



No. M.D. 119/2018

May 23, 2018

Subject: Notification of management's discussion and analysis for the year 2017
To: The President
The Stock Exchange of Thailand

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

Summary of financial information

	(Unit)	March 31	
		2018	2017
Total assets	Baht million	8,136	8,297
Total liabilities	Baht million	1,761	1,964
Shareholders' equity	Baht million	6,375	6,333
Revenues from sales and rendering of services	Baht million	8,632	9,055
Total revenues	Baht million	9,215	10,049
Costs of sales and rendering of services	Baht million	7,266	7,436
Gross profit	Baht million	1,366	1,619
Selling and administrative expenses	Baht million	1,154	1,153
Net profit	Baht million	719	1,336
Financial ratios			
<i>Liquidity ratios</i>			
Current ratio	time	4.48	4.12
Quick ratio	time	3.71	3.52
Cash flow liquidity ratio	time	0.15	0.48
Accounts receivable turnover ratio	time	6.42	6.78
Average collection period	day	57	54
Inventory turnover ratio	time	7.55	7.91
Average age of inventories	day	48	46
Accounts payable turnover ratio	time	7.84	7.30
Repayment period	day	47	50
Cash cycle	day	58	50
<i>Profitability ratios</i>			
Gross profit margin	%	15.83	17.89
Net profit to sales ratio	%	8.33	14.75
Return on equity	%	11.32	22.73
<i>Efficiency ratios</i>			
Return on total assets	%	8.75	17.05
Return on fixed assets	%	75.20	127.32
Assets turnover ratio	time	1.12	1.28
<i>Financial policy ratios</i>			
Debt to equity ratio	time	0.28	0.31
Dividend payout ratio	%	*	50.00

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



Summary of operating results for FY2017 in comparison with FY2016:

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

Revenues from sales and services, by business segment

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

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

Revenues from sales and services

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

1. The domestic market, sales decreased from Baht 3,268.9 million in 2016 to Baht 3,001.8 million in 2017 or decreased Baht 267.1 million or 8.2% mainly due to the sale of refrigerators. Water pump and electric fan reduced.
2. Export to Japan market, sales slightly decreased from Baht 3,840.7 million in 2016 to Baht 3,825.2 million in 2017 or decreased Baht 15.5 million or 0.4%. The sales of 3 door refrigerators have increased. Sales of 1 door and 2 doors refrigerators have decreased a lot, also affected by fluctuations in exchange rates which caused sales revenue decreased by Baht 133 million.



3. Export to markets elsewhere, sales decreased from Baht 1,945.7 million in 2016 to Baht 1,804.7 million in 2017 or decreased Baht 141.0 million or 7.2% from the same period last year. Due to
 - Changing of sales channels in Vietnam caused sales of refrigerators and electric fans decreased.
 - Due to the impact of baht exchange rate appreciation compared to the US dollar. Sales decreased about 91 million baht.

Other revenues

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

Selling costs and expenses

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

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

- o Selling expenses increased by Baht 5.3 million. In the year 2016, the Company had the amount of Baht 411.5 million to Baht 416.8 million. Advertising and promotion expenses increased.

- o Administrative expenses decreased by Baht 4.3 million. From Baht 741.0 million in the year 2015 to Baht 736.7 million in the year 2016.

Profit

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



Summary of financial position

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

Total assets

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

- Cash and cash equivalents as of March 31, 2018, was Baht 609.3 million, decline from a year earlier by Baht 921.7 million or 60.2% as there was an investment of Baht 800.0 million.
- Current investments as of March 31, 2018, amounted to Baht 3,300 million, increasing by Baht 800.0 million or 32.0% and comprising short-term deposits with financial institutions for a period ranging from 7 months to 12 months.
- Trade accounts receivable and other receivables as of March 31, 2018, totaled Baht 1,352.0 million, decrease by Baht 279.6 million or 17.1% from the same period of the foregoing year, and coming mainly from accrued accounts not yet due. The Company had an average collection period of 57 days in 2017, a delay of 3 days from the previous year. With close assessment of customers' financial status, the Company has faced no debt collection problem.
- Inventories as of March 31, 2018, amounted to Baht 1,046.2 million, increase Baht 168.0 million or 19.1% from a year earlier. The average age of inventories was shortened by 2 days from 46 days in 2016 to 48 days in 2017. Due to the high inventory left over at delayers in Japan and Domestic, it is necessary to adjust the production plans to decrease in March.
- Property, plant, and equipment as of March 31, 2018, amounted to Baht 1,463.3 million, increasing by Baht 97.4 million or 7.1%. In 2017, the Company invested Baht 443.9 million in machinery, equipment and molds. Its return on fixed assets was 75.2%.



Total liabilities

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

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

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

Shareholders' equity

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

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

Yours sincerely,




(Mr. Akira Nakamichi)

Director



(Mr. Praphad Phodhivorakhun)

Chairman of the Board