

# MASTERKOOOL

Master of Innovative Cooling

## Annual Report 2018

MODERN  
DESIGN



# ANNUAL REPORT 2018

For the year ended 31 December 2018



Masterkool International Public Company Limited

KOOL

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## Message from the Chairman

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### Mr. Sanpat Sapon

The challenges in the past 2018 directly affect the business; both unfavorable climates, the economy of our country that maintains Thailand's household debt ratio accounted over 77 percent of the country's gross domestic product (GDP) as of Q2 / 2018, resulting in a shrinking market demand. The cooling industry in the country has all been affected. Although the overall picture of the same product has grown over the previous year 2018, when considered in depth information, it can be seen that most of the growth comes from exports.

The performance of Masterkool International Public Company Limited in the year 2018 is therefore facing a challenging situation throughout the year. Therefore its operating results according to the consolidated financial statements, with a net loss of 108.89 million baht despite the adjustment of the strategic plan to support the situation continuously including accelerating the action plan to reduce the risk in the next phase of operations

The company has confidence and continue to develop products and services in the year 2019 to meet the needs of consumers by focusing on expanding a marketing base in the corporate customers to strengthen the business; continueing to sustainably growht in the long term under good corporate governance. Along with the development of personnel, the Company aims to enhance the operational potential under the rapidly changing global trend to bring success to all stakeholders.

On behalf of the Board of Directors, I would like to express my appreciation to our shareholders, customers, business partners, executives, and employees as well as all stakeholders for all your continued support and for the confidence that you have placed in Masterkool.

Mr. Sanpat Sapon  
Chairman of the Board



## Audit Committee Report

### Mr. Mongkol Kasaemsun Na Ayudthaya

The Auditing Committee of Masterkool International PLC consists of 3 independent directors with qualifications and experience from various branches, as follows.

- |  |                                 |
|--|---------------------------------|
| ● Mr. Mongkol Kasaemsun Na Ayudthaya   | Chairman of the Audit Committee |
| ● Mr. Sanpat Sapon                     | Audit Committee                 |
| ● Assoc. Prof. Dr. Prakrit Tangtisanon | Audit Committee                 |

The Audit Committee has performed its duties as specified in the Audit Committee Charter which the Board of Directors has assigned; and in accordance with the requirements of the Stock Exchange of Thailand. In 2018, the Audit Committee held 4 meetings of the Audit Committee. The Audit Committee meeting reviewed and discussed the essence of the operation with the management, internal auditor, and regular auditors Summary of duties as follows:-

**1. Financial Report Review:** The Audit Committee meets only with the financial auditors and internal auditors quarterly without management attended the meetings. If there are any items where the Audit Committee has to rely on the details for consideration, the Committee may invite relevant executives to clarify, before commenting and presenting to the Board of Directors.

For financial report of the year 2018, the Audit Committee considered that the company's financial report was prepared in accordance with generally accepted auditing standards, with sufficient disclosure of material information in the notes to the financial statements

**2. Reviewing Transactions that May Lead to Conflict of Interests:** The Audit Committee has reviewed the disclosure of information from transactions that may lead to conflict of interests, and they have been deemed to be adequate and in compliance with the rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission of Thailand.

**3. Management Review and Risk Management:** The Audit Committee has considered risk policies and programs, as well as the risk performance report, by meeting with the Risk Management Task Force to provide better guidelines and suggestions for improvement.

**4. Review of Good Corporate Governance:** The Audit Committee has directed and reviewed the operations in accordance with the Corporate Governance Policy, as well as business ethics requirements and defined work practices, to ensure compliance with good corporate governance principles to ensure that all stakeholders are respected.

**5. Review of Internal Control System and Internal Auditing Oversight:** The Audit Committee employed ACC-PLUS Consultant Co., Ltd., the third-party internal auditor, to be the company's internal auditor for the independence of the inspection work. Internal audit results were reported directly to the Audit Committee, and therefore continuous monitoring of internal auditing results is required

In the year 2018, the Audit Committee found no significant internal control deficiencies within the year

**6. Considering on Auditor and Audit Fee:** The Audit Committee has considered SP Auditing Co., Ltd by expertise, based on knowledge, ability, qualifications, and experience, by the standard auditing of listed companies in the Stock Exchange of Thailand. Moreover, the auditing fee is in line with the size of the company's budget. It has proposed to the Board of Directors to consider the appointment of the auditor and the remuneration of the auditor at this Annual General Meeting of Shareholders.

#### Summary of Audit Committee Report

The Audit Committee has performed its duties and responsibilities as its charter approved by the Board of Directors with full knowledge, ability, prudence, caution, and sufficient independence to equally benefit all stakeholders.

The Auditing Committee is of the opinion that the company's financial report is accurate and consistent with generally accepted accounting standards. The company also manages the risk from internal control and proper internal auditing with compliance to the law, good corporate governance principles and to the requirements in business.

(Mr. Mongkol Kasaemsun Na Ayudthaya)  
Chairman of the Audit Committee

## Nomination and Remuneration Committee Report

Assoc. Prof. Dr. Prakit Tangtisanon

The Nomination and Remuneration Committee has performed the duties assigned by the Board of Directors in the charter of the Nomination and Remuneration Committee.

In 2018, the Nomination and Remuneration Committee has one meeting to consider the importance in various topics, include the progress of the work in accordance with the scope of duties, and follow up on assigned responsibilities as follows

**1. Nomination of Persons to be Independent Directors and Company's Directors:** The Nomination and Remuneration Committee is responsible for recruiting qualified persons according to the requirements of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. There are to be no prohibited characteristics as required by law, qualifications, experience, and knowledge that are beneficial to the business. The Committee then presents them at the Board of Directors and the shareholders' meeting for approval. The interested directors will not participate in the consideration and abstain from such issues.

To present persons to become the Company's Directors in the year 2018, the Nomination and Remuneration Committee assigned the Company Secretary to publish an announcement on the Company's website to invite the shareholders to nominate candidates to be elected as Directors.

**2. Review of Committee and Sub-Committee Remuneration:** The NRC considers remuneration packages for directors and sub-committees by reducing these remunerations to meet the the Company's performance. The Board of Directors has resolved as approval for proposing to the shareholders

**3. Review of Remuneration Structure for Executives and Employees:** The NRC considered remuneration structure, together with top management and HR, to be consistent with the company's performance and motivational an essential in maintaining talented employees.

**4. Organizational Structuring:** The NRC has reviewed the organizational structure with senior executives and HR to achieve better management efficiency and business performance. The organization structure has found suitable for the business; therefore the Committee resolved the structure as effective structure for the further year

**5. Formation of the Company's and its Subsidiaries' Succession Plan:** The Nomination and Remuneration Committee determined that the direction of the Board of Directors, the criteria for evaluation / assessment, and the main objective plan in collaboration with senior management and HR, prepared the organization's readiness in advance and ensured that there would be continuous business conduct

**6. Designing Guidelines for Personnel Development Plan:** The Nomination and Remuneration Committee reviewed the employee development plan with the Human Resources Department. In addition to the development of knowledge and skills, The Company has planned to develop health personnel to drive the organization to sustainable growth.

In addition, the focus on the implementation of the happy workplace project aimed to propel the company towards a more sustainable growth.

### Summary Report of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee has performed its duties as approved by the Board of Directors with careful transparency and impartiality, taking into account the maximum benefit of the Company and all relevant stakeholders.

In addition, the Nomination and Remuneration Committee encourages all directors to attend training or activities to increase their knowledge of the self-assessment of the Board of Directors and sub-committees which has been provided for both the group and individual. The reports are regularly made to the Board of Directors to further improve the operations.

Assoc. Prof. Dr. Prakit Tangtisanon

Chairman of the Nomination and Remuneration Committee

### 1. Policy and Business Overview

Masterkool International Public Company Limited ("Company") was established on June 3, 2002. Its main business relies on supply of cooling products, i.e. evaporative air cooler, misting fan, and industrial fan under the brand of "MASTERKOOL" and "Cool Top". The business includes services and rental cooling products for outdoor area, design and installation of cooling system inside a plant or warehouse, after-sale warranty, and maintenance. The Company has been listed on the Market for Alternative Investment (mai) with the security name as KOOL since 23<sup>rd</sup> September 2015.

In addition, the Company has 99.98% shares in 1 subsidiary, Innov Green Solutions Company Limited ("Subsidiary" or "Ingreen"). Ingreen is a seller and service provider of ozone system that can be applied in various system, e.g. indoor cooling system, washing system for efficiency increase, energy saving, and chemical reduction, including use with pipe water system to reduce organic used in water which cause cancer.

The Company is the first of the industry as an innovator of refrigeration products, using evaporation technology offered to consumers; in line with the slogan of **"Masterkool, the Real Leader in Modern Cool"**

The company operates in accordance with the strategic plan which is the direction of business operation; taking into account important environmental factors; both inside and outside including a vision for the strategic goals.

#### 1.1 Vision, Mission, Goals and Business Strategies

In order to determine the direction and goal of the group of companies, the Board has clearly defined the vision, mission and core values of the organization. The vision is the image that the organization wants to reach. Mission is the important task and practice that the personnel in the organization will use to conduct business. Core values are shared values that executives and employees will adhere to and use in their operations to achieve their goals.

|                        |  |                         |  |
|------------------------|--|-------------------------|--|
| <b>Vision</b><br>▶▶▶▶▶ | We are an authentic leader of modern cooling products and solutions for air-cooling, energy saving, environment care to meet all needs of customers and to gain recognition on international standards; aiming to contribute to our core sustainability mission by driving well-being for our employees with positive impact on their families, customers, and stakeholders. | <b>Mission</b><br>▶▶▶▶▶ | MASTERKOOL, an innovative organization who creates quality; for the happiness organization of Masterkool |
|------------------------|--|-------------------------|--|

#### Shared Values

Masterkool Group with the share values of the organization that comes from giving importance to customers and stakeholders, the company has instilled the values of "Commitment, Continuous development, By Heart" to the company's personnel for continued growth, including:-

**Commitment:** All personnel are important to the organization's goals. Therefore, be aware and keep in mind that any operations of any units shall support the organization's goal as the first priority; that is everyone participates in the goal.

**Development:** When everyone is involved in the goal, performing duties of all duties, therefore, should consider, think, analyze, find the way and decide on the worthiness of the resources used; and for the maximum benefit of the organization to finally achieve the goal.

**By heart:** Every work can not be achieved solely. All personnel should therefore see the value of teamwork, which has both help, support, being responsible on the goal. As well as creating and maintaining a good working atmosphere based on principles "Happy Workplace" as the core of the operation; to create sustainable value for all organizations and stakeholders

## Business Goal

The company aims at customer satisfaction as the main goal of the organization in order to continuously generate revenue and grow steadily. The company therefore focuses on responding to customer needs. Target groups in all groups has set financial goals as revenue of the business group which means the Company and its subsidiaries which is expected to be the main proportion of revenue from 3 main market segments as follows:

|   |                           |
|---|---------------------------|
| ▶ Retail Market (Modertrade, Dealer, and Online Channels) | 50% of total sales target |
| ▶ Export Market   | 30% of total sales target |
| ▶ Corporate Market  | 20% of total sales target |

## Business Strategies

### ● Marketing Strategy

The Company aims to make Masterkool a recognized brand by integrating through-the-line marketing, which encompasses both above the line advertising and continuing below the line public relations through corporate branding, which puts emphasis on being the leader in various fields, under the slogan **“Authentic Leader of Modern Cooling”** and product branding, which is characterized by the product's cooling efficiency and energy saving qualities, as a new alternative product of cooling under the slogan **“Super Cool Super Save”**

### ● Product Strategy

The company focuses on being an innovative organization for continuous product improvement and development. in order to meet customer satisfaction. The company has determined the process of collecting comments and recommendations from customer satisfaction surveys after sales and services.

