as of June 15,2018, source : BOL data base (Business Online)

² Major shareholders as Mrs. Kamolwan Phodhivorakhun 19.60%, Phodhivorakhun Co., Ltd.17.20%,Saha Kang yong Co., Ltd. 13.20%, Mr.Prophon Potivorakhun 12.00% and Mr.Praphad Phodhivorakhun 12.00% (Data as of June 22,2018, source : BOL data base (Business Online)

³ Major shareholders as Mrs.Sirat Varikarn 73.00% and Phodhivorakhun group 13.39% (comprising with Ms.Lapaslada Phodhivorakhun 4.44%, Mr.Artit Potivorakhun 4.17%, Mr.Prophon Potivorakhun 2.50%, Mr.Vorapas Phodhivorakhun 2.22% and Mrs. Kamolwan Phodhivorakhun 0.06% (Data as of June 15, 2018, source: BOL data base (Business Online)

Therefore, the Company's shareholding proportion is as follows:

	No. of people	Total shares	%
1. MELCO	3	9,053,020	41.15
2. Phodhivorakhun group	9	5,430,306	24.68
3. Other shareholders	<u>2,403</u>	<u>7,516,674</u>	<u>34.17</u>
Total	<u>2,415</u>	<u>22,000,000</u>	<u>100.00</u>

1.4 Date of Connected Transaction

The Company will renew the Technical Assistance Agreement after the resolution of the Annual General Meeting of Shareholders of the company and the resolution of the Annual General Meeting of Shareholders of MELCO approve. However, the current Agreement will expire on March 31, 2019.

Category and Size of Transaction

The said transaction is considered as a Category 2 connected transaction, defined as a normal business supporting transaction, which does not have a general trading conditions comply with the Notification of the Capital Market Supervisory Board, No, TorChor. 21/2551 Re: Rules on Connected Transaction, and Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Others Acts of Listed Companies Concerning the Connected Transactions B.E. 2546. The payment of the transaction period April 1, 2019 – March 31, 2024 based on the actual cost incurred in each year, the amount of which cannot accurately identify at present. The payment of Royalty fee is paid in yearly basis, is defined as a normal business supporting transaction, which does have a general trading conditions Note: Royalty Fee is a normal business support transaction with general trading conditions, which is fair and does not generate any profit. As such, the principle of the royalty fee of the Company is able to approve by the Board of Directors to be within the authority of the management. And not considered as the connected transaction.

However, the Company estimates the payment shall not exceed 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement for each fiscal year. The Company will seek the approval for the budget of the product development fee to the Annual General Meeting of Shareholders at the rate not exceed 4% of revenue from sale of goods and rendering of services according to the Company's financial statement for each fiscal year. This rate has not stated in the terms and conditions of both Agreements which is going to renew. Under the Agreement, payment for development fee to MELCO will base on the actual cost which may higher than 4% of revenue from sale of goods and rendering of services. In the previous, the Company paid the development fee in an average rate at 3.13% of revenue from sale of goods and rendering of services. In addition, the development process will be MELCO, the Company, and distributors' cooperate together to consider the development plan. The Company will follow and monitor the budget in every quarter. In case of in the future the development fee higher than 4% of revenue from sale of goods and rendering of services, the Company will seek the approval of the next Meeting of Shareholders. The management has estimated the sales revenues in the next five years from April 1, 2019 - March 31, 2024. The estimated size of transaction in total is Baht 2,156 million or 34.40% of NTA as the financial statement as of March 31, 2018 which the total value exceeds Baht 20 million or 3% of net tangible assets of the Company according to the Company's financial statement ended March 31, 2018, depends on which value would be higher. As such, it considered the transaction that requires the approval of the resolution of the Annual General Shareholders meeting according to the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions.

Payment of product development fee in the previous five years (2014-2018) is shown in the below table:

รายการ	2014	2015	2016	2017	2018
Product development fee (Baht million)	193.61	217.82	282.33	305.73	295.12
Net tangible assets (Baht million) ¹⁾	4,296.19	4,961.47	5,350.62	6,231.51	6,266.55
Product development fee as % of net tangible assets (%)	4.51%	4.39%	5.28%	4.91%	4.71%
Revenue from sale of goods and rendering of services (Baht million)	8,459.60	8,675.27	8,805.20	9,055.35	8,631.74
Product development fee as % of revenue from sale of goods and rendering of services (%)	2.29%	2.51%	3.21%	3.38%	3.42%

Source: KYE's financial statements; fiscal year covering April 1 – March 31

Note:

1). Net tangible assets (NTA) calculate from

Net tangible assets (NTA) = Total assets of the company and subsidiary company

- Total liabilities of the company and subsidiary company

- Intangible assets of the company and subsidiary company

- Minority shareholders equity (if any)

The connected transaction is pursuant to Notification of the Board of Governors of the Stock Exchange of Thailand No. BorChor/ Por 22-01 Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546. As such, the transaction size exceeds Baht 20 million and exceed 3% of net tangible assets of the Company according to the Company's financial statement, the Company is obligated to disclose information on such transaction to the SET and seek approval from its shareholders with a required affirmative vote not less than three-fourths of total votes of shareholders or their proxies (if any) attending the meeting and having the right to vote, excluding the shareholders who have vested interest and conflict of interest which are

Shareholders who have vested interest	Shares holding on April 24, 2018	
	Shares	%
1. Mitsubishi Electric Corporation	8,978,020	40.81
2. Mitsubishi Electric Asia Pte. Ltd.	70,000	0.32
3. Setsuyo Astec Corporation Co., Ltd.	5,000	0.02
Total	9,053,020	41.15

1.5 Value of Consideration and Terms of payment

Pursuant to the Technical Assistance Agreement, the Company has signed specify that the Company is obligated to pay a development fee based on the actual cost, which consists of material cost, design & trial cost, and engineering & technician fee. The Company will receive the expenses details by category by model and type of products that have been developed. The payment will be in yen currency and on a quarterly basis. In order that the development fee considered as the remuneration that the company pays to MELCO. MELCO shall provide cooperation and assistance in technical know-how and production technology to KYE. Including providing the information, advice, and training in production. The product development fee paid by the Company in the past five years, broken down by type of product, is as follows:

Unit: Baht million

Product	2014	2015	2016	2017	2018
<u>Developmnet fee by products</u>					
Refrigertor	160.15	170.61	241.21	258.91	240.10
Electric Fan and Ventilating fan	33.46	47.21	39.85	46.36	52.43
Water Pump	-	-	1.27	0.46	2.59
Jet Towel (Hand Dryer)	-	-	-	-	-
Total	193.61	217.82	282.33	305.73	295.12

Product	2014	2015	2016	2017	2018
<u>Development fee by expense</u>					
Engineer and specialist	103.08	115.52	156.66	170.61	165.57
Materials and Testing	90.53	102.30	125.67	135.12	129.55
Total	193.61	217.82	282.33	305.73	295.12

Source: KYE; calculation based on fiscal year of April 1 – March 31 of each year

When MELCO imposes any models for KYE to manufacture, MELCO, Japan will not produce the same model. MELCO will import that model to sell. In addition, standardization of the payment of the Technical Assistance Agreement by based on the actual cost is the standard which MELCO groups also operate.

The IFA has considered and studied the connected transaction. By receiving the information supplied by the Company, interviewing the management, and information available publicly comprising of the others related information but not limited to:

1. The resolution of the Board of Directors meeting and the information disclosed through SET which related the connected transaction.
2. The confidential documents of the Company and MELCO.
3. Technical Services Agreement for developing the refrigerator, electric fan, and ventilating fan made between the Company as a service recipient and MELCO as a service provider.
4. Technical Services Agreement for developing the water pump made between the Company as a service recipient and MELCO and TAKU as a service provider.
5. The Company's financial statements reviewed and certified by the auditors who discloses information to the Stock Exchange of Thailand.
6. Research and development data on third party of the electrical appliances which disclosed in the annual report published on the website of each company.
8. Interviewing the management and related person.
9. Statistics from the Stock Exchange of Thailand and the electrical appliances industry.

The IFA's opinion is under assumption that the obtained information and documents also, the management and related person interviewed are true and correct without any material changes. The IFA has conducted the study with the use of our knowledge, ability, due care and professional practices. Moreover, the IFA considers various agreements and business agreements are enforceable, legally binding. There is no changes in conditions, revocation or cancellation, including no incident or conditions that could have a significant impact on the acquisition of assets.

The IFA's opinion has prepared under the obtained information. Including industry conditions, economic conditions, and other factors which the significant changes might be occurred later and might be impacted to the IFA's opinion. Therefore, the IFA has no obligation to improve the opinion of this report.

The result of the study by the IFA has prepared for the Company's shareholders for considering to cast a vote for the connected transaction. The outcome of the vote depends on the shareholders' discretion. The shareholders shall study the attached documents with deliberation and due care before casting a vote for voting appropriately. In order that the IFA's opinion does not certify the success of the transaction also, the potential that might be occurred. And the IFA could not be held responsible for any impact that might be occurred either directly or indirectly.

Part 3: General Information of Kang Yong Electric Plc and
General Information of Mitsubishi Electric Cooperation

3.1 General Information of Kang Yong Electric Plc

Initial	:	KYE
Status	:	Listed on the SET Dated May 11,1994
Main Business	:	Manufacturers of electric home appliances under Mitsubishi Electric trademark. Such as refrigerators, electric fans, ventilating fan, and water pump. It is licensed and obtained the production technology by Mitsubishi Electric Corporation of Japan (MELCO). The company has customers in both domestic and international markets.
Office and Factory	:	No.67 Moo11, Bangna-Trad km.20, Bangchalong, Bangplee, Samutprakarn, 10540 Thailand
Registered No.	:	0107536001257
Home page	:	http://www.mitsubishi-kye.com
Tel	:	0-2337-2900-15, 0-2337-2430-8
Fax	:	0-2337-2439-40
Registered/Paid up capital	:	As at March 31,2018 : Baht 220.00 million

3.1.2 Overview of Business operation

Kang Yong Electric Plc. (“the Company” or “KYE”) was established on January 12, 1964 by Mr. Sithiphon 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, Samutprakarn 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.

3.1.3 Sales proportion by product

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:

Product	2016		2017		2018	
	Sales	%	Sales	%	Sales	%
Domestic and Export Sales						
Electric fans and ventilating fans ¹⁾	1,574.20	17.90	1,516.07	16.80	1,434.08	16.61
Refrigerators ¹⁾	6,196.90	70.40	6,440.10	71.10	6,236.78	72.25
Water Pump ¹⁾	918.20	10.40	962.90	10.60	841.63	9.75
Jet towels ¹⁾	55.50	0.60	61.30	0.70	45.02	0.52
Others ²⁾	60.40	0.70	74.30	0.80	74.23	0.86
รวมมูลค่า	8,805.20	100.00	9,055.30	100.00	8,631.74	100.00

Source: KYE; calculation based on fiscal year of April 1 – March 31 of each year

- Note:
- 1) The products under Technical Assistance Agreement. The Company entered into the Agreement from April 26, 1979, and continually renew since then.
 - 2) Other income is from sales of parts

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.