The company plans to operate in 2019 by focusing on the development of products and services to meet the needs of the three main market segments. For corporate customer market, the company operates by applying of new age technology for energy management; that create energy saving and as well as environmental protection.

For those retail customers, the company has started to bring products that do not have a restriction on seasonal sales since the second half of 2018, including drinking water dispenser and still consider products that do not have restrictions on seasonal issues in other items such as home fans. This is to reduce the volatility of income that usually occurs during the off-season during the third quarter to the fourth quarter of every year. Anyhow, the Company still emphasizing the quality of the product and its differentials to the same category product in the market

As for those foreign customers, they have specific needs in each area, each continent, due to the different popularity. Currently, Masterkool products have been exported to more than 34 countries worldwide by highlights of different products both in appearance and usage functions. Most importantly, the efficiency of cooling that is actually cool.

### ● Distribution Strategy

The company focuses on 3 main market segments, namely retail market, International market and corporate market. It was found that the retail customers market had the highest proportion of income; but with the terms and conditions of the channel, this channel has a low gross profit margin, Therefore, the company has considered opening a selling point with a competitive point of sale or a selling point that is suitable for the business. In the year 2019, the company planned to open 120 sales points at modern trade stores throughout the year. When compared to the number of sales points during the past year's season, it has dropped by more than 50 percent. This is to reduce the risk of transportation costs that may occurred when products be returned at the end of the salef-season and have to close the selling point during the year.

As for International market in last year, the company has researched and developed the product of the cooling fan that comes from the needs of foreign customers who prefer to use the cooling system for individual or personal cooling. The

company has imported this model to expand the existing market and add new markets in tandem in the year 2018, the company started to have sales from the Southern Hemisphere and Oceania.

For corporate customers market, there is a business model as the project management which takes a longer period of sales cycle than usual. The company therefore focuses on opening sales to expand the market base for continuous growth as a channel to generate consistent income throughout the year in the future.

## ● HR Strategy

Personnel development of the company is planned both short and long term. In the short term, it is developed according to the annual personnel development plan which can be divided into on-the-job training forms (OJT), development of knowledge and management skills, and others that are consistent with the organization's goals

For long-term personnel development guidelines for the purpose of creating sustainable growth, the company uses the principles and guidelines of the Happy Workplace of the Office of Health Promotion Foundation under the core values of "Commitment, Continuous development, by heart". The company has the intention to produce long-term results that is employee engagement to the organization for the sustainable growth of the company.

## 1.2 Major changes and development

|           |   |
|-----------|---|
| 2002-2010 | Masterkool International Public Company Limited was established on 3 <sup>rd</sup> June 2002 by Mr. Noppachai Veeraman and friends, with an initial registered capital of 2,000,000 Baht divided into 200,000 ordinary shares with a par value of 10 Baht each, to operate misting fan production and distribution. The Company was the first to research and develop misting fans in order to solve the problem of extreme heat in places where air conditioning could not be installed.<br><br>The Company increased its registered capital four times from 2,000,000 Baht to 44,000,000 Baht in 2009, divided into 4,400,000 ordinary shares with a par value of 10 Baht each, by offering shares to existing shareholders for the support of expanding the business. In the fourth capital increase, the Company offered 440,000 shares to K-SME at the price of 20 Baht per share (with par value of 10 Baht). |
| 2008      | The Company won the 2008 Prime Minister's Export Award (for Thai-Owned Brand)   |
| 2009      | The Company and the three shareholders signed a joint venture agreement and an agreement between the shareholders and K-SME. In addition, the company began to import new cooling fans for domestic distribution.   |
| 2011      | The company co-founded Innov-Green Solutions Co., Ltd. ("Ingreen") with unrelated parties, with a starting capital of 1,000,000 Baht, divided into 10,000 shares with a par value of 100 Baht. The Company holds 49.99 percent shares in the ozone product market.  |
| 2013      | The Company increased its registered capital from 44,400,000 Baht divided into 4,440,000 ordinary shares with a par value of 10 Baht each, to 70,000,000 Baht divided into 7,000,000 ordinary shares with a par value of 10 Baht each, offering and selling shares to existing shareholders, directors, executives and employees at par value of 10 Baht.<br><br>The Company acquired Ingreen shares from its existing 5,000 non-related shareholders, with a par value of 100 Baht each at the book value. Ingreen owns a 99.98 percent in shares, which makes Ingreen a subsidiary of the company.  |
| 2014      | The Extraordinary General Meeting of Shareholders No. 2/2011 held on 9 <sup>th</sup> September 2014 approved the following resolutions:<br><br>1) The transformation into a public company<br>2) Changing the par value from 10 Baht to 0.25 Baht per share<br>3) Increased registered capital from 70,000,000 Baht divided into 280,000,000 ordinary shares with a par value of 0.25 Baht each to 120,000,000 Baht divided into 480,000,000 ordinary shares with a   |



par value of 0.25 Baht per share.

- 80,000,000 new ordinary shares to be allocated to the existing shareholders in proportion to their shareholding
- 120,000,000 new ordinary shares allotted to the public.

The Company increased its paid-up capital from 70,000,000 Baht divided into 280,000,000 ordinary shares with a par value of 0.25 Baht each to 90,000,000 Baht divided into 360,000,000 ordinary shares with a par value of 0.25 Baht each. These were allocated to the existing shareholders in proportion to the shareholding at a par value of 0.25 Baht.

|      |  |
|------|--|
| 2015 | On 23 <sup>rd</sup> September 2015, the Company was listed on the mai stock exchange and offered initial public offering (IPO) shares in the service industry with stock code KOOL                                   |
| 2016 | The company introduced the innovative Koolbot air cooling appliance, with increased cooling capabilities   |
| 2017 | The Board of Directors Meeting No. 1/2560 held on 23 <sup>rd</sup> February 2017 resolved to increase the registered capital of Innov-Green Solutions Co., Ltd. (subsidiary) from 1,000,000 Baht to 30,000,000 Baht. |
| 2018 | Innovative products "Evaporative air-cooler with mosquito repellent function with high frequency " released to the market.   |

### 1.3 Shareholder Structure

Innovation Green Solutions Company Limited is a subsidiary of the Company. In which the holding of the subsidiary's shares is 299,940 shares or 99.98% of the total paid-up shares of all subsidiaries. The remaining 60 shares, representing 0.02 percent, are held by Mr. Noppachai Veeraman, Managing Director., and Miss Sunanta Wanwat, Director and Executive in the same proportion.



### 1.4 Relationship with Major shareholders' Business Group

Even though the company holding shares of subsidiaries at 99.98%, but the Company and its subsidiaries have different business structures that focus on different marketing bases. Therefore, there is no significant competition among the companies within the Group.

## 2. Business Operations

### Revenues Structure by Products

| Type of Revenues                         | 2016   |       | 2017   |       | 2018   |       |
|--|--------|-------|--------|-------|--------|-------|
|  | MB     | %     | MB     | %     | MB     | %     |
| Revenue - Evaporative Air Cooling        | 698.19 | 78.54 | 393.45 | 57.00 | 455.26 | 79.49 |
| Revenue - Misting Fan                    | 34.46  | 3.88  | 24.86  | 4.00  | 22.51  | 3.93  |
| Revenue - Industrial and Ventilation Fan | 21.89  | 2.46  | 23.4   | 5.00  | 19.78  | 3.45  |
| Revenue - Project Sales                  | -      | -     | 23.06  | 4.24  | 4.5    | 0.79  |
| Revenue - Spare Parts and Ozone Products | 66.23  | 7.45  | 1.75   | 0.32  | 11.03  | 1.93  |

|   |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Sales Revenues</b>             | <b>820.77</b> | <b>92.33</b>  | <b>466.52</b> | <b>85.76</b>  | <b>513.08</b> | <b>89.59</b>  |
| Revenue (Service) *                     | 60.19         | 6.77          | 62.60         | 11.51         | 52.46         | 9.16          |
| <b>Total Sales and Service Revenues</b> | <b>880.96</b> | <b>99.10</b>  | <b>529.12</b> | <b>97.26</b>  | <b>565.54</b> | <b>98.75</b>  |
| Revenue (Others) **                     | 8.04          | 0.90          | 14.89         | 2.74          | 7.18          | 1.25          |
| <b>Total Revenues</b>                   | <b>889.00</b> | <b>100.00</b> | <b>544.01</b> | <b>100.00</b> | <b>572.72</b> | <b>100.00</b> |

\* Revenue from service include rental fee, maintenance and warranty fee

\*\* Other revenues include government subsidy, interest revenue, profit (loss) from exchange rate, and profit (loss) from sale of property

## 2.1 Product or Service Characteristics

The Company's products can be categorized into 3 types; with further services of rental and after-sales.

### 2.1.1 Cooling and ventilation products

#### 2.1.1.1 Misting Fan

Misting fan is a cooling system comprises a fan and a misting generator operates based on sudden evaporating of mist that agglomerates with heat in the air. This system can help reduce ambient temperature around 5 – 15 degree Celsius and also reduce heat in part line, machine heat, and electrostatics to meet manufacturing standard. It can also reduce dust, odor, and smoke for natural fresh air. It is suitable for outdoor or ventilating building. The misting fan is sold under the brand of "MASTERKOOL" with 2 systems.

##### 2.1.1.1.1 High Pressure System

High pressure misting fan system consists of high pressure water pump, fan and small nozzle. It sprays for generating 5 micron mist that can absorb heat from the air very well. The high pressure misting fan is available for sale in table type, wall type, mobile type and system type that is suitable for outdoor, clear area, or ventilating building. The fan is produced at the Company's factory at Panasnikom by using either import parts or domestic parts.



##### 2.1.1.1.2 Centrifugal Force

Centrifugal force misting fan using centrifugal force for generating 8-15 micron mist with adjustable size and be able to set spraying time. The centrifugal force misting fan is available for sale in either table type, wall type or mobile type in the size of 24 inches and 26 inches.



#### 2.1.1.2 Evaporative Air Cooling

The Company starts importing evaporative fan for sale in 2009. The evaporative air cooling is a new innovation fan for generating cool air without mist and wet. It is also saver then using air conditioner 40 – 60%.

Evaporative Air Cooling is the new technology that can evaporate water through cooling pad for heat reduction. This technology uses water as heat exchanger with air, then can reduce ambient temperature around 4-15 degree Celsius, increase internal circulation for more pure air. The evaporative air cooling is designed for using with general air conditioner. It not only has high efficiency in cooling and energy saving, but also has ozone sterilization system that can clean the air.

The Evaporative Air Cooling are available in both mobile and through-the-wall types under the trademark "MASTERKOOL" Mostly the Company's products are designed by our team, and manufactured for finished goods in China by the Company's partner-contractors. Those finished goods are imported into domestic and export abroad. By the models that designed by the Company, all products had been applied for the design patents with the Department of Intellectual Property, Ministry of Commerce. There are 2 types of evaporative air cooling: Mobile MASTERKOOL I-Kool ("MIK"), and Through-the-wall MASTERKOOL U-Kool ("MUK") (Large Size) which designed for industrial applications The Evaporative Air Cooling mobile are ideal for retail customers, household appliances, stores, restaurants, hotels, etc.

### 2.1.1.2.1 MASTERKOOL I-Kool("MIK")

Mobile evaporative fan suitable for retail customers, household use, shops, hotels, restaurants, etc.



### 2.1.1.2.2 MASTERKOOL U-Kool ("MUK")

Large cold-wind generator is an air duct installation system suitable for installation in large buildings that cannot install air conditioners or not worth the installation of air conditioning such as industrial plants, Warehouses etc.



### 2.1.1.3 Industrial Fan and Ventilation Fan

Industrial fans: The company sells and supplies industrial fans under the trademark "MASTERKOOL". There are 3 sizes: 20", 24" and 30 inches wide fans, which use high durability materials. It can be adjusted 90 degrees and adjustable wind speed of 3 levels to covering 30-50 square meters, which can be used to cool, easy airflow and reduce the temperature as well.



Ventilation fans: The Company sells and supplies ventilation fan for controlling ventilation direction in desired area, e.g. exchanging the air outside and inside, blowing the air inside to outside, or controlling circulation or movement of the air to cover all area in a building. The Company applies a ventilation fan in cooling system installed to our customers.



Propeller Fan



Axial Fan



Centrifugal Fan



Roof



House Fan

Home fans: The Company plans to introduce a fan for housing in the year 2019. The company will continue to focus on efficiency and quality with differences with the speed adjustment function of up to 15 levels and save electricity. By now, the brand has been awarded the energy saving symbol of "NUMBER 5 WITH 3-STAR RATING".

## 2.1.2 Ozone System Product

### 2.1.2.1 Ozone for Cooling Tower



The calculation of Ozone design for cooling tower must be designed to have the residual ozone residue in the water that is reversed from the condenser set to be not less than 0.02 ppm by Measuring the amount of ozone in the water flowing through the filler sheet of the cooling tower to ensure sufficient ozone content and remain in the water throughout the cooling system.

#### 2.1.2.2 Ozone for Water Quality Improvement

The design of the ozone system for water quality improvement is based on the principle Corona Discharge in the production of ozone in water by oxidation for wastewater treatment or water quality improvement which before the system design requires the collection of data and calculations as well.



#### 2.1.2.3 Cold Plasma for Air Quality Improvement

Cold Plasma system will create a high level of Plasma until the high performance Active Oxygen; released into the air mass by the active oxygen that will cause severe oxidation reaction, causing germs, fungi, odors, dust or toxic smoke Disintegrate or change to a state that is not dangerous or not being polluted in the air anymore. All of these processes use only a small amount of electrical energy to operate.



In addition to the large ozone system, the company has also applied ozone to develop products for household use, including 1) ozone vegetable washing machine, which has introduced ozone technology for washing fruits and vegetables. With this machine is fresh, clean, free from disease and residual chemicals Where the company Be the designer of the product itself and hire foreign manufacturers to produce 2) Ozone deodorizing machine which the company Have brought products to sell Which applied ozone to destroy bacteria quickly Making it possible to eliminate bacteria that accumulate in the shoes very well The products are sold under the trademark "Ingreen" online.

#### 2.1.3 Other Products

The company has launched other products to sell in the existing main channels. In the third quarter of 2018, the company introduced the drinking water dispenser in the modern trade channel. In order to reduce the volatility of revenue from products that are Seasonal Products, which the company has hired foreign manufacturers to produce.



#### 2.1.4 Rental Services

The Company provides equipment, products, or system for reducing hot and making cool for outside a building or outdoor, where cannot install air conditioner, suitable for any event. The Company's rental services also include other equipment to provide one-stop service, which includes consultancy service and offering suitable options for each customer, run by skill and expert engineers.

In addition, the Company provides rental service for other products such as misting fan, evaporative fan, industrial fan, fog generation, and other related equipment such as air conditioner, stage, tent, table, chair for outdoor activities, e.g. party, sport day, publication, etc.



### 2.1.5 After-sales Services

The Company has 1-year warranty that provides repair and replacement of spare parts free of charge. The Company has service center nationwide by contacting our Call Center at 02 953 8800 or Hotline 08 1353 1848. The Company also allows warranty renewal, including annual maintenance package for out-of-warranty products.

## 2.2 Marketing and Competition

### 2.2.1 Business Strategy

The Company sets its goal to be the leader of misting fan and evaporative fan manufacturing with the highest market share in Thailand, under the slogan of “Masterkool, the Real Leader in Modern Cool”.

Our product is an option that combines benefits of fan and air conditioner together. It can make cooler air than a fan and save electricity than an air conditioner, under the slogan of “Real-Cool, Real-Save”, for being No. 1 of eco air cooler manufacturer.

The Company focuses on design and selects qualified and high efficient products with warranty and customer service center nationwide, so that we can make customer satisfaction. The Company set key operation strategies as follows:-

#### 2.2.1.1 Marketing and Advertising Strategy

The Company always updates advertisement, promotion, and information on its website ([www.masterkool.com](http://www.masterkool.com)) to make all customers reach information and create their awareness about the Company and its products. Moreover, the Company provides other specified website for niche requirement that are [www.masterkoolevent.com](http://www.masterkoolevent.com) (for retail services), <https://ingreen.co.th> for energy and environment saving solutions, and <https://shop.masterkool.com> for online sales. The Company also communicates through social medias:-

- Facebook: <http://www.facebook.com/MasterkoolFan>
- YouTube: <http://www.youtube.com/user/masterkoolfan>
- Line ID: MasterkoolFan
- Instagram: <https://www.instagram.com/masterkoolfan>

In addition to the above channels, the Company also concerns about direct approach to customers to create more awareness. The Company assigns our sales and product consultants (PC) to work at the booths in modern trades' branches for promoting products and creating of brand awareness.

Apart from the above marketing and public relations channels, the company recognizes the importance of direct access to customers in order to create awareness of the company's products. By arranging for staff to be at the sales point at the branches of Modern Trade Mall To publicize Give advice and create awareness about the products and brands of the company.



#### **2.2.1.2 Product Development and Product Selection Strategy**

The company focuses on the process of research, development and selection of quality products that meet the needs of customers continuously with the cooperation of all parties in the company. In some projects, it cooperated with King Mongkut's Institute of Technology Ladkrabang and the National Science and Technology Development Agency. The demand of customers is an important goal.

In addition, The Company also has product and service control process by selecting reliable manufacturers who have production standard according to the Company's regulation. The Company shall perform random testing regularly to ensure that consumers shall receive quality and qualified products those meet their requirement. As a result, customers accept and rely on the Company, then cause word-of-mouth and create the Company's reputation, which attract new customer. As per the above reason, the Company always focuses on development and selection of quality products to meet customers' requirement.

#### **2.2.1.3 Pricing Strategy: Reasonable price**

The Company has pricing strategy to set the product price suitably with product quality and keep competitiveness. The Company positions its product as good quality and worthwhile for consumers, including provision of after-sale service, warranty, having repair and service centers nationwide. This makes the Company different from some small competitors those focuses on low price product with a few repair centers.

In addition to quality and service, the Company also has pricing strategy that concerns its target group, i.e. home user and corporate user or warehouse. The Company may consider the price of products with high competition and sale in comparison with similar model of competitors.

The Company believes that good quality and suitable pricing can be one factor that makes the Company and its brand is acceptable in both local and international market of evaporative fan.

#### **2.2.1.4 Sales and Distribution Management Strategy**

While having good quality with reasonable price product, the Company will consider the procedure to deliver good products to customer and also product distribution. There are 4 distribution channels:-

- Direct sales
- Moderntrade
- Local Dealers
- Overseas agents

The Company has the policy to assign one PC for each branch of modern trades where sell the Company's products and enhance knowledge and skill development.

1. Provide training before work so that they can have some knowledge and understand the products, then can offer and suggest suitable products for customer.
2. Set appropriate goal and compensation for motivation
3. Monitor sales' performance closely to support and help them solve some problem, including arrange monthly meeting for information exchange and build up good relationship.
4. Mobile Application Reporting on Sales Inventory at the point of sale to optimize inventory management and marketing planning.

#### **2.2.1.5 After-sale and customer satisfaction strategy**

Generally, the Company shall provide 1-year warranty for customers because it concerns about product quality, after-sale service, and customer satisfaction as they are key factor to create product reliability, reorder, and word-of- mouth, resulting to high sales in the future. The Company deems customer satisfaction as key target, thus it make satisfaction survey either by using questionnaire or via phone call then use analysis result for making product and service development plan.

## 2.2.2 Target Customers

The Company has various target groups, i.e. industrial, public sector, education institute, hotel, hospital, department store, touring place, restaurant, home appliance customers, etc. The target group can be categorized by products as follows:

| Products                                  | Target Customers  |
|---|---|
| <b>Misting fan</b>                        | Outdoor activities, touring places, hotel, restaurant, outdoor area, temple, sport field, factory, etc.                               |
| <b>Evaporative Air Cooling</b>            | Individual customers, touring place, hotel, restaurant, hospital, temple, sport field, factory, school, warehouse, etc.               |
| <b>Ventilation Fan and Industrial Fan</b> | Touring place, restaurant, hospital, temple, sport field, factory, warehouse, etc.  |
| <b>Ozone system</b>                       | Department store, hotel, hospital, pipe water plant, Individual customers (for ozone vegetable washer and ozone shoe deodorizer) etc. |

## 2.2.3 Sales and Distribution Channels

The company has organized the sales structure into 3 main channels: Retail Channel, Corporate Customer Channel, and Export Channel with the expected proportion of income at 50 percent, 20 percent and 30 percent, respectively. Details of the channels are as follows:-

### 2.2.3.1 Retail Channel

This channel manages sales for the B2C business (Consumer to Consumer) market that is distributed from the company directly to retail customers or through distribution channels to retail customers which is divided into business units (Business Unit) as follows:-

#### 1) **BU: Moderntrade**

Modern Trade business unit is responsible for managing sales operations through modern trade retail stores. At present, the company mainly distributed through HomePro, Makro, Mega Home and The Mall. In the year 2018, the company has followed the plan to screen the selling points of Modern Trade stores, only branches that have sufficient potential for market competition. By the preliminary plan of 2018, the company plans to open 260 sales points at modern trade stores during the peak season during the first six months of the year; but due to the unfavorable climate, there is a period of rain since the beginning of the year, resulting in a decrease in market demand; and since the beginning of 2017, small retailers importing China evaporative fans and penetrating the market with a low price strategy; resulting competition of the channel is very intense. Anyhow, most finished products from China, there are weaknesses in both quality and cooling efficiency.

| Moderntrade  | Branches in Peak Season |      |      |
|--------------|-------------------------|------|------|
|              | 2016                    | 2017 | 2018 |
| HomePro      | 80                      | 81   | 59   |
| Makro        | 69                      | 84   | 71   |
| Mega Home    | 8                       | 11   | 12   |
| Thai Watsadu | 15                      | 18   | 13   |
| Global House | 26                      | 17   | -    |
| Big C        | -                       | 96   | 43   |
| Boontavorn   | -                       | -    | -    |
| The Mall     | 6                       | 5    | 7    |
| Power Buy    | 15                      | 26   | 6    |

|                       |            |            |             |
|-----------------------|------------|------------|-------------|
| Tesco Lotus           | 42         | 154        | 49          |
| Ban & Beyond          | -          | 2          | -           |
| Grand Home Mart       | -          | 3          | -           |
| Homework              | -          | 3          | -           |
| Tops                  | -          | 2          | -           |
| Chic Republic         | -          | 2          | -           |
| Central food Retail   | -          | 2          | -           |
| <b>Total</b>          | <b>261</b> | <b>506</b> | <b>260</b>  |
| <b>Differential %</b> | <b>28%</b> | <b>94%</b> | <b>-49%</b> |

For the implementation plan in 2019, the company will operate the business with the strategy to stabilize the existing market that the company has. By setting the selling point for 120 branches, compared to the peak season of 2018, which is reduced by 54%, the purpose is to reduce cost of transportation when the sales points closed. Therefore the Company has launched drinking water dispenser products that can be sold throughout the year (Non-Seasonal Product) which started selling in modern trade stores since the third quarter of 2018, in order to reduce the volatility of income during the off-season. The Company has a plan to launch home fans be sold in 2019.

#### 2) BU: Dealer

This business unit is distributed through local distributors with representatives in major provinces throughout the country which some dealers are service repair centers for customers and also have Masterkool fan rental services in their own provinces and surrounding area as well. For distribution through local distributors, there is not much in sales value; but in order for the company's products to reach every consumer target. The company therefore maintains this channel continuously.