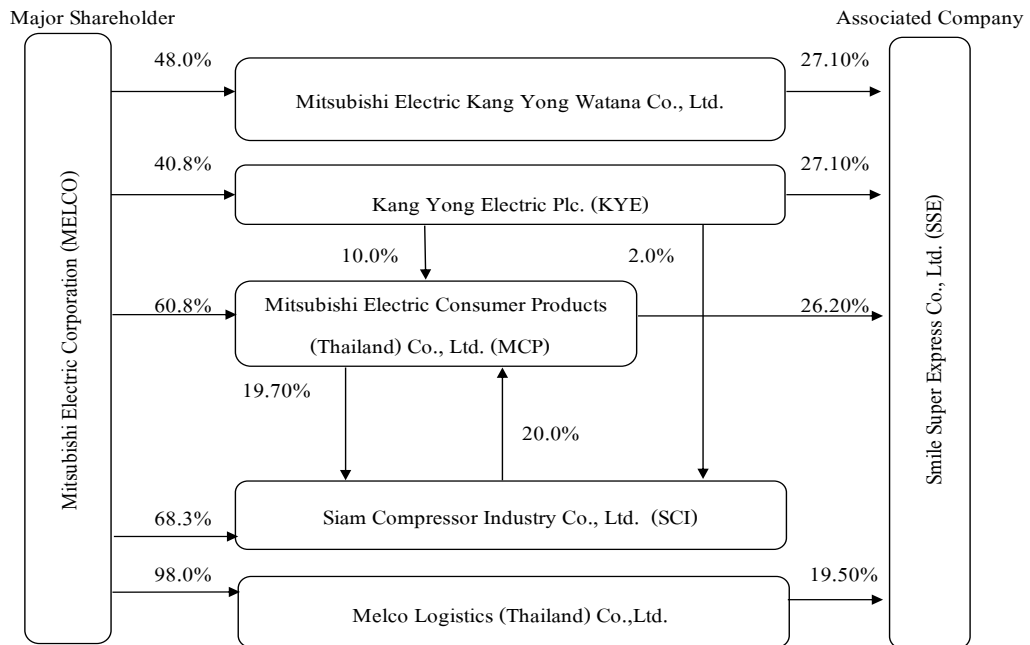
3.1.4 Production Capacity and Production Output

The Company's production capacity and production output in 2015-2018 are tabulated below:

Products	Unit	2015	2016	2017	2018
<i>Refrigerator</i>					
Rated capacity	Units	1,200,000	1,200,000	1,200,000	1,200,000
Actual production	Units	842,355	885,382	839,144	790,872
Capacity utilization rate	%	70%	74%	70%	66%
<i>Electric fan & ventilating fan</i>					
Rated capacity	pieces	1,600,000	1,700,000	1,700,000	1,700,000
Actual production	pieces	1,493,673	1,601,693	1,536,409	1,494,555
Capacity utilization rate	%	93%	94%	90%	88%
<i>Water pump</i>					
Rated capacity	pieces	250,000	250,000	250,000	260,000
Actual production	pieces	227,554	230,012	238,239	207,347
Capacity utilization rate	%	91%	92%	95%	80%
<i>Hand dryer (Jet towel)</i>					
Rated capacity	pieces	50,000	50,000	50,000	50,000
Actual production	pieces	25,756	19,621	21,844	14,420
Capacity utilization rate	%	51%	39%	44%	29%

Source: The Company's annual report

3.1.5 Business structure of the Company's group



Summary of the above structure as follow:

The Company has one associated company is

- Smile Super Express Co., Ltd. (SSE)

The Company entered a joint venture with MKY, MCP and MELT in setting up SSE with a proportion share amount of 27.10%, 27.10%, 26.20%, and 19.50% consecutively. SSE undertake inventory storage operation and management for all three parties in order to enhance efficiency in logistics cost control and management.

Major shareholders of the company

KYE is a manufacturer and distributor of home electrical appliances under "Mitsubishi Electric" trademark and with a license and technical know-how provided by Mitsubishi Electric Corporation (MELCO), the Company's major shareholder. As such, its core business relates significantly to the major shareholder's business group as below:

- Distribution of products

The Company sells products through MELCO's subsidiary or distributor appointed by MELCO, such as domestic sales through MKY, which is the sole official distributor in Thailand, and overseas sales through subsidiaries which are MELCO's sales companies in the respective countries. In the countries where there are no MELCO's sales companies, the Company will sell its products through distributors appointed by MELCO. The sales of the Company through the MELCO's sales companies will have the standard price and standard of terms and conditions for all sales compaies in every countries.

- Procurement of parts and raw materials

The Company procures parts and raw materials via vendors in general both at home and overseas. In 2016, the Company made purchase through MELCO's subsidiaries totaling 19% of its total procurement. Several types of raw materials procured through such MELCO's subsidiaries have been grouped in massive purchase volumes to allow for higher bargaining power, thus enabling the Company to buy parts and raw materials at low prices, with punctual delivery and also control of quality to the standard determined by MELCO. However, in the procurement of parts and raw materials from MELCO's subsidiaries, the Company will compare prices and trading terms with at least two other vendors to ensure transparency and fairness in ordering parts and raw materials. From MELCO's subsidiaries, the Company purchases at fair prices and fair market terms and not make the company loss of interest in ordering parts and raw materials from MELCO's subsidiaries, which is a connected transaction of the Company.

- Product Development

The Company has developed its products in collaboration with MELCO, who shall provide cooperation and assistance in technical know-how and production technology to the Company. To develop the new product of the Company comprising refrigerator, electric fan, ventilating fan, jet towel and ventilating fan and water pump.

3.1.6 Shareholders structure

Group of 10 Major Shareholders as of April 24, 2018 consists of:

No.	Name of shareholders	No. of Shares	%
1.	MITSUBISHI ELECTRIC CORPORATION	8,978,020	40.81
2.	Phodhivorakhun Company Limited ^{/1}	1,960,024	8.91
3.	K.Y. Intertrade Company Limited ^{/2}	1,773,024	8.06
4.	Mr.Somchart Sottimai	1,000,000	4.55
5.	Kang Yong Company Limited ^{/3}	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
11	Others	4,750,715	21.59
	Total	22,000,000	100.00

Note : ^{/1} Major shareholders as Mrs. Kamolwan Phodhivorakhun 33.34% , Mr.Prophon Potivorakhun 16.67%, Ms.Lapaslada Phodhivorakhun 16.66% (Data as of June 15,2018, source : BOL data base (Business Online)

^{/2} Major shareholders as Mrs. Kamolwan Phodhivorakhun 19.60%, Phodhivorakhun Co., Ltd.17.20%,Saha Kang yong Co., Ltd. 13.20%, Mr.Prophon Potivorakhun 12.00% and Mr.Praphad Phodhivorakhun 12.00% (Data as of June 22,2018, source : BOL data base (Business Online)

³ Major shareholders as Mrs.Srirat Varikarn 73.00% and Phodhivorakhun group 13.39% (comprising with Ms.Lapaslada Phodhivorakhun 4.44%, Mr.Artit Potivorakhun 4.17%, Mr.Prophon Potivorakhun 2.50%, Mr.Vorapas Phodhivorakhun 2.22% and Mrs. Kamolwan Phodhivorakhun 0.06% (Data as of June 15, 2018, source: BOL data base (Business Online)

Therefore, the Company's shareholding proportion is as follows:

	No. of people	Total shares	%
1. MELCO	3	9,053,020	41.15
2. Phodhivorakhun group	9	5,430,306	24.68
3. Other shareholders	<u>2,403</u>	<u>7,516,674</u>	<u>34.17</u>
Total	<u>2,415</u>	<u>22,000,000</u>	<u>100.00</u>

Name of major shareholders of Mitsubishi Electric Cooperation as of March 31, 2018 as follow:

No.	Name of shareholders	No. of Shares (000's shares)	%
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	152,064	7.1
2	Japan Trustee Services Bank, Ltd. (Trust Account)	121,513	5.7
3	State Street Bank and Trust Company	86,049	4.0
4	Meiji Yasuda Life Insurance Company	81,862	3.8
5	Nippon Life Insurance Company	61,639	2.9
6	Mitsubishi Electric Group Employees Shareholding Union	40,984	1.9
7	Japan Trustee Services Bank, Ltd. (Trust Account 5)	38,213	1.8
8	Japan Trustee Services Bank, Ltd. (Trust Account 7)	37,147	1.7
9	Japan Trustee Services Bank, Ltd. (Trust Account 4)	36,387	1.7
10	State Street Bank West Client – Treaty 505234	36,279	1.7
	Total	692,137	32.3

Source: Shareholders' information as March 31, 2018 from MELCO's website

Board of Directors and Management

As April 1, 2018 The Company's is composed of 15 members as below:

The Board of Directors

1. Mr. Praphad Phodhivorakhun Chairman of the Board of Directors / Chairman
2. Mr. Takenori Adachi Vice Chairman of the Board of Directors / President
3. Mr. Chackchai Panichapat Independent Director / Chairman of Audit Committee
4. Mr. Arthakrit Visudtibhan Independent Director / Member of Audit Committee
5. Mr. Tanabodee Kusinkert Independent Director / Member of Audit Committee
6. Police Major General Sahaschai Indrasukhsri Independent Director
7. Mr.Manu Leopairote Independent Director
8. Mr. Praphon Potivorakun Director

9.	Associate Professor Dr.Issaree Hunsacharoonroj (Ph.D)	Director
10.	Mr.Akira Nakamichi	Director
11.	Mr.Yasumichi Tazunoki	Director
12.	Mr. Shinji Sasaki	Director
13.	Mr. Hirotaka Abo	Director
14.	Dr. Apichai Boontharawara	Director
15.	Mr. Tomohiko Kasai	Director

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.

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

3.1.7 Summary of financial information and operating result

Financial statement as of March 31, 2016, 2017 and 2018. Audited by Certified Public Accountant (Thailand) Ms. Orawan Sirirattanawong Certified Public Accountant (Thailand) No. 3757 KPMG Phoomchai Audit Ltd.

Statement of financial position	2016		2017		2018	
	In Baht	%	In Baht	%	In Baht	%
Assets						
Current assets						
Cash and cash equivalents	1,063.85	14.42%	1,531.01	18.45%	609.29	7.49%
Current investments	2,200.00	29.83%	2,500.00	30.13%	3,300.00	40.56%
Trade accounts receivable	1,272.55	17.25%	1,399.67	16.87%	1,289.04	15.84%
Other receivables	235.80	3.20%	231.89	2.79%	62.91	0.77%
Short-term loans to related party	36.20	0.49%	74.27	0.90%	27.51	0.34%
Inventories	1,001.70	13.58%	878.23	10.58%	1,046.19	12.86%
Other current assets	5.04	0.07%	10.28	0.12%	14.28	0.18%
Total current assets	5,815.14	78.84%	6,625.33	79.85%	6,349.21	78.04%
Non-current assets						
Available-for-sale investments	13.67	0.19%	11.03	0.13%	7.72	0.09%
Investment in an associate	17.31	0.23%	18.51	0.22%	19.51	0.24%
Other long-term investments	157.36	2.13%	157.36	1.90%	157.36	1.93%
Investment properties	4.97	0.07%	4.19	0.05%	4.19	0.05%
Property, plant and equipment	1,268.11	17.19%	1,365.92	16.46%	1,463.29	17.99%

Intangible assets	8.45	0.11%	37.57	0.45%	44.68	0.55%
Deferred tax assets	70.28	0.95%	63.54	0.77%	64.08	0.79%
Other non-current assets	20.84	0.28%	13.58	0.16%	25.84	0.32%
Total non-current assets	1,560.99	21.16%	1,671.69	20.15%	1,786.66	21.96%
Total assets	7,376.13	100.00%	8,297.03	100.00%	8,135.87	100.00%
Liabilities and equity						
Current liabilities						
Trade accounts payable	1,078.19	14.62%	1,078.67	13.00%	894.46	10.99%
Other payables	465.43	6.31%	467.72	5.64%	500.41	6.15%
Income tax payable	12.38	0.17%	45.32	0.55%	-	-
Other current liabilities	15.63	0.21%	16.02	0.19%	22.09	0.27%
Total current liabilities	1,571.64	21.31%	1,607.72	19.38%	1,416.96	17.41%
Non-current liabilities						
Provision for warranties	184.94	2.51%	141.11	1.70%	108.63	1.34%
Non-current provisions for employee benefits	182.79	2.48%	200.49	2.42%	220.42	2.71%
Provident funds	15.86	0.22%	15.10	0.18%	14.56	0.18%
Total non-current liabilities	383.59	5.20%	356.70	4.30%	343.61	4.22%
Total liabilities	1,955.23	26.51%	1,964.42	23.68%	1,760.56	21.63%
Equity						
Share capital - Common share par 10 Baht	220.00	2.98%	220.00	2.65%	220.00	2.70%
Registered capital 22,000,000 shares	220.00	2.98%	220.00	2.65%	220.00	2.70%

Issued and paid-up share capital 22,000,000 shares	220.00	2.98%	220.00	2.65%	220.00	2.70%
Paid-up capital 10 Baht						
Share premium on ordinary shares	726.10	9.84%	726.10	8.75%	726.10	8.92%
Retained earnings - appropriated	442.00	5.99%	442.00	5.33%	442.00	5.43%
Legal reserve	22.00	0.30%	22.00	0.27%	22.00	0.27%
Other reserve	420.00	5.69%	420.00	5.06%	420.00	5.16%
Unappropriated	4,026.08	54.58%	4,939.90	59.54%	4,985.24	61.27%
Other component of equity	6.72	0.09%	4.61	0.06%	1.97	0.02%
Total equity	5,420.90	73.49%	6,332.61	76.32%	6,375.30	78.36%
Total liabilities and equity	7,376.13	100.00%	8,297.03	100.00%	8,135.87	100.00%

Note : The Company's operating period is from April 1 to March 31 of each year.