#### 3) BU: Online

The company has launched online distribution channel in the form of distribution via online shopping such as Lazada, Shopee, Top Value, JD Central etc. and the year 2018, the company started to focus more on online sales in responding to consumer behavior changed. The company has created its own website to sell products directly online via <https://shop.masterkool.com>

#### 4) BU: Event Direct

The company has its own sales team that responsible for organizing marketing activities together with selling products in the form of exhibition booths. Main activity of this business unit is for product PR to retail market.

Products distributed through retail channels are evaporative cooling fans, and mobile industrial fans which are suitable to retail customers' use.

#### 2.2.3.2 Corporate Channel

In addition to products for cooling and ventilation which are proposed as a installation system to corporate customers, the channel is responsible for ozone products and concerning services for energy saving and environmental protection.

Currently, Innov Green Solutions Co., Ltd., a subsidiary, is the key unit for presenting products and services to corporate customers; due to the business model is different from other sales units and requires specialized expertise in applying ozone production technology to solve problems or for saving energy in various ways which shall present specified details to individual customer. Thus the channel runs its business in forms of Project Management with long-term sales cycle.

#### 2.2.3.3 Export Channel

The company has exported evaporative air cooling to overseas which the main market is the countries of the ASEAN Economic Community (AEC), Europe, South America, Asia, America and Africa. Beginning in the year 2018, The Company expanded its sales to Southern Hemisphere and Oceania as well.

In addition to selling products according to the above main channels, the company also offers rental services for fans and equipment for organizing activities both outdoor and indoor. Also warranty services and maintenance services are provided as well.

## 2.2.4 Industry and Competition

### 2.2.4.1 Industry Information

The Company's main business is sale of evaporative air cooling and misting fan, those are new options for cooling and energy saving. This market expands rapidly during the past 2-3 years, especially evaporative air cooling, because it uses new technology that has no information about market value. However, the management presents that evaporative air cooling are mainly imported from other countries, especially China, because of lower cost. Summary of import value of medium to large evaporative air cooling during the past 4 years are as follows.

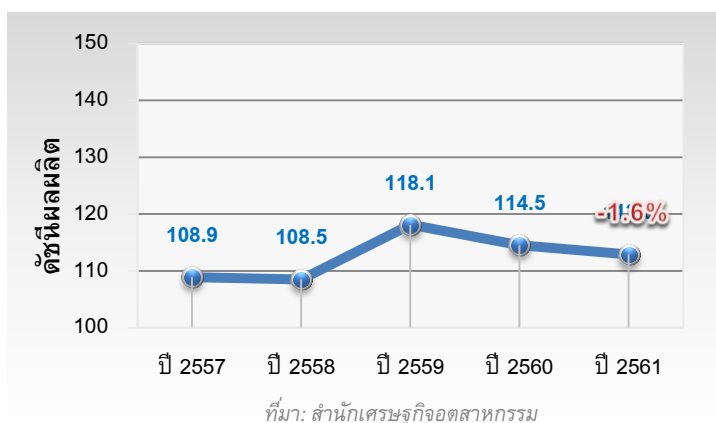
Main products and services of the company are a evaporative cooling fan and a miting fan which are new alternative to cooling and energy saving products; and there is no information of domestic market value. However, at present, most other brand suppliers are imported from abroad, especially from China due to the lower cost of domestic production. When considering the import value of the cooling fan for an area of approximately 20-50 square meters, there was a change during 2015-2018 as follows.

|   | Million Baht  |               |               |                |
|---|---------------|---------------|---------------|----------------|
| Import statistic of medium to large evaporative fan | 2015          | 2016          | 2017          | 2018           |
| Import Value of Evaporative Air Cooler              | 800.91        | 1,241.60      | 1,130.19      | 514.22         |
| <b>Growth rate</b>                                  | <b>32.34%</b> | <b>55.02%</b> | <b>-8.97%</b> | <b>-54.50%</b> |

ที่มา: รายงานสถิติ กรมศุลกากร

From the statistics of the Customs Department, it can be seen that the overall industry in the year 2018 has shrunk. Since this type of business normally has the highest sales in the first six months of the year; and when entering the second half of the year, the product will be imported to fille stock for sales in the following year. Overview of the market in the year 2017, continuously until 2018, the market demand is not growing due to the overall economic slowdown and the weather that has rained since the beginning of 2018, causing the overall demand for cooling products slow. Therefore, the demand for importing this group of product in late 2017 until the beginning of the year 2018 also decreased.

The overview of the market and this industry has been affected continuously. To get an overview of the market of products and services of cooling fan, especially the retail market which is the main channel, it is comparable to the overall picture of the electrical appliance industry, and the near products that are air conditioners and fans.



According to the Industrial Economic Report of 2018 of the Office of Industrial Economics, Ministry of Industry, the production of electrical appliances in 2018, which is worth around 241,000 million baht, compared to 2017, it decreased by 1.6 percent.

The domestic air conditioner market dropped by -4.70 percent, but due to foreign orders increased by 5.2 percent and the fans seemed to increase. When considering the origin of the market value, it is found that the increase was due to especially for air conditioners that are exported to ASEAN markets, the European Union and Japan, which have a 5.2% increase in export value and make the overall value of the sales of air conditioners and fans as an overall increase.

According to the Office of Industrial Economics statistics Ministry of Industry ended 31 December 2018



#### 2.2.4.2 Competitors

The entrepreneur who sells either misting fan or evaporative air cooling which is key product of the company can be considered as competitors. The number has decreased since late 2017 and the number in 2018 is not increased. Most competitors of the Company are small companies. Any competitors those have similar level of revenue to the Company always focus on variety kind of electrical appliances without strong intention in market penetration of evaporative air cooling or misting fan. These competitors will use competitive pricing strategies in the market. There are no design costs, product research and development, after sales service as a trading business.

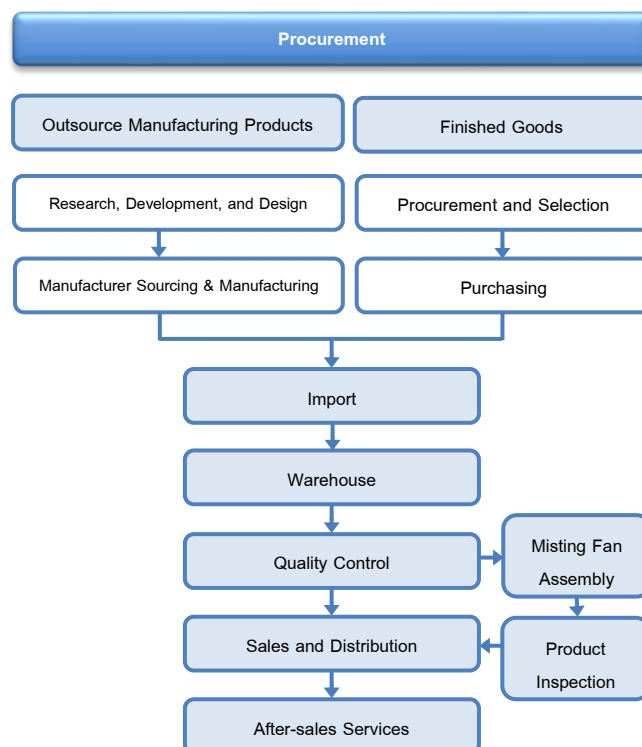
However, the Company's products have strong advantage in quality and have ozone system for sterilization, including moisture control system then can reduce temperature suddenly when using them. Moreover, "MASTERKOOL" brand is outstanding and acceptable in the market in term of quality cooler with long-term sale of misting fan. Another group of competitor is the manufacture and distributor of fan who penetrated the market with their existing brand which was known in the market of fan. Anyhow, only few models of their products were launched. Ultimately, there is not any competitor who has world class brand and sell products in the same category as the Company.

When comparing between the Company's revenue and its competitors, it can be concluded that the Company is one of leader in evaporative fan and misting fan those are produced intentionally and continuously for more than 15 years according to the slogan of "Masterkool, real Leader of modern cool"



## 2.3 Procurement of Product and Service

### 2.3.1 The Company has the following procedures for product procurement



The Company always concerns about product quality. Its research and development department researches and develops manufacturing process and new innovation to launch quality products and to maintain its leading position of new optional product for cool. However, considering manufacturing cost of some products can see that it is not feasible to invest because many factors, such as high investment in machine or equipment, require high competency and experience of machine operator and labor. Thus, the Company decides to produce parts for assembly or order finished goods for sale, provided that purchased products shall have similar quality and standard as the Company's and under reasonable cost.

Regarding procurement of raw material, assembly part, and finished goods, the Company divided them into own designed products and finished goods. Most of finished goods and their parts are purchased from supplier in China by concerning both quality and price, including supply reliability, delivery, and competency of manufacturer. The Company has set procurement procedure systematically by registering supplier under approval of administration department (Approved Vendor List) and compare among prices offered from many supplier for optimum benefits of the Company

#### 2.3.1.1 Procurement of Designed Product

The Company invents, researches, and designs products by referring to information from many sources, e.g. sale volume, customers' opinion, and the management's guideline. After that the Company selects and hires international outsource based on required quality and qualification under the lower cost than local production. The designed products can be categorized into 2 types as follows:-

1. Finished goods are i.e. mobile evaporative fan (Masterkool I-Kool) and ozone vegetable washer. After outsource manufacturers produce the Company's products by compliance with the Company's specification, the Company shall import them as ready products with packaging.  
  
In addition, the Company makes agreement to have its 'outsourced' guarantee quality of mobile evaporative fan. If the product fails to comply with the quality specified by the Company, then the Company is entitled to claim the 'outsourced'
2. Part for assembly for misting fan that the Company purchases parts from many suppliers and assembly at the factory.

#### **2.3.1.2 Procurement of Finished Goods**

In term of finished goods, the Company will procure and select quality products from international suppliers by using the Company's brand and import finished goods with package. The examples of finished goods imported for sale are mobile evaporative air cooling, industrial and ventilation fan, and ozone shoe deodorizer.

Moreover, the Company also imports big evaporative air cooling for installation in system, which is in the range of U-KOOL Model MUK-30 MUK-18 and MUK-16. The Company will assemble and install at site as per agreement with customer.

For brand new products, if they are subjected to permit of Thai Industrial Standards Institute (TISI), the Company will proceed with TISI and may require sending sample for testing according to standard and examine quality control system at the manufacturing plant, including plant visit. If the product's quality and the manufacturing plant meet standard, TISI will issue the permit for the Company. However, TISI can monitor the result after permission by sampling products on sale and visit the plant time by time.

#### **2.3.2 Product Import**

When the products are ready, suppliers or the Company will hire a shipping agent who has export license, subjecting to agreement between the Company and manufacturer. The Company will always monitor products' quality to ensure that the products have certain quality and qualification as specified by the Company.

The Company manages transportation risk by identifying in the agreement that the Company acknowledge the products when they are shipped. In case the agreement has not the Clause of acknowledge, the Company will apply for transportation insurance to prevent some damage.

When the products are delivered to the port, the Company will hire custom clearance officer to make custom clearance and take goods from the port and deliver finished goods to warehouse and assembly parts to the Company's factory.

#### **2.3.3 Warehouse Management**

After goods are delivered to the Company warehouses, which located in 2 locations, Panasnikom and Pathumthani, a warehouse supervisor will check goods quantity to be matched with the number notified by the manufacturer; then, key-in details of goods receipt to Warehouse Management System Program. The products will be counted before storage and upon withdrawal, and monitored the inventory by using such program.

In case the inventory is lower than designed level (Minimum Safety Stock Level), the Company will purchase the product for replenishment to avoid shortage and any effect on sale. In addition, the Company will make physical check of the products in warehouse on monthly basis by reconcile with the system.