- Assets

In the year 2016-2018, the Company recorded total assets of Baht 7,376.13 million, Baht 8,297.03 million, and Baht 8,135.87 million respectively. Generally of the assets are Current investments accounted for 29.83%, 30.13%, and 40.56% of the total assets in the year 2016-2018 respectively. Followed by Property, plant and equipment accounted for 17.19%, 16.46%, and 17.99% of the total assets in the year 2016-2018 respectively. Trade accounts receivable accounted for 17.25%, 16.87%, and 15.84% of the total assets in the year 2016-2018 respectively. And inventories accounted for – Net accounted for 13.58%, 10.58%, and 12.86% of the total assets respectively, in year 2016-2018 The sales period is approximately 49, 46 and 48 days, respectively. Considered cash and cash equivalents accounted for 14.42%, 18.45%, and 7.49% of the total assets in the year 2016-2018 respectively.

The year 2017, the Company recorded total assets of Baht 8,297.03 million, growing from the corresponding period of the previous year by Baht 920.9 million or 12.48%, with a change in cash and cash equivalents rose from a year earlier by Baht 467.16 million or 43.91%. Followed by current investments increased by Baht 300.0 million or 13.64% and comprising short-term deposits with financial institutions for a period ranging from 5 months to 12 months. And Trade accounts receivable and increased by Baht 127.12 million or 9.98% from the same period of the previous year. The Company had an average collection period from 50 days to 54 days, a delay of four days of the prior year. With close assessment of customers' financial status, the Company has faced no debt collection problem.

The year 2018, the Company recorded total assets of Baht 8,135.87 million, declined from 2017 Baht 161.16 million or 1.94%, with changes in cash and cash equivalents declined Baht 921.72 million or 60.20% as there was an investment of Baht 800.0 million. Trade accounts receivable, other receivables, comprise of Value added tax receivable prepaid expense Accrued rental income Accrued interest income and others declined Baht 279.60 million or 17.13% compared to previous year. The Company had an average collection period from 54 days to 57 days, a delay of three days of the prior year. With close assessment of customers' financial status, the Company has faced no debt collection problem.

- Liabilities

In the year 2016-2018, the Company had total liabilities of Baht 1,955.23 million, Baht 1,964.42 million, and Baht 1,760.56 million respectively. Generally of the liabilities are Trade accounts payable 14.62%, 13.00%, and 10.99% of total liabilities and equity in the year 2016-2018 respectively. Followed by Other accounts payable 6.31%, 5.64% and 6.15% of total liabilities and equity in the year 2016-2018 respectively.

The year 2017, the Company had total liabilities of Baht 1,964.4 million, up slightly by Baht 9.19 million or 0.46% from the previous year. Mostly occur from Trade accounts payable and other accounts payables including other short-term payables increased Baht 2.77 million or 0.17% due primarily to purchases of parts and raw materials and procurement of machinery and equipment for production.

The year 2018, the Company had total liabilities of Baht 1,760.56 million, decline from the previous year Baht 203.86 million or 10.38%. Mostly decline from Trade accounts payable Baht 184.20 million or 17.08%

- Shareholders' equity

In the year 2016-2018, the Company's shareholders' equity has increased steadily due to the increase in accumulated profits every year. The Company recorded shareholders' equity of Baht 5,420.90 million, Baht 6,332.61 million, and Baht 6,375.30 million respectively

In the year 2017, the company's total shareholder's equity was Baht 6,332.61 million. Growing up from the year 2016 Baht 911.71 million or 16.82%. Due to the Company has accumulated profit increased Baht 913.82 million or 22.70%. The total shareholders' equity comprises unappropriated retained earnings of Baht 4,939.90 million. Legal reserve of Baht 22 million, other reserves of Baht 420 million. The total paid-up registered capital was Baht 220 million and the premium on ordinary shares amounted to Baht 726.10 million.

The year 2018, the company's total shareholder's equity was Baht 6,375.30 million. Increasing Baht 42.69 million or 0.67%. Due to the Company has accumulated profit increased Baht 45.34 million or 0.92%. The total shareholder's equity comprise of unappropriated of return earnings Baht 4,985.23 million legal reserve of Baht 22 million. Other reserves of Baht 420 million. The total paid-up registered capital was Baht 220 million and the premium on ordinary shares amounted to Baht 726.10 million.

Statement of comprehensive income	2016		2017		2018	
	Baht million	%	Baht million	%	Baht million	%
Revenues from sales and rendering of services	8,805.20	100.00%	9,055.35	100.00%	8,631.74	100.00%
Costs of sales and rendering of services	(7,524.41)	(85.45%)	(7,435.66)	(82.11%)	(7,265.65)	(84.17%)
Gross profit	1,280.80	14.55%	1,619.69	17.89%	1,366.09	15.83%
Investment income and other income	706.02	8.02%	994.00	10.98%	582.96	6.75%
Profit before expenses	1,986.82	22.56%	2,613.69	28.86%	1,949.05	22.58%
Selling expenses	(395.60)	(4.49%)	(411.53)	(4.54%)	(416.83)	(4.83%)
Administrative expenses	(683.87)	(7.77)	(741.03)	(8.18%)	(736.71)	(8.53%)
Expenses from foreign exchange losses	-	-	-	-	(25.78)	(0.30%)
Total expenses	(1,079.47)	(12.26%)	(1,152.55)	(12.73)	(1,179.32)	(13.66%)
Share of profit (loss) of an associate	(0.27)	(0.00%)	1.20	0.01%	1.99	0.02%
Profit before financial costs and income tax	907.08	10.30%	1,462.34	16.15%	771.72	8.94%
Financial costs	-	-	-	-	-	-
Profit before income tax	907.08	10.30%	1,462.34	16.15%	771.72	8.94%
Income tax	(65.23)	(0.74%)	(126.54)	(1.40%)	(52.46)	(0.61%)
Net profit for the year	841.85	9.56%	1,335.80	14.75%	719.26	8.33%
Other comprehensive income for the year	(3.58)	(0.04%)	(3.01)	(0.03%)	(8.65)	(0.10%)
Total comprehensive income for the year	838.27	9.52%	1,332.79	14.72%	710.61	8.23%

Note : KYE; calculation based on fiscal year of April 1- March31 of each ye

- Revenue

In the year 2016-2018, the Company recorded total revenue of Baht 9,511.22 million, Baht 10,049.35 million, and Baht 9,214.70 million respectively. The Company's main revenue consists of revenues from sales and services.

In the year 2017, the Company accounted the Revenues from sales and services Baht 9,055.35 million, increase from the year 2016 Baht 250.15 million or 2.84%. Due to Domestic market's sales increase Baht 101.50 million or 3.20%, Japan market sales increase Baht 212.40 million or 5.90%, from exchange rate difference and sales of 3-door refrigerator increase. Yet, sales of other countries have slightly decreased Baht 63.80 million or 3.20% due to changing in Vietnam's sales channel which impacts to sales of the electric fan.

In the year 2018, the Company accounted the Revenues from sales and services Baht 8,631.74 million, decrease from year 2017 Baht 423.61 million or 4.67%. Due to Domestic's sales decrease Baht 267.10 million or 8.20%. Japan's sales slightly decrease Baht 15.50 million or 0.40%. Sale of 3-door refrigerator have increased and affected by fluctuations in exchange rates which caused sales revenue decreased by Baht 133 million. For sales of other countries decrease Baht 141.00 million or 7.20% due to sales decrease and fluctuation in USD which caused sales decrease Baht 91 million.

- Selling costs

In the year 2016-2018, the Company record selling cost of Baht 7,524.41 million, Baht 7,435.66 million, and Baht 7,265.65 million which are 85.45%, 82.11% and 84.17% of Revenues from sales and rendering of services respectively. The Company's selling cost comprise of material cost, Labour cost, overhead costs and depreciation of factory's buildings, tools and equipment used in production.

In the year 2017, the company recorded the selling cost of Baht 7,435.66 million or 82.11% of Revenues from sales and rendering of services, decline from year 2016 Baht 88.75 million. The selling cost decreased by 3.34% from the same period of last year. As the proportion of high margin products increased, the ratio of sales increased.

In the year 2018, the Company recorded the selling cost of Baht 7,265.65 million or 84.17% of Revenues from sales and rendering of services decreased from the year 2017 by Baht 170.01 million, but the selling cost increased by 2.06% from 2016. As a result of higher raw material prices.

- Operatig Expenses

In the years 2016 - 2018, the Company had total operating expenses of Baht 1,079.47 million, Baht 1,152.55 million and Baht 1,179.32 million, respectively. Operating expenses were administrative expenses of 7.77% , 8.18% and 8.53% of Revenues of sales and rendering of service from 2016 to

2018, respectively, while selling expenses were 4.49 %, 4.54 % and 4.83% of Revenues of sales and rendering of service in 2016 - 2018, respectively.

In the year 2017, the Company had total expenses of Baht 1,152.55 million, equivalent to 12.73% of Revenues of sales and rendering of service. An increase of Baht 73.08 million from the year 2016, mainly due to an increase in administrative expenses of Baht 57.16 million which increase in product development owing to new product development. And the increase in selling cost by Baht 15.93 million as the payment of royalty fee, Advertising costs and promotion are increased.

In the year 2018, the Company had total expenses of Baht 1,153.54 million or 13.66% of Revenues of sales and rendering of service, increased Baht 0.99 million from the year 2017, mainly due to the increase in selling expenses Baht 5.30 million from advertising expenses and promotion. However, the administrative expenses decreased by Baht 4.32 million.

- Net Profit (Loss)

In the years 2016 - 2018, the Company had net profit of Baht 841.85 million, Baht 1,335.80 million and Baht 719.26 million, respectively, representing 9.56%, 14.75% and 8.33% of Revenues of sales and rendering services respectively.

In the year 2017, the Company's net profit was Baht 1,335.80 million, representing 14.75% of Revenues of sales and rendering services, increased from the year 2016 Baht 493.95 million. In the year 2016, the Company's net profit was 9.56% of Revenues of sales and rendering services. As a result, return on equity in the year 2017 increased from 16.09% to 22.73%.

In the year 2018, the Company's net profit was Baht 719.26 million or 8.33% of Revenues of sales and rendering services, down from the year 2017 Baht 622.18 million. In the year 2017, the net profit was 14.75% of Revenues of sales and rendering services As a result, return on equity in 2018 decreased from 22.73% to 11.32%.

- Liquidity Analysis

Analysis of liquidity to measure short-term ability to repay debt is in the year 2018. The company's working capital ratio is 4.48 times, increasing from the year 2017 with a working capital ratio of 4.12 times and a ratio of quick liquidity. Increased from 3.38 times in the year 2017 to 3.67 times in 2018 indicates that the company has sufficient current assets to repay short term debt. Cash and cash equivalents are Baht 609.29 million and Baht 3,300 million are current investments.

Financial Ratios	unit	2016	2017	2018
Liquidity Ratios				
1. Current ratios	time	3.70	4.12	4.48
2. Quick ratios	time	2.89	3.38	3.67
Profitability Ratios				
1. Gross profit margin	%	14.55%	17.89%	15.83%
2. Operating Profit Margin	%	10.30%	16.15%	8.94%
3. Net profit margin	%	8.97%	13.63%	7.46%
4. Return on equity	%	16.09%	22.73%	11.32%
Efficiency Ratios				
1. Return on assets	%	11.81%	17.05%	8.75%
2. Total assets turnover ratio	time	1.33	1.28	1.12
3. Return on fixed assets	%	73.57%	103.99%	61.93%
4. Fixed assets turnover	time	6.18	6.22	5.33
5. Accounts receivable turnover ratio	time	7.32	6.78	6.42
6. Average collection period	day	49.20	53.12	56.07
7. Accounts payable turnover ratio	time	7.46	6.89	7.36
8. Repayment period	day	48.24	52.21	48.88
9. Inventory turnover ratio	time	7.40	7.91	7.55
10. Age of inventories	day	48.68	45.51	47.68
Leverage Ratios				
1. Debt to equity ratio	time	0.36	0.31	0.28
Growth Ratios				
1. Sales growth	%	1.50%	2.84%	-4.68%
2. Net profit growth	%	9.18%	58.67%	-46.16%
3. Total assets growth	%	7.25%	12.48%	-1.94%

- Profitability Analysis

The profitability analysis revealed that in 2018, the gross profit margin was 15.83%, a decrease of 17.89% from the previous year. The operating profit was 8.94% decrease from the year 2016 which the operating profit was 16.15%. Due to in the year 2018, the company's sales revenue decreased from the year 2017 by 4.68% which was lower than the decrease in selling cost in the year 2017 at 2.29%. With the increase in selling expenses from the year 2017 Baht 5.30 million, which are the advertising and promotion expenses. As a result, in the year 2018, net profit accounted at 7.46% decrease from the year 2017 which net profit was 13.63%. Therefore, return on equity in 2018 decreased from 22.73% to 11.32%.

- Efficiency Analysis

Efficiency analysis to measure the ability of asset management to generate income effectively or not. As such, the return on assets decrease. In 2018, the company has a return on assets. 8.75% decrease from the year 2017 with the rate of 17.05% and the rate of return on fixed assets in 2018 61.93% decreased from the year 2017 with the rate of 103.99%. Due to the investment in machinery equipment and molds increased. And considering the collection period that the longer repayment period is from 54 days in 2017 to 57 days in 2018, while the repayment period is shorter. The period of approximately 53 days in 2017 to 49 days in 2018, and the period of sale of goods is extended from about 46 days in 2017 to 48 days in 2018.

- Financial Policy Analysis

The Company's debt to equity ratio stayed at a very low level. Most of the liabilities are current liabilities. In the year 2018, there were trade accounts payable of 50.80% of total liabilities decreased from the year 2017, with trade accounts payable of 54.91% of total liabilities. In the year 2018, the Company's debt to equity ratio was 0.28, decreasing from the year 2017 of 0.31.

- Growth rate analysis

In the year 2018, the Company's revenue growth rate decrease at the rate of 4.68%, and the Company's growth rate of net profit decreased by 46.16% which the decrease of net profit was in line with the revenue. In addition, considering the growth rate of total assets in 2018, the Company's total asset growth rate declined to 1.94%, decreasing from the year 2017 with a growth rate of 12.48% which from Cash and cash equivalents decreased by Baht 921.72 million, due to the increase in current investments amounting to Baht 800 million, and trade account receivable and other receivables decreased Baht 279.60 million. It is in the same direction as revenue.

3.2 General Information of Mitsubishi Electric Corporation (MELCO)

Business type	:	Manufacture and distribution of electrical and electronic equipment used in power and electricity systems. Automatic control system Information and Communication Equipment, Electrical Equipment and Home Appliances There are also other businesses such as logistics, real estate. And advertising business.
Year of establishment	:	A.D.1921
Head office	:	Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo 100-8310, Japan
Paid-up registered capital	:	JPY 175,820 million
Web Site	:	http://www.mitsubishielectric.com
10 Major Shareholders	:	

Name of Shareholders	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7.10
Japan Trustee Services Bank, Ltd. (Trust Account)	5.70
State Street Bank and Trust Company	4.00
Meiji Yasuda Life Insurance Company	3.80
Nippon Life Insurance Company	2.90
Mitsubishi Electric Group Employees Shareholding Union	1.90
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.80
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.70
Japan Trustee Services Bank, Ltd. (Trust Account 4)	1.70
State Street Bank West Client – Treaty 505234	1.70

The Board of Directors	:	1.	Masaki Sakuyama	Chairman of the Board of Directors
		2.	Hiroki Yoshimatsu	Director
		3.	Nobuyuki Okuma	Director
		4.	Akihiro Matsuyama	Director
		5.	Masayuki Ichige	Director
		6.	Yutaka Ohashi	Director
		7.	Kenichiro Yamanishi	Director
		8.	Mitoji Yabunaka	Director
		9.	Hiroshi Obayashi	Director
		10.	Kazunori Watanabe	Director
		11.	Katsunori Nagayasu	Director
		12.	Hiroko Koide	Director
Number of Employees	:	13.	Total 142,340 employees	

Source: KYE and MELCO

Note : MELCO is listed on the stock exchanges of Japan, Germany, the Netherlands and England.

3.2.1 Summary of financial information for the past 5 years

(JPY billion)

Profit and Loss Statement	2014	2015	2016	2017	2018
Sales	4,054.36	4,323.0	4,394.3	4,238.7	4,431.1
Operating profit	235.17	317.60	301.17	270.14	318.64
Net profit	153.47	234.6	228.4	210.4	271.8

(JPY billion)

Statement of financial position	2014	2015	2016	2017	2018
Current assets	2,290.00	2,633.45	2,551.86	2,623.60	2,606.49
Total assets	3,612.97	4,059.45	4,059.94	4,172.27	4,264.56
Total liabilities	2,088.64	2,217.25	2,221.17	2,132.64	1,900.41
Shareholders' Equity	1,524.32	1,842.20	1,838.77	2,039.63	2,364.14

Note : calculation based on fiscal year of April 1- March31 of each year

4.1 Purpose of transaction

The company the purpose to enter into this transaction in order to renew the Technical Assistance Agreement for the development of refrigerators, electric fans, ventilating fans and water pumps from MELCO for a period of 5 years (1 April 2019 - 31 March 2024). It covers manufacturing, marketing, and human resources development. This will help support the company's business which is continually growing and expanding in the future.

4.2 Reasonableness of the transaction

Kang Yong Electric Public Company Limited ("KYE" or "the Company") was established on January 12, 1964, it is a Thai-Japanese joint venture between Phodhivorakhun family group and Mitsubishi Electric Corporation, in the name "Kang Yong Electric Manufacturing Company Limited." To engage in manufacturing and distribution of home electrical appliances such as refrigerators, electric fans, ventilating fans, water pumps and jet towel (hand dryer) under the license and production technology provided by its joint venture partner, Mitsubishi Electric Corporation, Japan 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."

The Company has the vision to build up its foundation to be determined. By improving Technology, competitiveness in the market, product quality, and operate with social responsibility, the environment for corporate sustainability conform to the business policy. The company has developed new products both domestically and internationally with the help of production technology. Moreover, staff from MELCO to meet the needs of customers. Useful to use. Focus on energy saving and quality. Also, be able to stimulate the sales. The details of the product development are as follows.

Month/ Year	Development
April 2016	Started production of new models of refrigerator, 3-door New Bottom Freezer CX Series of 330 liters and 365 liters with Neuro Inverter compressor for export to Hong Kong, Vietnam, Singapore, Australia, New Zealand and Japan, and distribution in Thailand, respectively.
May 2016	Started production of a new model of refrigerator, 2-door model Top Freezer FV Series of 204 liters, 231 liters and 274 liters with compressor options of Neuro Inverter system and Non Inverter system for export to Malaysia, Singapore, Taiwan and Indonesia.
June 2016	Started production of a new model of refrigerator, 2-door Bottom Freezer BF36EJ of 300 liters and BF43EJ of 365 liters with Neuro Inverter compressor for export to Australia.

Month/ Year	Development
December 2016	Started production of a new model of desk fan with 18-inch blade for domestic distribution.
December 2016	Started production of two new models of water pump, automatic water pump WP-505Q5 and constant pressure water pump EP-505Q5 additionally developed to respond to demand of customers who prefer higher water pump competencies, e.g. larger water quantity, higher pressure and more energy saving, for use with a large-size house of around 3-4 stories.
January 2017	Started production of ceiling ducted ventilating fan with delay timer function of VD-10Z4T5-D/VD-15Z4T5-D/VD-15Z4P4T5-D models with 10 cm. blade and 15 cm. blade respectively to offer more diverse utilization choices for domestic distribution and export to Vietnam and Malaysia.
January 2017	Started production of 14 new models of refrigerator for local distribution, all of which had undergone the testing according to the new criteria set by the Electricity Generating Authority of Thailand (EGAT) and been certified for No. 5 Energy Saving Label, and with redesign of the 1-door refrigerator offering more elegant and aesthetic flat door.
March 2017	Started production of new models of DC-Fan for export to Taiwan, Korea. Also, started production a new model of Living fan with bluetooth control through smartphone applications for more convenient use in the Domestic market.

The electronic equipment and home appliances industry needs continuous development, while a focus must also be placed on the applicable laws and regulations concerned with energy saving, safety, environmental conservation, etc. KYE itself has to consistently develop its products to keep pace with the constant review of such regulations. Meanwhile, competition has become intensified due to a growing number of new-coming players. The Company, as a market leader, must give priority to product development in order to maintain the "Mitsubishi Electric" brand standard and enhance its efficiency and competitiveness, as well as maintain its strong market share and gear up for its plan on expansion into new target markets. The cooperation with MELCO enables the Company to obtain several rights and benefits, including, among others, trademark licensing, technical cooperation and assistance in manufacturing of world-class quality products, new technology transfer to its employees, and relief of burden on investment in R&D unit of its own.

In addition to obtaining product development support, the company also gain the support in procurement of parts and materials as follows:

Transaction	MELCO's support
1). Distribution	<ul style="list-style-type: none"> The Company distribute the products through through its subsidiaries in Mitsubishi Electric Group and the sales company that appointed by MELCO such as 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. The sales of the Company through the MELCO's sales companies will have the standard price and standard of terms and conditions for all sales compaies in every countries.
2). Procurement of Parts and raw material	<ul style="list-style-type: none"> The Company procured parts and raw materials through local and overseas Vendor. In 2018, MELCO purchased 19% of its total purchase through its subsidiary. Many of the raw materials obtained through MELCO's subsidiaries are negotiated in large quantities to gain higher bargaining power. Ensure that the company can purchase cheaply. Moreover, have delivered on time. Additionally, able to control the quality according to MELCO's standard. However, in the procurement of parts and raw materials from MELCO's subsidiaries, the Company will compare prices and trading terms with at least two other vendors to ensure transparency and fairness in ordering parts and raw materials. From MELCO's subsidiaries, the Company purchases at fair prices and fair market terms and not make the company loss of interest in ordering parts and raw materials from MELCO's subsidiaries, which is a connected transaction of the Company.
3). Product Development	<ul style="list-style-type: none"> Currently, the Company develops the product with MELCO' s cooperation in Japan, which specializes in product design. It has its research and development center. Ensure that our products are stylish. Be safe environmentally friendly and energy saving be able to meet the needs of customers.