#### **2.3.4 Quality Control**

The Company, by quality control department, will examine finished goods and assembly parts of misting fan when arrival the Company warehouse by checking readiness and completion. For finished goods with package, the

Company will do random check. Moreover, the Company has the policy to provide 1-year warranty to customer, and then the Company shall be responsible for repair product until it completely works.

However, the Company has claimed either failure product or part to ask the manufacturer compensate to the Company at goods price or deliver replacement. Moreover, the Company specifies in the agreement that the manufacturer shall warranty mobile evaporative fan. If the product fails to meet specified quality, the Company is entitled to claim the manufacturer.

#### **2.3.5 Product Assembly**

For misting fan, after its parts pass quality checking, the Company will bring them for assembly at the Company's own factory at Panasnikom, under the standard of ISO 9001:2015. After assembly, the Company will examine the quality again before storage at the Company's warehouse for delivery to customer.

#### **2.3.6 Product Sales and Distribution**

##### **2.3.6.1 Product Sales**

The Company sells its products through many distribution channels, i.e. Direct sales, Modern trades, Dealers and Agents. Besides, the Company has Online Marketing for promoting sales.

##### **2.3.6.2 Product Distribution**

The Company distributes products to customers and distribution channels by either the Company's truck and via delivery service. The Company hires delivery service providers by paying delivery charge per distance, weight, and volume of products. If there is any damage during transportation, the service providers shall compensate any damage to the Company.

##### **2.3.7 After-Sales Services**

The Company has 1-year warranty that provides repair and replacement of spare parts free of charge. The Company has service center nationwide by contacting our Call Center at 02 953 8800

The Company also allows warranty renewal, including annual maintenance package for out-of-warranty products.

#### **2.4 Work in Process**

-None-

#### **2.5 Environment Impact**

- None environment impact -

### **3. Risk Factors**

#### **3.1 Risk of the Business**

##### **3.1.1 Risk of the Price War**

The continued growth of our business by quality products of Masterkool that proved to our customers the real cooling efficiency, combining with the market growth opportunity, leads to a better-known of the misting fan and evaporative fan to the market. As a result, many new entrepreneurs had entered into the market and become our direct competitors; this may have a direct impact on the Company's performance

However the Company's perpetual marketing of the "MASTERKOOL" brand has caused it to become widely accepted in the market of open air cooling appliances. In addition, the company emphasizes on quality of products plus emotional design for the products in 2018. MIK-28EX with the minimal design, and also a memorable and worth-sharing advertisement are expecting to reduce a severe situation of a price war that may occur.

With our strong quality, strong brand and real cooling efficiency; along with an emotional design; the Company believes that it will be able to operate its business under increasing competition by low-pricing strategy and has no significant impact on the performance of the Company.

##### **3.1.2 Risk of Income Fluctuations**

Most of the products of Masterkool are air-cooling solutions; as such the Company may face with the seasonal income fluctuations during the year. The cooling business mostly has seasonal business model which the summer months, February-June, generate peak sales; resulting the first-half of the year earns higher than the second-half of the year; which the highest revenue is in the second quarter.

The company is well aware of the risks of income fluctuation and therefore there are measures in place to counter such risks. The company has its direct sales team, responsible on proposing cooling systems and/or energy saving solutions to large industrial factories, warehouses, or even retail outlets, which can lead off-seasonal revenue or concerning revenue. Typically, the installation of these systems / solutions are done throughout the year; and as these customers are direct customers of the company, this makes the direct sales channel less affect on seasonal fluctuations when compared to the other channels. Furthermore, if the sales of the systems are higher, the Company will earn more from non-seasonal services as well.

With reference to the 2018 plan for selling of non-seasonal products, the Company has launch water dispenser to sell via moderntrade channel in the mid of 2018. Also the Company planned to launch home-fan sales in the year 2019. As well as, the Company has planned to increase in the proportion of export sales revenue by expansion of the market in the countries in the Southern Hemisphere.

The above measures with the close control of expenses can reduce the impact of fluctuations in revenue during the year. The Company expects that the fluctuations in revenue during the year will not have a significant impact.

##### **3.1.3 Risk of counterfeited products**

Most of the company's products are related to innovation and new products are constantly designed and invented and there is always the possibility that the products will be imitated by competitors, which will directly impact revenue sales. The company will apply for patents and petty patents over the products that the company invents, designs, and produces, through the Department of Intellectual Property, Ministry of Commerce, in order to be the sole patentee. In which case, if the Patent Act of 1979 is violated, the company may take legal action.

### 3.1.4 Risk of inventory damage

From the fourth quarter of the previous year to the first quarter of the current year, the company will prepare finished goods in our warehouses in order to accommodate for sales during the summer season. If damage to the product occurs, such as through fire, earthquakes, or other natural disasters; the company must recognize losses of such damage in term of recognition in accounting; including a lost selling opportunity. Therefore, the Company deposits the finished goods by separating to two warehouses, namely warehouse in Phanatnikhom and warehouse in Pathumthani, in order to reduce the impact of risk from the aforementioned disasters. In addition, the company has insured inventories to reduce the risk of damage to the goods.

### 3.1.5 Risk from dependency of a major manufacturing contractor and product distributor exceeding 50% of the Company's product purchase volumes

The Company has had a major manufacturing contractor and product distributor of evaporative air cooler product in foreign country. In 2018, the Company's product purchase volumes from such manufacturing contractor and distributor of evaporative air cooler product was estimated over 50% of total of product ordering volumes in 2018 which was the OEM manufacturing for evaporative air cooler in I-Kool family. Thus, in case that there is any cause making such major manufacturing contractor cannot produce or deliver product to the Company, it may result in short supply of the product in the market and opportunity loss in product sales. This will affect the Company's turnover. However, the Company always assesses product demand and plans production orders in advance. In case of forecast for high product demand, the Company will prepare products in advance to prior-support these demands in order to support sales in summer since Q3 of former year. This will help abate the impact in case that the product manufacturing contractor cannot deliver products to the Company on schedule.

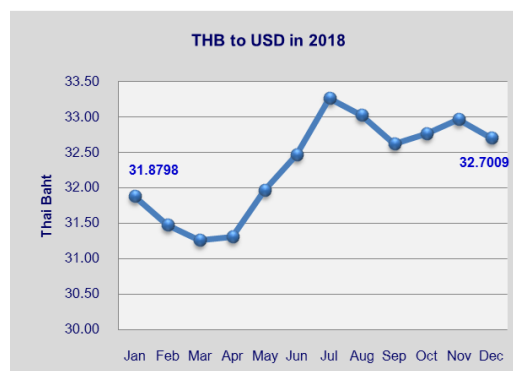
Moreover, the Company also prepares plan to support manufacturing discontinuity from such major manufacturing contractor through employment of other manufacturer for replacement, having the same nature of product manufacturing capability. The Company then believed that the impact from dependency of major manufacturing contractor will not significantly affect the Company's turnover

## 3.2 Risk on Investment of securities holders

### 3.2.1 Financial risk on currency rate fluctuations

Fluctuations in foreign exchange rates have had an impact on the Company's earnings due to the fact that the Company operates mainly by importing goods from abroad and paying for them in US Dollars, while the income will be converted to the Thai Baht. In the case that the US Dollar inflates - or the Thai Baht deflates, the product costs will immediately become higher, while the Company will be unable to adjust their own prices with the same rapidity, causing a loss and affecting the Company's performance

Nevertheless, the Company earns a portion of its sales in US Dollars from exporting / overseas distributors. In 2018, the export revenue of the Company was 164.77 Million Baht, or 30% of total sales and services. Currently the company has more than 34 international agents worldwide. Since the Company has both income and expenses in US Dollars, therefore the Company can manage the risk by the natural hedge policy which reduces the effect of the exchange rate volatility at a certain level.



Graph of historical Thai Baht exchange rate plotted against the US Dollar, The Bank of Thailand



At present, the Company keeps a close track on the fluctuations of the US Dollar and manages the risk of the exchange rate volatility by primarily using the foreign exchange forward contracts. The Company will consider the financial cost of entering into forward foreign exchange contracts together with the fluctuation of exchange rates in the market for consideration of entering into future contracts.

#### 4. Property for Business Purpose







##### 4.1 Fix Assets

As at 31 December 2018, the Company and its subsidiaries have fixed assets used for business purposes; which details shown below:-

| Type of Assets  | Ownership | Obligation   | Net Book Value   |
|---|-----------|--|------------------|
|   |           |  | 31 December 2018 |
| Land which located in Phanatnikhom, Nawanghin sub-district, Phanatnikhom District, Chonburi with total area of 6 Rai and 1 Ngan (which equals to 10,000 sqm.) | Owner     | Mortgage collateral for loan totaling 252 Million Baht | 0.90             |
| Building, Leasehold Improvements  | Owner     | -  | 4.93             |
| Computers, Furnitures, and Office equipments  | Owner     |  | 2.11             |
| Vihecles  | Owner     | Some vihecles under hire purchase contracts            | 6.40             |
| Renting-out assets  | Owner     | -  | 4.16             |
| Machinery, tools and Equipments   | Owner     | -  | 25.75            |
| Total   |           |  | 44.24            |

##### 4.1.1 Trademarks

The Company has registered the following trademarks with the Trademarks Office, the Department of Intellectual Property (DIP), Ministry of Commerce.

| Trademark   | Registration | Product   | Protection Period             |
|---|--------------|---|-------------------------------|
|  | Kor 184112   | Misting Fans, Evaporative Air Coolers, Industrial Fans and Ventilation Fans | 28 March 2012-27 มีนาคม 2022  |
|  | Kor 394331   | Misting Fans, Evaporative Air Coolers, Industrial Fans and Ventilation Fans | 16 August 2012-15 August 2022 |
|  | Kor 311567   | Industrial Fans   | 15 January 2019<br>Renewal*   |
|  | Kor 311568   | High Pressure Misting Fans  | 15 January 2019<br>Renewal*   |
|  | Kor 311569   | Centrifugal Forced Misting Fans   | 15 January 2019<br>Renewal*   |
|  | Kor 311570   | High Pressure Misting Fans  | 15 January 2019<br>Renewal*   |

| เครื่องหมายการค้า   | เลขทะเบียน                                 | สำหรับสินค้า                    | ระยะเวลาคุ้มครอง                             |
|---|--|---------------------------------|--|
|  | 18117698<br>Registration on<br>25.7.2018   | Other Equipments and Appliances | 9 February 2017-<br>8 February 2027          |
|  | 161113104<br>Registration on<br>28.11.2016 | Static Pressure Industrial Fans | 9 June 2015-<br>8 June 2025                  |
|  | Requisition no.<br>190106596               | Body Spray                      | 15 กุมภาพันธ์ 2562 ถึง<br>14 กุมภาพันธ์ 2572 |