When considering the support in the product development of the said products. **The Independent Financial Advisor has the opinion that the Company is necessary to renew the Technical Assistance Agreement from MELCO for another five years (April 1, 2019 - March 31, 2024).** Especially, in the economic recession which the general entrepreneurs including the company's customers will reduce production capacity.

Therefore, the competition in the industry will tend to intensify. Existence in the industry depends on the ability of products development and market to meet ever-changing customer needs.

4.3 Comparing the Benefits and Disadvantage of the transaction

The “IFA” has compared the Benefits and Disadvantage of renewal the Technical Assistance Agreement with MELCO as follow:

4.3.1 Benefits and Disadvantage of the Transaction

- Benefits of the Transaction

1. To develop and improve product quality in order to meet regulatory standards and requirements of each country that import the Company's product.

Due to the products of the Company sells more than 20 countries, therefore it has to improve and develop products to fulfill all requirements and standards enforceable in each of those countries. The Company also needs to enhance strengths of its products in terms of, among others, energy saving, trendy product design and advanced technology, safety, and environmental friendliness, based on the following industrial standards:

- Energy conservation standard through the energy labeling scheme (a label showing Energy Efficiency Ratio or EER) , using a label for indicating power consumption level and all basic information of electrical appliances
- Malaysia's SIRIM which regulates product quality standards and technological innovations
- International standards such as IEC, CE (European Standard) , JET (Japan Standard) , PSE (Japan Standard e.g. plug), Safety Mark (ML/SP Safety Standard), etc.
- Premium Safety which emphasizes product design and use of materials that meet anti-flammability and safety requirements
- TIS 812-2548: Motor-compressors: safety requirements
- TIS 934-2533: AC electric fans: safety requirements
- TIS 2214-2548: Household refrigerators: safety requirements
- TIS 2186-2547: Household refrigerators: environmental requirements: energy efficiency
- CR Mark for Vietnam Standard
- RoHS: Restriction of the use of certain hazardous substances in electrical & electronic equipment, which restricts the use of six hazardous substances in electrical and electronic equipment, namely lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE)

-
- ISO14001:2004 - Environmental management systems, which regulates product quality standards and environment preservation
 - ISO9001:2008 - Quality management systems, which regulates design, development, production, installation and servicing
 - High Quality with Environmental Friendliness & Energy Saving such as 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.
 - Combination of food preservation technologies employed for good food hygiene, food freshness, and clean interior space, as below :
 - Anti-bacteria Foodliner: 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.

2. To increase efficiency and competitiveness amid a highly competitive market condition

In the wake of intense competition in the market where the Company operates its business, it is necessary for the Company to give top priority to its product improvement and development to enhance efficiency and potential of each product. The Company has implemented a strategy to manufacture quality products with modern design, technology, and innovation, while also focusing on energy saving, internalization, and high safety standards to ensure responsiveness to consumers' requirements. By paying regard primarily to users' safety, the Company has designed, developed and manufactured all home appliances products according to the Premium Safety standards designated by the Japan-based Mitsubishi Electric Corp., which emphasizes product design and use of materials that meet anti-flammability and safety requirements.

As the Company has been continually improving the product development whether the modern design, Technologies that meet the needs of consumers, Improving product quality, and Production of environmentally friendly products. As a result, the products of the Company are the difference and be able to maintain the competitiveness among the increasingly intensify market. And be able to maintain the current market share.

3. To create the opportunity of new market expansion.

Considering that the Company currently attains a high and a quite steady market share in Thailand and Japan, they accounted for approximately 80% of total sales revenue. Consequently, to reduce dependency on manufacture and distribution to domestic market and Japan market. The Company has adjusted its marketing strategy in new market expansion in term of products and distribution channel. By increasing the Sales Company to overseas markets, which are likely to grow rapidly. It also has less market share to increase its market share. It will take advantage of being one of the networks of the Mitsubishi Electric Group, focusing on penetrating markets in the ASEAN Community such as Vietnam, Indonesia, the Philippines, a country with a large population and an expanding economy. It will also expand to Russia, India, Turkey, and Oceania. And in the Middle East etc. Therefore, it is essential to focus on product development to drive that strategy. Product development is a product differentiator, and it must be able to respond to the needs of diverse, multicultural consumers. The product development is a significant factor in achieving the goal of entering new markets. As a result, the Company shall be able to reduced reliance on domestic and Japanese market revenues. Hence, the Company can increase and has more sustainable revenue in the long term.

In the year 2016, the Company plans to expand distribution channels with the Sales Company of the Mitsubishi Electric Group in each country seriously. To accelerate sales and increase market share in Hong Kong, Vietnam, Indonesia, and Oceania. In line with the policy of expanding export to other markets, the Company has cooperated to improve the sales channels. And strengthen the dealer. To increase competitiveness in the future.

In order to achieve the target, the company has to increase its product range. In addition to preparing for the expansion of some products and some models to be exported in the new country for the first time. It is necessary to encourage employees to learn and receive technology transfer based on MELCO's technical expertise, we are able to produce products that meet the "Mitsubishi Electric" standards.

4. To maintain "Mitsubishi Electric" brand standard and image

As an authorized manufacturer and distributor of products under "Mitsubishi Electric" trademark, which is a reliable and marketable brand among consumers. And the company is supported by MELCO for continuous product development to meet ever-changing customer needs. The Company has received an array of awards that could bear testimony to consumer preferences for its products. Here is a list of the awards won by the Company:

- Outstanding Design Award 2008 from JIPO for 3D Hybrid Design of single door refrigerators
- Gold Award for 13 consecutive years, 1999-2012, and the Platinum Award 2008 from the Trusted Brand Award of Reader's Digest Singapore
- Outstanding Workplace Award in Labor Relations and Welfare with Large Enterprise Labor Union for eleven consecutive years, 2007-2017, from Ministry of Labor

-
- Gold Award for 13 consecutive years, 1999-2012, from the Trusted Brand Award of Reader's Digest Thailand
 - Being Thailand's top market leader with largest market share for refrigerator (2011-2012)
 - Thailand's Most Admired Brand 2012 for all products
 - No.1 Brand Award surveyed by Marketeer Magazine 2012
 - "Green Industry" Level 4 (Green Culture) Award 2012 from Ministry of Industry for environmental management
 - Thailand's Model Organization on Labor Relation Management Award from the Strategic Labor Relations Ministry of Labour In September 2016
 - Water pump manufacturer labeled no.5 within the year 2016 from The Electricity Generating Authority of Thailand In October 2016
 - 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.

Therefore, in order to do the renewal of the Technical Assistance Agreement, the company would have continuously obtained the technology and staff support from MELCO. To maintain the standard and strengthen consumers' confidence.

5. To enhance efficiency and reduce the expense of product development with support of MELCO

The Company can relieve the burden on investment in product development unit. To establish and invest in an R&D unit of its own will require a huge amount of fund. Moreover, the Company can increase its efficiency and potential amid tough market competition through design and development of good quality products with varied properties and advanced technology that could truly satisfy consumers' needs. And the Company's personnel and employees will benefit from new technology transfer from MELCO technicians through coordination between the Company and MELCO.

- Disadvantages of the transaction

1. The Company is obligated to abide by all terms and conditions specified in the Technical Assistance Agreement

Requiring therein that MELCO personnel shall be assigned to render technical assistance to the Company, the models of products to be developed shall be determined and all quality tests are subject to consideration by MELCO. As such, the Company is unable to operate business independently. In particular,

the development of products to meet the needs of domestic customers. The company may be better to understand the needs of customers in Thailand than MELCO in Japan. Nonetheless, since the product development is set to be undertaken through tripartite cooperation between MELCO, KYE and the distributor, it can be ensured that all decisions thereon will be made through a careful consideration process.

2. Expenses for Japanese technician for product development are quite high.

As the product development mainly conducts in Japan to exploit Japan-based technology and technicians, it, therefore, involves high resulting from the expensive cost of living there, if Japanese technicians have to work in Thailand. The cost is relatively high. Despite that, the Company and its partner have worked together in pre-determining a business plan and outlining a definite budget framework not higher than 4% of sales revenue, thus enabling them to control and ensure that the costs incurred will not be unreasonably high.

4.3.2 The risk of entering the transaction

1. The risk of reliance on Product Development with MELCO

As the Company renew that Technical Assistance Agreement with MELCO. The Company is mandatory to rely on the production technology and product development from MELCO only. Thus, in case of MELCO experience a business problem or it is serious and need to close the business permanently, it will cause the Company's business operation to be halted. However, MELCO is one of the leading companies in the electrical equipment manufacturing business in Japan. It has been operating for nearly 100 years, has a stable financial position and has a net profit from continuing operations. In addition to manufacturing and distribution of electrical equipment, MELCO also invested in the information technology business. It is therefore confident that MELCO's business will be able to continue its business in the future.

2. Risk of product development costs may exceed the budget approved

For the approval of the shareholders meeting of the Company for renewal the Technical Assistance Agreement that budget shall not exceed 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement for each fiscal year. However, the request to grant the approval as mentioned is a determination for product development budget only. As the rate not exceed 4% of revenue from the sale of goods and rendering of services which mentioned is not identify as a condition for product development payment. Thus, if the actual cost of development fee from MELCO is higher, the company still have the obligation under the Agreement and need to seek the approval from the next general shareholder meeting. Nonetheless, since the product development is set to be undertaken through tripartite cooperation between MELCO, KYE and the distributor to plan the development in product development planning. Every time to pay the product development fee for MELCO, the finance department will prepare a summary of product development costs to control the budget, not to exceed 4.00% of sales revenue. The spending on product development budgets will be reported to the Executive Board of the Company for an acknowledgment of implementing the product development plan in line with the remaining budget, so that product development costs are not exceeded. 4.00% of sales and service revenue each year.

3. The Risk from foreign exchange rate fluctuation

There could be risk from foreign exchange rate fluctuation since the Company has to pay the product development fee, based on the actual cost, to MELCO in yen currency. As such, the amount payable by the Company could be higher, given a baht weakening against the yen. However, the Company is not vulnerable to such risk because it generates income mainly from exports to Japan, hence readily providing a natural hedge against such foreign exchange rate fluctuation.

4.3.3 Benefits and Disadvantages of not entering into the transaction

- Benefits of not entering into the transaction

1. No expense to be paid to MELCO

The Company can save administrative expenses incurred from the product development fee, which may help increase its net profit in the short term. On the contrary, however, it will likely face a drop in total sales and net profit, or even a loss, due to the less competitiveness of its products against those of its competitors.

2. No Commitments and restrictions are required under the terms of the Technical Assistance Agreement

The Company will not be constrained by the obligation and restriction arising from compliance with the terms and conditions under the Technical Assistance Agreement. Thus, the Company is able to research and develop and make a decision in any issues. Yet, if the company does the research and development of products without the support of technology with MELCO, the company may have to spend more on research and development costs than the payment to MELCO.

- Disadvantages of not entering into the transaction

1. No license to manufacture and distribute products under the "Mitsubishi Electric" trademark.

Due to the renewal of the Technical Assistance Agreement, not only obtain the product development support from MELCO but also, the Company will be licensed to manufacture and distribute products under the "Mitsubishi Electric" trademark. Thus, if the Company will not renew the Agreement, the Company will not be entitled to use "Mitsubishi Electric" trademark and other rights, which could cause disruption to, or discontinuation of, its business.

2. High investment in research and product development

If the Company will not renew the Technical Assistance Agreement with MELCO, the Company will have to invest in its own R&D unit, which requires huge capital and a long period of time for personnel training while a success in its product development cannot be ensured.

3. Lose the opportunity of obtaining technical cooperation and assistance from MELCO

If the Company will not renew the Technical Assistance Agreement with MELCO, the Company will lose the opportunity of obtaining technical cooperation and assistance as well as technology transfer from a multinational corporation specializing in electronic equipment and electrical appliances. This will have an

adverse impact not only on its overall product image, but also on its ability to maintain the existing market share and penetrate new markets, all of which could have material consequences

4.3.4 Benefits and Disadvantage of entering into the connected person

- Benefits of entering into the connected person

1. Obtain the production technology from MELCO who is a specialist and the owner of the products under Mitsubishi's trademark.

If the Company renews the Technical Assistance Agreement from MELCO, the major shareholder of the Company. The Company will gain the knowledge, production technology from Japan, who owns manufacturing technology and be the specializes in the manufacture of electronics and home appliances. MELCO will fully support and cooperate in production technology. As MELCO is a major shareholder of the Company. This may have a positive impact on the image and quality of our products. This has contributed to maintaining market share and acquiring new markets from new products developed directly from MELCO, which is very important to our business. In the long run, under intense competition.

2. The product development fee is cheaper than that charged by external providers offering the same level of product standard.

As the Company receives the production technology support from MELCO who owns manufacturing technology and it is the world's leading manufacturer of electronics and home appliances. As a result, the company has high-quality production and development products of a high standard. Besides, the cost of product development paid to MELCO was at a level that was lower than the cost of the company may be charged by external providers because MELCO will charge the development fee to the company based on actual expenses, MELCO does not charge any profit or adding other costs. If the company employs outsourced, who is non-technology under the "Mitsubishi Electric" brand. It needs the Investment in machinery and equipment also requires staff to develop expertise in product development, it requires a lot of time and money to invest and can not guarantee the success of product development. Also, outsourced companies are not KYE related companies, so the profitability of paid product costs must be calculated, this will make the product development fee charged to the company likely to be very high compared to that paid to MELCO.

3. Negotiate and relieve the conditions of the Agreement easier and faster than doing a transaction with another person

The renewal of the Technical Assistance Agreement with MELCO, a major shareholder of the Company, allowed the Company to negotiate a reduction of the terms of the agreement easier and faster. If the company has any action that not follow the conditions, for example, if the company cannot pay the development fee within the specified period, the company can negotiate terms of payment for product development more comfortable and faster than entering into a transaction with a third party.

- Disadvantage of entering into the Connected person

1. The Company can not develop products and produce products together with other persons or under other trademarks

Under the Technical Assistance Agreement MELCO will be assisted in manufacturing technology and product development under the "Mitsubishi Electric" trademark, where technology and product development are confidential. The Company has commitments under the terms of the agreement that the Company can not produce the products under other trademarks to expand the sales of the company. It is not possible to engage or co-operate with any other person in the development of the Company's products. Under the trademark "Mitsubishi Electric"

2. The Conflict of interest may be occurred

The transaction with a connected person may cause doubt as a channel for transferring the benefits of the Company, or the Company negotiates the price and other conditions to receive technical assistance to the company which may cause disadvantage, this may affect the minority shareholders of the Company. The Board of Directors and management of the Company aware of the impact of the transaction with the connected person. It will not do any transactions that do not benefit the company especially, impact to the minority shareholders of the Company to lose the benefits. So that, the terms of the product development fee that the Company will pay to MELCO for each quarter. The payment will be based on the actual expenses incurred by MELCO, will pay without any additional profit or expense. Besides, the company appointed a team of engineers to review the costs incurred by MELCO for each period. To ensure that the costs charged by MELCO to the company, is a reasonable expense for product development in each model. The Board of Directors of the Company purpose to the annual general meeting of shareholders that the annual budget for product development payments is not more than 4.00% of revenues from the sale of goods and services. The Board of Directors of the Company and the Audit Committee of the Company considered the conditions and how to enter the transaction in details, to believe that the company and the minority shareholders will benefit the most from this transaction.

By entering into this transaction, the Company has hired an independent financial advisor to provide opinions on the reasons, a necessity of entering into the transaction, impact, advantages, and disadvantages of the transaction. Also commented on the appropriateness of the product development budget framework and conditions. The information is provided to the shareholders for their decision making and to consider and approve the entering into the meeting of the shareholders of the Company.

4.3.5 Benefits and Disadvantages of entering into transactions with third party

- Benefits of entering into transactions with third party

1. Negotiate the product development fee and conditions freely

If the company enters into the Technical Assistance Agreement with a third party, the Company will be able to negotiate both the product development fee and the conditions to receive full technical assistance for the best benefit of the company as there is no conflict of interest between the service provider and the service recipient.

However, the production technology that the Company has received from MELCO, is confidential and developed specifically for each company which the company has been licensed to be a manufacturer and distributor of electrical appliances under the "Mitsubishi Electric" trademark. It is impossible for the Company. To use research and development services from outside parties other than Mitsubishi Electric.

- Disadvantages of entering into the transaction with third party

1. Product development fee may be higher than hired third party

If the company hired the third party to research and develop the product. It may cost too much. Because employing the third party who is non-technology under the "Mitsubishi Electric" brand. It needs the Investment in machinery and equipment which requires a lot of time and money to invest and can not guarantee the success of product development. And the third party will have to calculate additional profits from the actual costs. If the company does not employ third party but invest in product research and development. The company may need a lot of investment which is not worth to do.

2. Product development may not be sufficient and cannot serve the customers' need

The third party for research and development may not have the production technology, expertise or experience in developing household electrical appliances compared to MELCO. As a result, there is an opportunity for research and development of the company's product unsuccessful and cannot meet the needs of customers, and this will affect competition in the highly competitive electric appliance industry.

3. Negotiating in term and condition may be unable to do or more challenging to do than negotiate with the connected person

If the Company has hired technical assistance from a third party, the Company will not be able to fully negotiate on the terms and conditions of the Agreement. The company cannot negotiate the terms of the the agreemnet if any action failure to comply with the terms and conditions of the Agreement. If it is negotiable, it will be difficult and may be delayed compared to entering into a transaction with a connected person.

4.4 Comparison the connected transaction with connected person and transaction with third party

The Independent Financial Advisor has considered the extent of the technical assistance provided by MELCO. If the Agreement renews, the opportunity for the Company to enter into a similar service agreement that transferred experience and techniques accumulated by the service providers and who is the owners of the "Mitsubishi Electric" manufacturing technology and brand owners from Japan and other specialists in household electrical appliances, probably there is a low possibility because the Technical Assistance Agreement has stated that the company will be granted the right to manufacture and distribute products under the "Mitsubishi Electric" brand.

Without continuing the technical service agreement, the Company will not receive the license to produce the product. Thus, it will not be able to provide the product or must deliver the product under the brand name of the Company or another brand. As a result, since MELCO is a major shareholder of

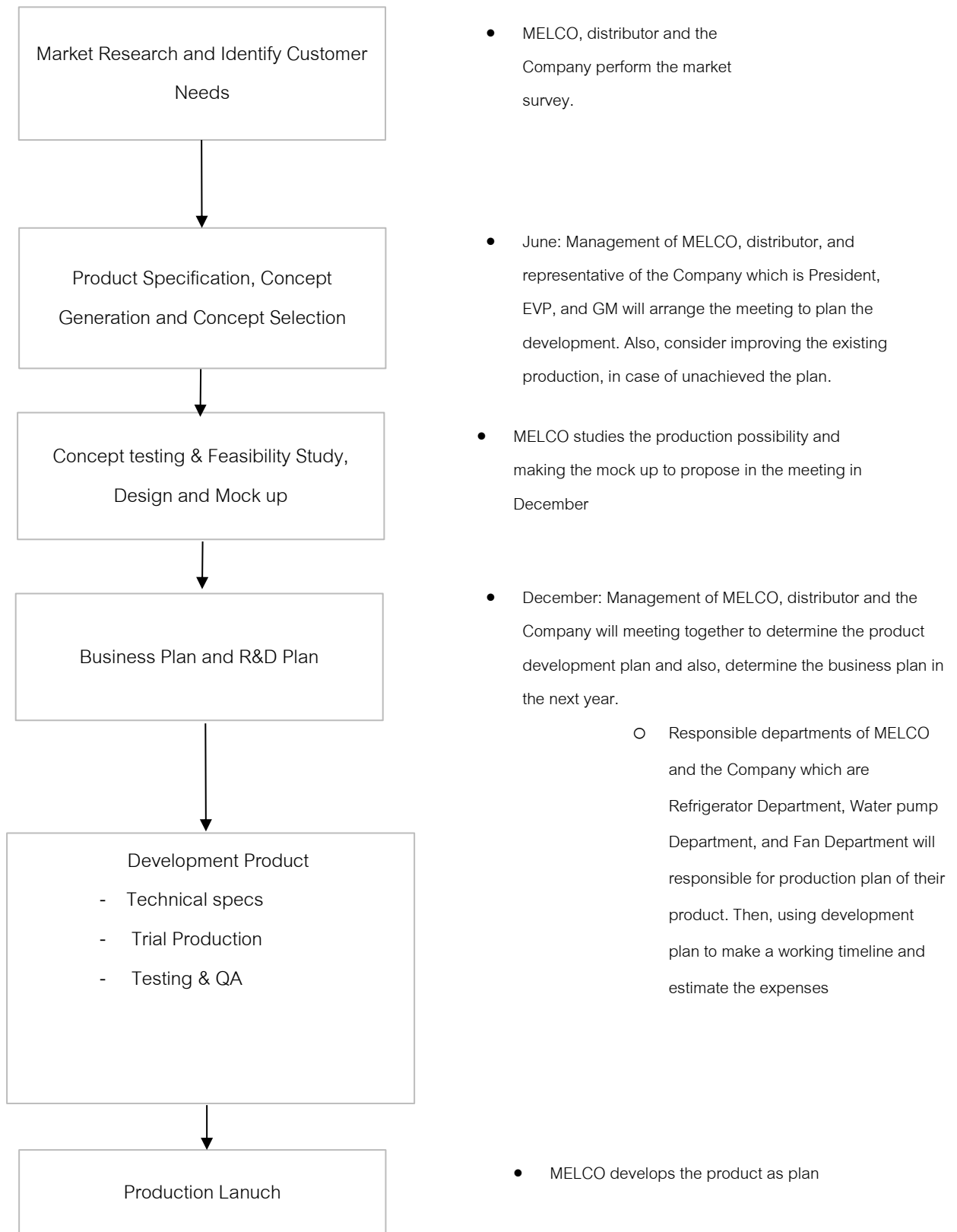
the Company as holding 40.81% of the Company's paid-up capital as of April 24, 2018, the Company was able to renew its technical service agreement with MELCO.

Based on the above information, the Independent Financial Advisor has considered the purpose of the transaction and the necessity and the benefits that the Company will receive as well as the advantages and disadvantages of entering into the transaction. Then found that the company receives the supported by the Technical Assistance Agreement from MELCO, which will assist the company in manufacturing technology and product development, the development of knowledge, ability, and experience of the company's staff from MELCO. It improves the competitiveness of the Company business to meet the needs of our customers. And another important reason is the renewal of this Technical Assistance Agreement. The Company will be licensed in the manufacture and distribute the products under the brand "Mitsubishi Electric." The company will be able to continue to operate which will affect the Company's business in the long term with the reasons and necessities mentioned above. The Independent Financial Advisor has a comment that the renewal of Technical Assistance Agreement by MELCO is required. It is reasonable and essential to the business of the Company.