\* A registered trademark can be renewed for successive period of 10 years

#### 4.1.2 Patent / Petty Patent

##### 4.1.2.1 Patent

| Registration No. | Patent | Type          | Patented Inventions    | Protection Period                         |
|------------------|--------|---------------|------------------------|---|
| 1702003279       | 67460  | Design Patent | Air-cooling (14EX)     | 24 August 2017<br>To 23 August 2027       |
| 1702000098       | 67459  | Design Patent | Air-cooling (55EX)     | 24 August 2017<br>To 23 August 2027       |
| 1702003278       | 67458  | Design Patent | Air-cooling (28EX)     | 24 August 2017<br>To 23 August 2027       |
| 1502001601       | 58708  | Design Patent | Fan                    | 18 May 2015<br>To 17 May 2025             |
| 1502001256       | 60158  | Design Patent | Air-cooling            | 23 April 2015<br>To 22 April 2025         |
| 1502001255       | 60159  | Design Patent | Air-cooling            | 23 April 2015<br>To 22 April 2025         |
| 1402001972       | 53590  | Design Patent | Air-cooling (25EXN)    | 24 July 2014<br>To 23 July 2024           |
| 1402000402       | 53589  | Design Patent | Ozone Vegetable Washer | 4 March 2014<br>To 3 March 2024           |
| 1302003212       | 52159  | Design Patent | Water purifier         | 12 November 2013<br>To 11 November 2023   |
| 1302002542       | 51775  | Design Patent | Air-cooling (70EX)     | 12 September 2013<br>To 11 September 2023 |
| 1302002543       | 51776  | Design Patent | Air-cooling (U-Kool)   | 12 September 2013<br>To 11 September 2023 |
| 1302002541       | 51774  | Design Patent | Air-cooling (35EX)     | 12 September 2013<br>To 11 September 2023 |
| 1302002540       | 51773  | Design Patent | Air-cooling (20EX)     | 12 September 2013<br>To 11 September 2023 |
| 1002002474       | 42234  | Design Patent | Pump Control           | 9 September 2010<br>To 8 September 2020   |

#### 4.1.2.2 Petty Patent

| Registration No | Petty Patent | Type         | Patented Inventions   | Protection Period                    |
|-----------------|--------------|--------------|---|--------------------------------------|
| 1403001531      | 10833        | Petty Patent | High Pressure Centrifugal Force Misting Fan                 | 20 November 2014 to 19 November 2020 |
| 1403001530      | 9763         | Petty Patent | Condensing Temperature Controller for Large Air-Conditioner | 20 November 2014 to 19 November 2020 |
| 1303000460      | 12401        | Petty Patent | Air-con Efficiency Booster                                  | 30 April 2013 to 29 April 2019       |

Reference: DIP, Ministry of Commerce

#### 4.1.3 Important contract in business

##### 4.1.3.1 Rental contracts of office and warehouse as at 31 December 2018

| Location  | Monthly Fee   | Area                   | Period                               |
|---|---------------|------------------------|--------------------------------------|
| <u>Contract for warehouse on Vibhavadi-rangsit with parking lots</u><br>259/14 Vibhavadi-rangsit 70 (Patcharapa), Talad Bangken, Laksi, Bangkok | 50,000 Thb    | 135 Sq.wah             | 1 January 2019 to 31 December 2021   |
| <u>Contract for showroom and office</u><br>Three commercial buildings at 12/16-17, 12/20 Thesabansongkro Road, Ladyao, Chatuchak, Bangkok       | 95,700 Thb    | 3 commercial buildings | 1 January 2017 to 31 December 2019   |
| <u>Contract for warehouse in Patumthani</u><br>39 Moo 6 Phaholyothin Rd, Klong Nueng, Klong Luang, Patumthani                                   | 492,000 Thb   | 6,480 Sq.m.            | 1 October 2016 to 30 September 2019  |
| <u>Contract for warehouse in Patumthani (Short-term)</u><br>39 Moo 6 Phaholyothin Rd, Klong Nueng, Klong Luang, Patumthani                      | 87,120 Thb    | 726 Sq.m.              | 1 September 2018 to 28 February 2019 |
| <u>Contract for service office</u><br>22 Soi 2 Thesabanrangsang Nua Road, Ladyao, Chatuchak, Bangkok  | 7,000 Thb     | 98 Sq.wah              | 16 November 2017 to 15 November 2020 |
| <u>Contract for event rental business office</u><br>795 Pracharat 1, Bangsue, Bangsue District, Bangkok   | 57,894.74 Thb | 435 Sq.wah             | 1 January 2018 to 31 December 2020   |

##### 4.1.3.2 Key Insurance Policy

|                      |  |
|----------------------|--|
| Insurer              | Bangkok Insurance PLC  |
| The assured          | Masterkool International PLC   |
| Insured property     | Warehouse  |
| Location of property | Warehouse, 39 Moo 6 Phaholyothin Road, Klong Nueng, Klong Luang, Patumthani 12120  |
| Protection limit     | 50,000,000 Thb   |
| Protection period    | 14 October 2018 to 14 October 2019   |
| Protection           | <ol style="list-style-type: none"> <li>1. Wind storm 15,000,000 Thb</li> <li>2. Earthquake or volcanic eruption 15,000,000 Thb</li> <li>3. Water hazard (Flood is excluded) 50,000,000 Thb</li> <li>4. Explosion 50,000,000 Thb</li> </ol> |

|                      |  |
|----------------------|--|
| Insurer              | Bangkok Insurance PLC  |
| The assured          | Masterkool International PLC   |
| Insured property     | Buildings include furnitures, fixtures, tools, electrical appliances, inventory  |
| Location of property | <ol style="list-style-type: none"> <li>1. Showroom and Office, 12/16-17 and 12/20 Thesabansongkroa Road, Ladyao, Chatuchak, Bangkok</li> <li>2. Assembly Factory, 184 Moo 10 Nawanghin sub-district, Phanutnikhom, Chonburi 20240</li> <li>3. Warehouse 1, Service office, 2 Thesabanrangsang Nua Road, Ladyao, Chatuchak, Bangkok</li> <li>4. Warehouse 2, 259/14 Moo 4 Soi Vibhavadi-rangsit 70, Talad Bangken, Laksi, Bangkok</li> </ol>  |
| Protection limit     | 96,475,000 Thb   |
| Protection period    | 5 January 2019 to 5 January 2020   |
| Protection           | <ol style="list-style-type: none"> <li>1. Disaster from fire and lightning</li> <li>2. Disaster from Explosion, storm, water hazard</li> <li>3. Aerial disaster</li> <li>4. Disaster from earthquake, volcanic eruption, seismic sea wave from underwater landslide, tsunami</li> <li>5. Disaster from hail or smoke</li> <li>6. Disaster from collision of vehicles</li> <li>7. Threat of strikes, riots, malicious acts Or accidental external factors</li> <li>8. Damage from robbery, which appeared evidence</li> <li>9. Disaster to electrical appliances Electrical injury</li> </ol> |

#### 4.1.3.3 Four production contracts with a Manufacturer

|                                   |   |
|-----------------------------------|---|
| Contractual Party                 | <ol style="list-style-type: none"> <li>1. A manufacturer who is not a related person ("the Contractual Party")</li> <li>2. Masterkool International PLC ("the Company")</li> </ol>  |
| Type of Products                  | Evaporative air cooler; both wall type and portable which its model is specified in each contract.  |
| Contractual Duration              | 10 years (the first contract will be ended on 31 December 2022)   |
| Pricing                           | Price and payment condition are agreed upon in each contract  |
| Contractual Cancellation          | <ol style="list-style-type: none"> <li>1. In case any failure by a party to perform any of its obligations under the contract</li> <li>2. In case the party cannot deliver goods or cannot pay the payment in agreed time</li> </ol>  |
| Credit Term                       | Number of days agreed upon in each delivery   |
| Conclusion of Contractual Essence | <ol style="list-style-type: none"> <li>1. The Company is the exclusive distributor for the above products for sale in Thailand and other countries worldwide; except in some countries as agreed and specified in each contract.</li> <li>2. The Contractual Party and the Company agreed in term of investment in mold for each product; and ownership of the mold after the contract termination.</li> <li>3. The Company agreed to purchase some models of the products from the Contractual Party at the minimum volume; and some models of the products, the Contractual Party agreed to manufacture them according to the Company's purchase order without a minimum quantity.</li> <li>4. The Contractual Party agreed to control the quality of products at the standard level of the product as prescribed by the Company; so that the product life is at least 1 year-warranty which the Company provided to customers.<sup>/1</sup></li> <li>5. The Company agreed to inspect the product at 10% of delivered number; and the Contractual Party agreed to pay compensation within 30 days after receiving of product defect report<sup>/1</sup><br/>In case of products do not meet the Company's requirements over 1% of delivered number of products as a cumulative amount for 15 months after delivery; the Contractual Party shall pay compensate to the Company as agreed.<sup>/1</sup></li> </ol> |

#### 4.1.3.4 Vendor contract with Moderntrade

The Company has entered into vendor agreements with 8 moderntrade stores in 2018 and planned to open 120 sales stores in 2019. For big moderntrade stores, mostly are consignment agreements of evaporative air coolers, misting fans, and industrial fans; include ozone vegetable washer and ozone deodorizer. The summary is as follows

|                                   |  |
|-----------------------------------|--|
| Contractual Party                 | <ol style="list-style-type: none"> <li>1. Moderntrade stores who are not related persons ("the Contractual Party")</li> <li>2. Masterkool International PLC ("the Company")</li> </ol>   |
| Contractual Duration              | 1 Year with automatic contractual renewal until contractual cancellation from any party  |
| Contractual Cancellation          | When any party violates the Contract or cancels the Contract in advance in defined duration.   |
| Credit term                       | As mutually agreed with each Contractual Party.  |
| Conclusion of Contractual Essence | <ol style="list-style-type: none"> <li>1. The distributed product shall be the product that is legal and correctly paid for taxation. The Company complies with relevant laws such as trademark, copyright, patent, industrial standard safety and rights of other intellectual properties with other products, etc. The product shall be the product that meets the standard without damage and defect. If the product is not in line with aforesaid guarantee, the Company shall get the product in return or replacement without condition or with compensation of fine and damage to the Contractual Party.</li> <li>2. The Contractual Party shall pay according to condition and agreement within defined credit term period from the date of receiving Receipt or Tax Invoice from the Company and in line with the payment date of the Contractual Party.</li> <li>3. The negotiation on trade discount shall be made for once a year, depending on ordering quantity and sales volume target mutually defined in each year except special discounts such as programming product and sales promotion items shall be occasionally negotiated.</li> <li>4. The Company shall support other expenses such as allowance for sales promotion items, marketing allowance, festival discounts, annual special discount based on purchase target, product distribution service charge to branches and service charges of different systems, etc.</li> <li>5. The Company shall get the products that are not in line with the agreement in return and the Company has duty to get the product in return within defined duration from the notification date from the Contractual Party to get products in return. If it is overdue as notified, the Contractual Party shall be irresponsible for any damages occurred with the Company's products.</li> <li>6. The Company shall not provide any assets, privileges, reward or commission or other benefits to employees or the representative of the Contractual Party.</li> <li>7. The Company shall not persuade the customer of the Contractual Party to directly buy products from the Company and shall not directly sell products to general customers in cheaper price than the price already distributed by the Contractual Party.</li> <li>8. The Company shall arrange salespersons stationed at the branches throughout office hours under responsibility of the Company on damages occurred from the Company's salespersons.</li> <li>9. If the Company defaults the Contract, the Contractual Party is entitled to postpone the product cost payment and reserves its right to claim for damage that may occur from contractual default, and also is entitled to cancel the Contract right away.</li> </ol> |

#### 4.1.3.5 Local Dealer Appointment Contract

The Company enters to make the contract with the business entrepreneur. The contract is made in in term of dealer to grant the right in being the local dealer of the Company's products. Below is the summary for the essence of the agreement.

|                                   |  |
|-----------------------------------|--|
| Contractual Party                 | 1. Dealer* ("the Contractual Party")<br>2. Masterkool International Public Company Limited ("the Company")   |
| Contractual Duration              | Until the contract will be cancelled by any party.   |
| Contractual Cancellation          | 1. In case that the dealer defaults the contract or does not comply with dealership rule, the Company is entitled to cancel the Contract.<br>2. Any party is entitled to cancel the dealership according to the Contract upon the requirement of written notification for prior-acknowledgement of the other party for at least 30 days in advance.  |
| Credit Term                       | Number of days as mutually agreed  |
| Conclusion of Contractual Essence | 1. The Contractual Party is the local dealer of the Company's products in Thailand only.<br>2. The Contractual Party uses MASTERKOOL trademark with the product, integral part, spare part and equipment particularly for the Company's product only.<br>3. If the Party defaults the payment or delays payment, the Contractual Party agrees to pay fine to the Company for 2% per month of debt value exceeding defined value.<br>4. If the Contractual Party defaults the Contract, causing the Company damaged, the Company is entitled to suddenly cancel the Contract whereas the Contractual Party is entitled to pay all outstanding product prices without discount and has duty to pay interest, fine or damage occurred to the Company. |