Part 5: Independent Financial Advisor's opinion related to Fairness of the product development
fee and conditions of the transaction

For the product development process. There will be two major developments. Namely "Major change" as the introduction of new products to the market that there are major changes to the style or specification of the product which is different from the original product. Or "New model development" which is not yet available in the market, will need a budget, development of production technology, and take quite a long time to develop the product. New model development takes about 1-2 years to develop. Another development is "Minor change", which will improve some of the original products, such as the change of appearance to suit the use of customers. For a minor change, there will be no change in the technology of production which will use the budget and production technology less than new model development. Typically, product improvement takes about six months. Products distributed in Thailand and Japan will be developed on a yearly basis, while products for sales elsewhere will be developed every 1 to 3 years, depending on trends of competition and consumer preferences.

In the product development process, the three parties comprising MELCO, KYE, and the distributor will meet in June of each year in order to jointly outline a product development plan for the following year. They will discuss and cooperate in working out product design and deciding on the product models to be developed. A product development plan will be devised based on results of a market survey and analysis together with competitors' product development. The three parties will then meet again in December to pre-determine a business plan, consisting of details and procedures of the particular models of products to be developed as agreed upon at the three-party meeting, as well as decide on a budget framework. After that, they will begin the experimentation process of product development plan during which meeting and follow-up will be conducted from time to time to ensure that the procedures are on track. An evaluation and progress report will then be prepared, detailing product models, product development fee, molds, output, product quality, market situation, trial results, etc. When these procedures are completed, new product models will be marketed, and MELCO will notify the product development cost incurred by the Company and collect the fee on a quarterly basis according to the actual cost. Summary for product development process as follow:



Remark: 1) In the study and development of products, MELCO will charge to the company. According to the actual cost of informing the details of expenses incurred on a quarterly basis. Each production manager will review the progress of the MELCO product development and discuss the details of the costs. President then approved the payment of expenses incurred

2) Finance Department will collect data on product development costs and information to the Board of Executive Directors meeting on a monthly basis. When the cost of product development is likely to exceed 4% of revenues from the sale of goods and services. The Executive Committee will consider revising its development plan to cover expenses not exceeding the budget approved by the shareholders.

Under the agreed principle for product development fee determination by basing on the actual cost incurred by MELCO in the product development procedures mentioned above, MELCO will charge labor cost according to the actual number of manpower and man-hours used and will submit details of such cost, classified by type/model of products, for fee collection from the Company on a quarterly basis. Since the renewal of the Technical Assistance Agreement mentioned above is a connected transaction and the product development fee based on the actual cost, the amount of which cannot be accurately identified at present. The Company has set the budget that the product development fee to be paid to MELCO shall not exceed 4% of revenue from sale of goods and rendering of services according to the Company's financial statement for each fiscal year to the Annual General Meeting of Shareholders to consider for controlling the amount of transactions not too high to affect profitability of the Company. In addition, the Company will not transfer the benefit from the Company to MELCO as a major shareholder. This is to protect the interests of the minority shareholders of the Company.

5.1 Opinion of the Independent Financial Advisor on the reasonableness of the budget for product development fee at the rate does not exceed 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement for each fiscal year

The renewal of the Technical Assistance Agreement defines that the product development fee is based on the actual cost in order to control the amount of the transaction not too high to affect the profitability of the Company. Thus, the Company set the budget that the product development fee to be paid to MELCO shall not exceed 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement for each fiscal year and is the conditions for the product development payment that propose to this connected transaction. When comparing the product development fee rate with the current Agreement which will expire on March 31, 2062, is the same rate of not exceed 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement for each fiscal year.

Technical Assistance Agreement				
Period	Rate and Remuneration			Period of Agreement (Year)
	% of Cost of sale of goods and rendering of services	Total Amount (Million Baht)	Average value per year (Million Baht)	
<u>Previous Agreement</u> April 1, 2009 - March 31, 2014	≤ 3.00	1,214.86	242.97	5
<u>Current Agreement</u> April 1, 2014 - March 31, 2019	≤ 4.00	1,379.08 ¹⁾	275.82	5
<u>Extend Agreement</u> April 1, 2019 - March 31, 2024	≤ 4.00	Not over 2,155.63 ²⁾	Not over 431.13	5

- Note:
- 1) The Company has actual payment as of March 31, 2018, totaling Baht 1,101.00 million, with remaining agreement period of 12 months to March 31, 2019, which is estimated the Product development cost at Baht 278.08 million including current agreement, the total value will be Baht 1,379.08 million.
 - 2) Estimating by the Company's management which estimate from the maximum rate of not exceed 4% of revenue from the sale of goods and rendering of services period April 1, 2019 - March 31, 2024

Considering the Reasonableness of remuneration, the IFA has comments in 3 ways as follow;

1. Comparison of research and product development rates of others Japanese home electrical appliances manufacturing business in the past 5 years (Apr 1, 2012 - Mar 31, 2560). To consider that the product development fee which is set at a rate of not exceed 4% of revenue from the sale of goods and rendering of services, is the rate reasonable or not? Is there any difference with other operators or not?
2. Comparison of the product development budget at a rate of 4.00% of revenue from the sale of goods and rendering of services rates of listed companies in the SET which the transaction is similar to the Company. In order to determine whether the product development budget at a given rate. Is the rate reasonable or not with the difference with other operators or not?
3. Comparison of the actual product development fee to the Company's revenue from the sale of goods and rendering of services. The actual 5 years (April 1, 2013 - March 31, 2018) that the rate does not exceed 4.00% of revenue from the sale of goods and rendering of services to indicate that the setting budget rate is appropriate and adequate for future product development costs.

5.1.1 Comparison the product development fee budget with the proportion of research and development costs to revenue from the sale of goods and rendering of services and other Home Appliances Businesses in Japan

Considering the product development fee budget that the company will pay to MELCO at the rate of not more than 4.00% of revenue from the sale of goods and rendering of services in the financial statements of the Company each year compare with the proportion of

research and development costs to the actual revenue from the sale of goods and rendering of services of other Home Appliances Businesses in Japan in the past five years (Apr 1, 2012 - March 31, 2017)) to determine whether the remuneration that is a reasonable rate that does not differ with other operators. The ratio of research and product development fee to revenue from the sale of goods and rendering of services is as follows:

Unit: %

Company	Financial Statement ended March 31				
	2013	2014	2015	2016	2017
Mitsubishi Electric Corporation	4.83%	4.41%	4.52%	4.62%	4.75%
Toshiba Corporation	5.39%	5.13%	5.33%	6.82%	6.07%
Hitachi, Ltd.	3.67%	3.67%	3.43%	3.33%	3.54%

Source: Annual Report published on each company's website.

www.mitsubishielectric.com),(www.toshiba.com),(www.hitachi.com)

As above information, the research and development fee of the Japanese home appliance business operators has the research and development fee period in the year 2013 – the year 2017 at the rate between 3.33% and 6.82%. Hitachi, Ltd. has the research and development fee lowest at the rate between 3.33%-3.67%. Toshiba Cooperation has the research and development fee highest at the rate between 5.33%-6.82%. Considering the highest rate that the Company will pay to MELCO in each year that it is in the range between the minimum and maximum rates.

The reason that IFA chose Toshiba Corporation and Hitachi Limited to compare the Research and development fee, because these two companies are the major home appliance manufacturers in Japan, as well as MELCO, which manufactures products similar to MELCO and the Company, and is a major competitor in the Thai market and the international market, this is the best company to compare. However, the research and development fee of each of the companies that the Independent Financial Advisor has compared. There may be differences regarding calculation conditions, and the appearance and type of electrical appliances may vary.

5.1.2 Comparison of the product development fee budget to the Service rates of listed companies in the SET

Considering the details of the Technical Assistance Agreement of the Company with the other companies' Agreement as above table, generally, the product development fee of the other listed companies are between 1%-6% or average at 3% of the sales revenue. The lowest product development fee is Muramoto Electron (Thailand) PCL which is 1% of sales revenue, and the highest product development fee is Varopakorn Public Company Limited which is 6% of profit plus Baht 6 million of a fixed rate on a yearly basis

Therefore, considering the product development fee between the Company and MELCO at rate 4% of revenue from the sale of goods and rendering of services in the financial statements of the Company each year that it is slightly higher than the average at 3% of sales revenue, however, the development fee of the Company budget at not exceed 4% of revenue from the sale of goods and rendering of services each year which is the highest rate, but it is not the actual rate to pay to MELCO. As the product development fee to MELCO is based on the actual cost that MELCO paid. Considering the product development fee with the actual revenue from the sale of goods and rendering of services as of March 31, 2018, which is 3.42%, similar to the average rate (3.00%) of the listed company in SET

However, the Agreement of each listed company may vary interm of conditions to calculate the product development fee. Some of the listed company pays by a fix rate and % of sales revenue. Or the received benefits, technical support and Marketing may different depends on the agreement. As a result, it may not be comparable with the agreement of other listed companies.

Comparison of the details of the Agreement of listed company in SET (source: 56-1 form shown in www.sec.or.th)

Company	Related issue	Agreement period	Product Development fee	Scope of work
1). CPR Gomu Industrial Public Co., LTD. (CPR) : Kinugawa Rubber Industrial Co.,Ltd. (KG)	Technical Assistance Agreement	10 year From August 5,2005 – August 5,2015	Royalty Fee 3.00% of Net sales of domestic product on a monthly basis within period of the agreement	Transafer the production technology of rubber parts using in Automotive industry
2). Muramoto Electron (Thailand) Public Company Limited (METCO): Muramoto Industry Co., Ltd. (MIC)	Technical support and service support agreements	2 years from October 1,2010 - September 30,2012 and can be automatically extended for 1 year	1% of sales revenue and other expenses of net sales. Payment within 1 month after year end by Thai Baht	The mother company will provide technical advice, Design Cooperation, business support to the Company, including providing information and suggestion Training in all aspects in production and marketing. It also provides staffing support to transfer experience and knowledge to the company's employees.

Company	Related issue	Agreement period	Product Development fee	Scope of work
3). Thai Mitsuwa Public Company Limited: (TMW): Mitsuwa Electric Industry Co., Ltd. (MEI)	Technical support and service support agreements	5 years from August 1, 2016 - July 31, 2021	3% of the monthly net sales for magnesium products produced and sold by the Company.	The company receives technical services for magnesium products. This includes consulting services and training in production and marketing and Human Resources to transfer experience and knowledge to employees of the company.
4). Varopakorn Public Company Limited (VARO) : Mitsubishi Aluminium Co., Ltd.	Technical support agreements	5 years from December 27, 2016 - December 26, 2022	Monthly license of Baht 500,000, not more than 4 years, or not more than Baht 24 million, and perpetual license for 1 -6% of the Rolls margin aluminum sheet throughout the term of the Agreement.	The Company obtained the production technology and new product development

5.1.3. Comparison the product development fee budget and ratio of product development fee per the actual revenue from the sale of goods and rendering of services

Considering the product development fee that the company will pay to MELCO, at the rate 4.00% of estimate revenue from sales of goods and rendering services in the Company's financial statements in the Agreement period 2020 to 2024, compared with the proportion of research and development costs to the actual sales revenue in the period of 4 years and estimation of product development in 2019 in total 5 years as the current Technical assistance Agreement which is going to expire (April 1, 2014-March 31, 2019), to consider that the product development fee at rate 4% of revenue from sales of goods and rendering services of the Company each year is a reasonable and sufficient for research & development expenses as a result of the renewal of Technical Assistance Agreement for a period of 5 years. The details are as follows.

	Current Agreement					Extend Agreement				
	2558	2559	2560	2561	2562*	2563	2564	2565	2566	2567
Revenue from sale of goods and rendering services	8,675.27	8,805.20	9,055.35	8,631.74	9,854.91	10,150.56	10,455.07	10,768.72	11,091.79	11,424.54
Average annual increase in revenue	3.28% per year					3.00% per year				
Case 1 Estimated cost of product development by budget will seek approval of 4 % of the revenue estimate for the year 2020 - 2024.										
Product development fee	217.82	282.33	305.73	295.12	278.08	406.02	418.20	430.75	443.67	456.98
Product Development fee Per Revenue from Sales and Services (%)	2.51%	3.21%	3.38%	3.42%	2.82%	4.00%	4.00%	4.00%	4.00%	4.00%
Case 2: Estimation of Product Development fee on Average Percentage of Product Development Costs to Actual Revenue in 2015 - 2018 at 3.13% of Revenue from Sales and Services. year										
Product development fee	217.82	282.33	305.73	295.12	278.08	317.52	327.05	336.86	346.96	357.37
Product Development fee Per Revenue from Sales and Services (%)	2.51%	3.21%	3.38%	3.42%	2.82%	3.13%	3.13%	3.13%	3.13%	3.13%

Remark: KYE's financial statements; fiscal year covering April 1 – March 31

* Estimated revenue and product development fee

According to the above Technical Assistance Agreement comparison table. It can be considered that the ratio of product development fee to revenue from sales of goods and rendering services of the company occurred in the year 2015 – 2018 including the estimation of the ratio of the development fee to revenue in the year 2019 will be 2.51% - 3.42%. The said estimation would be lower than the product development fee budget at the rate 4 % of revenue from sales of goods and rendering services of the Company each year. The IFA has the opinion that the budgeting at rate 4% of revenue from sales of goods and rendering services of the Company each year is the reasonable and sufficient for research & development expenses in the future. Considering the comparison of product development fee based on the average percentage of product development costs to actual revenue during the year 2015 - 2018, the average rate of sales and service revenue will be 3.13%. Estimated product development fee for the period

from 2020 to 2024 is approximately Baht 317.52 million to Baht 357.37 million, which is still lower than the budget of 4% of revenue from sales of goods and rendering services would have amounted to about Baht 406.02 million to Baht 456.98 million respectively.

The estimation of revenue during the period of renewal of the Technical Assistance Agreement for another five years, from the year 2020 to the year 2024, is an estimate received by the company. The management of the company is expected to increase by 3.00% per year, with an increase in sales and service income from 2019 onwards. The estimated growth rate of revenue is 3.00% per year of the Company based on the average actual revenue growth rate for the period from 2015 to 2019. The average growth rate is 3.28 % per year Sales revenue of each product are as follows:

Product	Estimated sales revenue (Year 2020-2024)
Refrigerator	71.28%
Electric fan and Ventilating fan	17.56%
Water Pump	10.26%
Jet Towel	0.19%
Revenue from rendering services and others revenue	0.71%
Total	100.00%

Source: Management's estimation

The Company budgets the product development fee at 4% of revenue from sales of goods and rendering services or not more than Baht 406.02 million to Baht 456.98 million. However, the mentioned budget is the budget for the renewal Agreement in the next five years period 2020-2024. The management will manage the product development fee not more than the said budget which the actual product development fee will be collected from the company which maybe higher or lower than the mentioned budget.

Based on the comparative analysis of product development fee in three aspects, both in comparison with research and product development of other electrical appliance manufacturers in Japan, Comparisons with contractual returns similar to those of the Company of companies listed on the SET, and Comparison with the company's product development occurred in the past, as mentioned above. The Independent Financial Advisor has a comment that setting the budget for product development under the MELCO Technical Assistance Agreement at a rate 4% of revenue from sales of goods and rendering services each year. The rate is appropriate. The normal rate for such transaction. Based on comparison with other home appliance manufacturers in Japan that research and develop their products in the same way with the company. Comparison with similar contractual rates of companies listed on the SET. And refer to the product development fee of the company in the past, such product development budgets would be appropriate and sufficient to develop the company's products. To generate revenue growth to meet the target of the company.

The requesting of the approval for the budget of the product development fee to the Annual General Meeting of Shareholders of the Company this time at the rate not exceed 4% of revenue from sale of goods and rendering of services according to the Company's financial statement for each fiscal year. This rate has not stated in the terms and conditions of both Agreements which is going to renew. Under the Agreement, payment for development fee to MELCO will base on the actual cost which may higher than 4% of revenue from sale of goods and rendering of services. In the previous, the Company paid the development fee in an average rate at 3.13% of revenue from sale of goods and rendering of services. In addition, the development process will be MELCO, the Company, and distributors' cooperate to consider the development plan. The Company will follow and monitor the budget in every quarter. In case of in the future the development fee higher than 4% of revenue from sale of goods and rendering of services, the Company will seek the approval to the next Meeting of Shareholders of the Company.

5.2 Independent Financial Advisor's opinion on the reasonableness of the terms of the Technical Assistance Agreement from MELCO

Due to the renewal of Technical Assistance Agreement from MELCO, The Company considered to renew for another five years, from the year 2020 to the year 2067. The renewal of the existing Agreement without changing the substance of the both Agreements in terms of return and terms of the conditions. The significant terms of the Technical Assistance Agreement are as follows.

5.2.1 The Company will only manufacture and develop products under the "Mitsubishi Electric" trademark.

According to the Technical Assistance Agreement, the Company will be licensed to manufacture and distribute under "Mitsubishi Electric." The Company shall receive technical know-how and production technology for new product development from MELCO only. The Company cannot manufacture the products under the other brands which are general trading conditions. As MELCO who is the major shareholder, and is the leader in electrical home appliances business in Japan, the owner of the production technology and the owner of the Mitsubishi Electric trademark. The IFA is of the opinion that as the Company has a major shareholder who is the owner of the brand. As a result, it's a general business condition that the company shall produce and develop the products under its brand only unable to manufacture other brands which are the Company's competitor. Regarding manufacturing technology and product development, it is the most critical and essential business secret that is a significant factor in the damaging business of producing and selling electric home appliances. If the company continues to receive technical assistance, it is appropriate for the Company to rely on the technology of production and product development from MELCO only, cannot join with the other company as it may make the production technology of the company leak to the outside. If the Company does not renew the Technical Assistance Agreement, the Company will not license to produce the product or need to produce under the Company's brand or other brands. Consequently, the Company's business may disrupt immediately which remarkably caused the damage.

5.2.2 The company has to pay for product development fee in Yen currency.

Terms of Payment for Product Development fee under the Technical Assistance Agreement, MELCO will charge for the development of refrigerator, electric fan, and ventilating fan according to the amount MELCO paid in yen currency. Due to the whole product development process, MELCO is researching and developing in Japan. Therefore, the Independent Financial Advisor is of the opinion that MELCO invests in product development in Yen currency. So it is appropriate to pay in Yen currency as well, this may caused the company risk of fluctuations in exchange rates between the yen and the baht. In case of the baht weakens against the yen. However, such uncertainty may not create problems for the Company that much because of the company also earnings in yen from exports to Japan. It is a natural hedge that the Company has income and expenses in the same currency.

5.2.3 The Company shall pay for product development fee to MELCO on a quarterly basis.

For the payment period of the product development fee is paid by the company on a quarterly basis, or every 90 days. The independent financial advisor is of the opinion that it is appropriate to pay for product development fee. By MELCO summarize the number of expenses is paid every quarter, which is good for the company as the Company does not need to pay for product development right away. Also, payment for product development every 90 days has a longer period of time than the cash cycle that the company sells and collects goods for a period of 56 days (the cash cycle of the company at March 31, 18). Therefore, the payment for product development in every Quarterly or every 90 days, it is unlikely that this will not affect the cash flow of the Company.

Terms of the Technical Assistance Agreement for renewal of this agreement will be carried out in all three aspects mentioned above without any changes in terms and conditions from the existing Agreement. The IFA has the opinion that the terms of the three agreements are appropriate. It is a condition of the general business of electric home appliance manufacturers. Such conditions do not affect the operation nor the shareholders of the company.

The competition in the electric home appliance business is likely to intensify. Consumers' demand for products has constantly been changing, so the company has to develop new products to the market continues in order to meet the needs of customers, focus on energy saving and quality including, promote the new products to expand the market to new consumers and increase sales. It also helps maintain the image and standards of the "Mitsubishi Electric" trademark that has a credible image in quality and is acceptable to the consumer. It also creates the potential and competitiveness of the company more in the future.

Therefore, the Company needs for technology and human resources in production and product development from MELCO who is the owner of the technology and the owner of the trademark. Also, support for product development. As such, the technology, knowledge, experience, production techniques experience, the skills of experienced transfers from Japanese professionals. This transfer will help to improve the Company's operating system to comply with international production standards. It also enhances the skills of employees, and this will affect the quality of the product including a reduction in production losses due to lack of work skills of the employees.

The Independent Financial Advisor considered the reasons and necessity, the benefits and disadvantages including the risk of a renewal of the Technical Assistance Agreement from MELCO as mentioned above. Including consideration of the appropriateness of expenses that has to pay to MELCO which has no additional profit. Also, consider setting a budget for product development fee under the agreement at a rate of no more than 4 % of revenue from sales of goods and rendering services of the Company each year. The rate is reasonable and does not affect the operation nor the shareholders of the company. However, the shareholders shall acknowledge that requesting for the approval for the budget of the product development fee to the Annual General Meeting of Shareholders at the rate not exceed 4% of revenue from the sale of goods and rendering of services according to the Company's financial statement for each fiscal year. It is the approval of the budget for the management of the Company. This rate has not stated in the terms and conditions of both Agreements which is going to renew. Under the Agreement, payment for development fee to MELCO will base on the actual cost which may be higher than 4% of revenue from the sale of goods and rendering of services. In the previous, the Company paid the development fee in an average rate at 3.13% of revenue from the sale of goods and rendering of services. The Company will follow and monitor the budget in every quarter. In case of in the future the development fee higher than 4% of revenue from the sale of goods and rendering of services, the Company will seek the approval of the next Meeting of Shareholders. Based on these reasons, the IFA recommend that the shareholders shall have the resolution to approve Kang Yong Electric Public Company Limited to proceed the conneted transaction pertaining to renew the Technical Assistance Agreement from Mitsubishi Electric Coopration. Due to the transaction will benefits the Company. The

rates and conditions stated in the Agreement has not changed. It is appropriate and fair to the current situation.

However, the decision as to whether to vote in favor of the transaction rests with the shareholders. The shareholders shall consider the information in the documents accompanying the notice of the 2018 Annual General Meeting of Shareholders to be a basis for making a proper voting decision.

Finnex Advisory Company Limited as the Independent Financial Advisor, certifies that from the consideration of the rationales, necessity and factors as discussed above in relation to this transaction with due care and under professional practices by paying regard primarily to the interests of the Company and its shareholders. The comments are based on publicly available information, existing industry information, as well as documentation and financial projections from the Company's management. And related companies. The Company also interviewed the Company's executives by the IFA assumes that the above information is accurate and true. The IFA has not audited the accuracy and completeness of all information. If the above information is incorrect and not true. Or significant changes in the future. This may affect the opinion of the Independent Financial Advisor.

Yours sincerely,

(Mr. Vorachat Tuaycharoen)

Managing Director

(Ms. Sirin Kitvorawat)

Operations Controller