\* An exclusive dealer who is the individual related to the Company. However, the contractual condition is indifferent from other dealers

#### 4.1.3.5 Product Transportation Hiring Contract

|                                   |   |
|-----------------------------------|---|
| Contractual Party                 | 1. The local product transport contractor who is not the individual related to the Company ("the Contractual Party")<br>2. Masterkool International Public Company Limited ("the Company")  |
| Contractual Duration              | As mutually agreed with each Contractual Party.   |
| Contractual Cancellation          | When any party violates the Contract or cancels the Contract in advance in defined duration.  |
| Price and Payment Condition       | It depends on weight and distance as mutually agreed by each Contractual Party.   |
| Conclusion of Contractual Essence | 1. The Contractual Party shall be responsible for damage or loss of product during transportation as mutually agreed, or the party shall arrange insurance for product damage or loss whereas the Company is the beneficiary.<br>2. The Contractual Party shall deliver products in local final area zones in the duration mutually agreed with each Contractual Party.<br>3. Transport cost is increased according to increase in diesel oil price to be line with mutual agreement of each Contractual Party. |

## 4.2 Policy of Investment in its Subsidiaries and Associates

The company has mechanism to supervise subsidiary and affiliation directly and indirectly as well as measures to follow up management of the subsidiary and affiliation to maintain benefit of investment of the company and be able to manage and take responsibility of operation of subsidiary as a part of the company by emphasizing on investment in business that supports and makes benefit for the company by considering returns and other

benefits the company expects to receive from investment. It is to support and promote business of corporations. However, the company has specified policy of investment in subsidiary and affiliation approved by the Board of Directors' meeting 1/2019 arranged on 26 February 2019.

The Company has a policy to consider investing in subsidiaries, and associates by focusing on supporting business and benefits of the company; whereas considering on the return and other benefits of the company such as expected return on investment, were made. The Company considers the appropriate proportion of investment and expected return on investment for the benefit of the shareholders of the Company.

The company will supervise by sending people approved by the committee's meeting to be the committee and/or executive of subsidiary and affiliation as the representative by proportion of shareholding for ultimate benefit of the company, subsidiary or affiliation. The committee and executives shall have quality, role, duty and responsibility without lacking reliability as the Notice of SEC Office to take part in such business management.

Committees and/or executives have right to vote in committee's meeting and/or shareholder's meeting of the subsidiary and affiliation according to guidelines or resolution that the committee or shareholder's meeting of the Company has approved. The appointed committees and/or executives can apply discretion to vote in the meeting of the subsidiary and affiliation associated with general management but in case of material matters, they shall be approved by the committee's meeting or shareholder's meeting of the Company first. Essential matters include connected transaction, obtainment and distribution of asset, any actions that reduce proportion of shareholding of the company in subsidiary and affiliation or even business termination of subsidiary and affiliation with following details.

## **5. Legal Dispute**

As at 31 December 2018, the Company had none of legal dispute of which the lawsuit might significantly and negatively affect the Company's business operation.



## 6. General Information and Other Key Information

### 6.1 General Information as at 31 December 2018

|                    |  |
|--------------------|--|
| Company Name       | Masterkool International Public Company Limited  |
| Type of Business   | Supply and distribution of Evaporative Air Cooler, Mist Fan and Industrial Fan Products under “MASTERKOOL” and “Cooltop” Brands, and provision of rental services for use of such products in event organizing and designing and installing heat extracting system inside the plant and warehouse, as well as designing and installing ozone system for energy saving and environmental conservation. The Company distributes products through modern retail shops, foreign dealers and local dealers, and directly distributes and provides services through the Company  |
| Office Location    | <ul style="list-style-type: none"><li>● <b>Head office and Service center:</b><br/>22, Soi 2, Thetsabanrangsang Nua, Ladyao Sub-district, Chatuchak District, Bangkok</li><li>● <b>Branch 1 Factory:</b><br/>184 Moo 10 Tumbol Nawanghin, Amphur Panat-nikhom, Chonburi</li><li>● <b>Branch 2 Sales Office:</b><br/>12/16-17, 12/20 Thesabansongkro Road, Ladyao Sub-district, Chatuchak District, Bangkok</li><li>● <b>Branch 3 Warehouse (Services):</b><br/>259/14 Vibhavadi Rangsit 70, Talad Bangkhen, Laksi, Bangkok</li><li>● <b>Branch 4 Warehouse (Pathumthani):</b><br/>39 Moo 6 Tumbon Klong Nueng, Klong Luang, Pathumthani</li><li>● <b>Branch 5 Rental Services:</b><br/>795 Pracharat 1, Bangsue, Bangkok</li></ul> |
| Co.Registration    | 0107557000365  |
| Registered Capital | 120,000,000 THB  |
| Paid-Up Capital    | 120,000,000 THB Total 480,000,000 Shares, 0.25 THB/share   |
| Telephone          | (66) 2953 8800   |
| Fax                | (66) 2589 8586   |
| Website            | www.masterkool.com   |

#### References

|                 |  |
|-----------------|--|
| Share Registrar | Thailand Securities Depository Company Limited<br>Stock Exchange of Thailand Building<br>93 Ratchadaphisek Road, Khlong Toei District, Bangkok 10110<br>Telephone (66) 2009 9000, Facsimile (66) 2009 9991 |
| Auditor         | Ms.Chuenta Chommern C.P.A. (Thailand) No. 7570<br>SP Audit Company Limited<br>503/31 KSL Tower, 18FL (A), Sri-Ayudthaya Rd,<br>Phayathai, Ratchathewi, Bangkok<br>Tel (66) 2642 6172-4 Fax (66) 2642 6253  |

**6.2 Details of Juristic Persons that the Company directly holds the shares from and over 10% of the number of issued and sold shares**

|                        |  |
|------------------------|--|
| Company Name           | Innov Green Solutions Company Limited  |
| Type of Business       | Design, installation and provision of service relating to environmental conservation and energy saving such as application of ozone system with air-conditioner, washing machine, vegetable washer and shoe deodorizer, etc. |
| Office Location        | 22, Soi 2, Thetsabanrangsang Nua, Ladyao, Chatuchak District, Bangkok  |
| Co.Registration        | 0105554064743  |
| Registered Capital     | 30,000,000 THB   |
| Paid-Up Capital        | 30,000,000 THB   |
|                        | Total 300,000 Shares , 100 THB/share   |
| Company's Shareholding | 99.98%   |
| Telephone              | (66) 2953 8800   |
| Fax                    | (66) 2591 9849   |

## Part 2 Management and Corporate Governance

### 7. Securities and Shareholders Information

#### 7.1 Registered and Paid-up capital

As of 31 December 2018, the Company has registered capital of 120 Million Baht, paid-up capital of 120 Million Baht, comprising of 480 million ordinary shares.

#### 7.2 10 Major Shareholders as at 14 March 2018

| Shareholders                      | Nr. Of Shares      | %           |
|-----------------------------------|--------------------|-------------|
| 1. Mr. Noppachai Veeraman         | 123,065,064        | 25.64%      |
| 2. Mr. Fung Meng Hoi              | 60,372,200         | 12.58%      |
| 3. Mr. Taweechat Jurangkool       | 21,537,000         | 4.49%       |
| 4. Mr. Komin Krodmee              | 20,196,582         | 4.21%       |
| 5. K-SME Venture Capital Co., Ltd | 15,012,000         | 3.13%       |
| 6. Mr. Araya Surihan              | 7,769,800          | 1.62%       |
| 7. Ms. Sunanta Wanwat             | 5,218,867          | 1.09%       |
| 8. Mrs. Chollakarn Jittakul       | 4,800,000          | 1.00%       |
| 9. Dr. Sunthorn Sriphratchayaan   | 4,491,000          | 0.94%       |
| 10. Mrs. Kunthong Udommahuntisuk  | 4,451,900          | 0.93%       |
| 11. Other shareholders            | 213,085,587        | 44.39%      |
| <b>รวม</b>                        | <b>480,000,000</b> | <b>100%</b> |

#### Shareholding by Directors, Management, and Related Persons

| Name                                       | Position / Relation   | Shareholding | % |
|--|---|--------------|---|
| <b>Mr. Sanpat Sopon</b>                    | Chairman, independent director and member of the Audit Committee, and member of the Nomination and Remuneration Committee   | -None-       | - |
| • Mrs. Wijitra Sopom                       | Spouse of Mr. Sanpat Sopon<br>Remark: No underage children  | -None-       | - |
| <b>Assoc. Prof. Dr. Prakit Tangtisanon</b> | Director, Independent director and member of the Audit Committee, and Chairman of the Nomination and Remuneration Committee | -None-       | - |
| • Mrs. Kullaya Tangtisanon                 | Spouse of Assoc. Prof. Dr. Prakit Tangtisanon<br>Remark: No underage children   | -None-       | - |
| <b>Mr. Mongkol Kasaemsun Na Ayudthaya</b>  | Director, Independent director and Chairman of the Audit Committee, and member of the Nomination and Remuneration Committee | -None-       | - |
| • Ms. Pornpicha Thamrongvinichai           | Spouse of Mr. Mongkol Kasaemsun Na Ayudthaya<br>Remark: No underage children  | -None-       | - |
| <b>Mr. Kritsana Thaidumrong</b>            | Director  | -None-       | - |
| • Ms. Nittaya Aniwattanakul                | Spouse of Mr. Kritsana Thaidumrong<br>Remark: 3 Underage children   | -None-       | - |
|  | 1. Punnathorn Thaidumrong 14 Years old  | -None-       | - |
|  | 2. Punnathat Thaidumrong 14 Years old   | -None-       | - |
|  | 3. Primpraepraw Thaidumrong 4 Years old   | -None-       | - |

| Name                              | Position / Relation   | Shareholding | %     |
|-----------------------------------|---|--------------|-------|
| <b>Mr. Noppachai Veeraman</b>     | Director, CEO, and Managing Director  | 123,065,064  | 25.64 |
| • Mrs. Pawanna Veeraman           | Spouse of Mr. Noppachai Veeraman<br>Remark: 3 Underage child<br>1. Mr. Chanin Veeraman 17 Years old                         | -None-       | -     |
| <b>Mr. Fung Meng Hoi</b>          | Director<br>Remark: No spouse, No underage children   | 60,372,200   | 12.58 |
| <b>Ms. Benjarat Hattachanchai</b> | Director, Executive Director, AMD-Finance and Accounting<br>Remark: No spouse, No underage children                         | 85,512       | 0.02  |
| <b>Ms. Sunanta Wanwat</b>         | Director, Executive Director, AMD-Innov Green Solutions Co., Ltd (the Subsidiary)   | 5,218,867    | 1.09  |
| • Mr. Thanapun Intrakasorn        | Spouse of Ms. Sunanta Wanwat<br>Remark: No underage children  | -None-       | -     |
| <b>Ms. Phornphan Nilprasit</b>    | Executive Director, AMD-Logistics   | 547,062      | 0.11  |
| • Mr. Thanabul Pongruk            | Spouse of Ms. Phornphan Nilprasit<br>Remark: No underage children   | 255,714      | 0.05  |
| <b>Mr. Komin Krodmee</b>          | Executive Director, AMD-Production Management   | 20,196,582   | 4.21  |
| • Ms. Nucharin Siwanukro          | Spouse of Mr. Komin Krodmee<br>Remark: 2 underage children<br>1. Ariya Krodmee 9 Years old<br>2. Ariyaa Krodmee 8 Years old | -None-       | -     |
| <b>Mr. Thammasak Chobchai</b>     | Executive Director, AMD-Engineering and Customer Services   | 2,649,415    | 0.55  |
| • Mrs. Sunicha Chobchai           | Spouse of Mr. Mr. Thammasak Chobchai<br>Remark: 1 underage child<br>1. Punnaporn Chobchai 14 Years old                      | -None-       | -     |
| <b>Mr. Sanchai Sriwiboon</b>      | Executive Director, AMD-International Business<br>Remark: No spouse, No underage children                                   | 3,753,907    | 0.78  |

### 7.3 Other securities issued

-None-

### 7.4 Dividen payment policy

The dividend payment policy of the Company and its subsidiaries has set by not less than 40% of net profit after tax of separate financial statement and deduction of legal reserve and other deposits. However, the Company and its subsidiaries may consider paying the dividend less than the above rate or not to pay the dividend, subjecting to economy, performance, financial status, and liquidity of the Company and its subsidiaries, including their necessity in utilization of working capital for business operation and expansion

However, resolution of the Board of Directors on approval of the dividend payment must be presented to a shareholders meeting for consideration of approval such dividend payment; except on interim dividend payment. The Board of Directors is authorized to approve the interim dividend payment, and then report to the next general meeting of shareholders.

## 8. Management Structure

### 8.1 The Board of Directors and Subcommittee

As of 26 February 2019, the management structure of the company consisting of 4 sets of committees: the Board of Directors, Audit Committee, Nomination and Remuneration Committee, and the Executive Committee the details are as follows:

#### 8.1.1 The Board of Directors

| Name                                   | Position  | Number of meeting attended/<br>Total numbers of meeting in 2018 |
|--|---|---|
| 1. Mr. Sanpat Sapon                    | Chairman, independent director and member of the Audit Committee, and member of the Nomination and Remuneration Committee   | 6/6   |
| 2. Assoc. Prof. Dr. Prakit Tangtisanon | Director, Independent director and member of the Audit Committee, and Chairman of the Nomination and Remuneration Committee | 6/6   |
| 3. Mr. Mongkol Kasaemsun Na Ayudthaya  | Director, Independent director and Chairman of the Audit Committee, and member of the Nomination and Remuneration Committee | 6/6   |
| 4. Mr. Kritsana Thaidumrong            | Director  | 5/6   |
| 5. Mr. Fung Meng Hoi                   | Director  | 4/6   |
| 6. Mr. Noppachai Veeraman              | Director and Managing Director  | 6/6   |
| 7. Ms. Sunanta Wanwat                  | Director  | 6/6   |
| 8. Ms. Benjarat Hattachanchai          | Director  | 6/6   |

Among the Board of Directors, four have been appointed as authorized directors, namely, Mr. Noppachai Veeraman, Mr. Fung Meng Hoi, Ms. Sunanta Wanwat, and Ms. Benjarat Hattachanchai. Any two of the authorized directors are authorized to sign jointly on behalf of the Company.

In addition, Ms. Mallika Trakoolthai, the Executive Director, had been appointed as the Company secretary and Secretary of the Board of Directors.

#### 8.1.2 Audit Committee

Independent directors had been appointed as members of the Audit Committee who have complete qualifications according to the Notification of the Capital Market Supervisory Board No. Tor Jor. 28/2008 Re: Approval for Issuance and Offering for Sale of Shares dated 15<sup>th</sup> December 2008 (include any revision).

| Name                                   | Position | Number of meeting attended/<br>Total numbers of meeting in 2018 |
|--|----------|---|
| 1. Mr. Mongkol Kasaemsun Na Ayudthaya  | Chairman | 4/4   |
| 2. Mr. Sanpat Sapon                    | Member   | 4/4   |
| 3. Assoc. Prof. Dr. Prakit Tangtisanon | Member   | 4/4   |

Member of the Audit Committee who has full understanding of, and experience in, accounting or finance, for reviewing the reliability of the financial statements is Mr. Mongkol Kasaemsun Na Ayudthaya.

The secretary of the Audit Committee is Miss Jariyaporn Akkarawong.

### 8.1.3 The Nomination and Remuneration Committee

|    | Name                                 | Position | Number of meeting attended/<br>Total numbers of meeting in 2018 |
|----|--------------------------------------|----------|---|
| 1. | Assoc. Prof. Dr. Prakrit Tangtisanon | Chairman | 1/1   |
| 2. | Mr. Sanpat Sapon                     | Member   | 1/1   |
| 3. | Mr. Mongkol Kasaemsun Na Ayudthaya   | Member   | 1/1   |

Ms. Mallika Trakoolthai, the Secretary to the Nomination and Remuneration Committee, since 26 February 2019.

In accordance with the Code of Conduct and the Charter of the Nomination and Remuneration Committee, the Nomination and Remuneration Committee Meeting should be held twice a year. In the year 2018, the Nomination and Remuneration Committee held only one meeting to be in line with the business situation. Anyhow, the Committee regularly monitors the progress of its work on a regular basis.

### 8.1.4 Executive Committee

|    | Name                       | Position   | Number of meeting attended/<br>Total numbers of meeting in 2018 |
|----|----------------------------|--|---|
| 1. | Mr. Noppachai Veeraman     | Chairman of the Executive Board *                                  | 5/5   |
| 2. | Ms. Benjarat Hattachanchai | Executive Director *   | 5/5   |
| 3. | Ms. Sunanta Wanwat         | Executive Director *   | 5/5   |
| 4. | Ms. Phornphan Nilprasit    | Executive Director   | 4/5   |
| 5. | Mr. Komin Krodmee          | Executive Director   | 4/5   |
| 6. | Mr. Sanchai Sriwiboon      | Executive Director   | 5/5   |
| 7. | Mr. Thammasak Chobchai     | Executive Director   | 5/5   |
| 8. | Ms. Mallika Trakoolthai    | Executive Director and the Secretary<br>to the Executive Committee | 5/5   |

Remarks: \* The Board of Directors of the Subsidiary.

### 8.2 Management

|     | Name                       | Position   |
|-----|----------------------------|--|
| 9.  | Mr. Noppachai Veeraman     | Managing Director  |
| 10. | Ms. Benjarat Hattachanchai | Assistant Managing Director, Finance and Accounting            |
| 11. | Ms. Sunanta Wanwat         | Assistant Managing Director, Business                          |
| 12. | Ms. Phornphan Nilprasit    | Assistant Managing Director, Logistics                         |
| 13. | Mr. Komin Krodmee          | Assistant Managing Director, Production Management             |
| 14. | Mr. Sanchai Sriwiboon      | Assistant Managing Director, International Business            |
| 15. | Mr. Thammasak Chobchai     | Assistant Managing Director, Engineering and Customer Services |

### 8.3 Company Secretary

The Board of Directors' meeting No.6/2013 had the resolution to appoint Miss Mallika Trakoolthai to be the Company secretary starting from October 21, 2013. The scope of work, authority, and responsibilities according

to section 89/15 and section 89/16 of Securities and Exchange Act (Volume 4) B.E. 2551 (A.D. 2008), which was effective since 31<sup>st</sup> August 2008. The Company secretary has the following legal roles.

- 1) Preparing and maintaining the following documents
  - a) Director profile
  - b) Notice and minutes of the board meeting, annual report, notice and minutes of shareholders meeting
  - c) notice and minutes of shareholders meeting
- 2) Maintaining directors and management's report on conflict of interest, and submit the report according to section 89/14 to the president and chairman of the Audit Committee within 7 working days after receipt of the report.
- 3) Performing other duties as required by the Capital Market Supervisory Board

In case the Company secretary resign or fail to perform the duty, the Board shall appoint new secretary within 90 days from the date of resignation or failure to perform the duty. However, the Board is entitled to assign one of directors to perform the work during such period.

In addition, the Company secretary also has the other responsibilities upon the Company's assignment as follows:

- 1) Arranging the Board of Directors' meeting and shareholders' meeting
- 2) Coordinate with other departments in the Company to make them comply with the resolutions of the Board of Directors' meeting and shareholders' meeting
- 3) Coordinate with the government section such as the Securities and Exchange Commission (SEC), the Stock Exchange of Thailand (SET), and control for completion and accuracy of information disclosure and report submitted to the government section and public according to law.
- 4) Providing orientation to new appointed director
- 5) Performing other duties as assigned by the Board.

Miss Mallika Trakoolthai has passed the training course for the Company secretary (Class of 28) and the course of fundamental law for registered company (class of 10) from Thai Listed Companies Association. Company Secretary Information is in Appendix 1.

#### 8.4 Remuneration for the Board and Management

The annual general meeting of shareholders' 2017 held on 20 April 2017, had the resolution to approve remuneration for independent directors and the non-executive directors, by considering based on roles and responsibilities to supervise and control the Company's operation. The consideration has been made in comparison to the industry, experience, duty, scope of role and responsibility, including benefits expected to be received from each directors as per the following details:-

##### 8.4.1 Remuneration for the Board of Directors

|   | Attendance fee for<br>chairman | Attendance fee for<br>member |
|---|--------------------------------|------------------------------|
| Board of Directors                                | 30,000 Baht/Meeting            | 20,000 Baht/Meeting          |
| Independent director as member of Audit Committee | 30,000 Baht/Meeting            | 20,000 Baht/Meeting          |
| Nomination and Remuneration Committee             | 30,000 Baht/Meeting            | 20,000 Baht/Meeting          |

Remuneration for the board comprises meeting attendance fee, which is subjected to number of meeting attended. However, subject to the rule of remuneration consideration, members of the board and/or any subcommittee, the Company's director and/or member of sub committee who are the Company's executives or



employees shall not receive the remuneration for the board and/or member of subcommittee. In 2018, the Company paid remuneration for the board and member in subcommittee as follows:-

| Name  | The Directors' Remuneration of 2018 (Baht) |                 |                                       |                              |           |
|---|--|-----------------|---------------------------------------|------------------------------|-----------|
|   | The Board                                  | Audit Committee | Nomination and Remuneration Committee | Independent Director and NED | Total     |
| 1. Assoc. Prof. Dr. Prakit Tangtisanon      | 200,000                                    | 90,000          | 30,000                                | 30,000                       | 350,000   |
| 2. Mr. Sanpat Sapon                         | 140,000                                    | 130,000         | 30,000                                | 20,000                       | 320,000   |
| 3. Mr. Mongkol Kasaemsun Na Ayudthaya       | 140,000                                    | 90,000          | 40,000                                | 20,000                       | 290,000   |
| 4. Mr. Kritsana Thaidumrong                 | 120,000                                    | -               | -                                     | -                            | 120,000   |
| 5. Mr. Fung Meng Hoi                        | 80,000                                     | -               | -                                     | -                            | 80,000    |
| 6. Mr. Noppachai Veeraman <sup>1)</sup>     | -  | -               | -                                     | -                            | -         |
| 7. Ms. Benjarat Hattachanchai <sup>1)</sup> | -  | -               | -                                     | -                            | -         |
| 8. Ms. Sunanta Wanwat <sup>1)</sup>         | -  | -               | -                                     | -                            | -         |
| Total                                       | 680,000                                    | 310,000         | 100,000                               | 70,000                       | 1,160,000 |

Remark: <sup>1)</sup> Members who are the Company's executives or employees those shall not receive remuneration for the board and member of sub committee are Mr. Noppachai Veeraman, Ms. Sunanta Wanwat, and Ms. Benjarat Hattachanchai

#### 8.4.2 Remuneration of the Executive Committee and Management

The annual shareholders' meeting 2018, dated 26 April 2018, had the resolution to approve remuneration of the Executive Committee in term of attendance fee, which will be paid at Baht 30,000 per meeting for the chairman and Baht 20,000 per meeting for the member.

However, members of the Executive Committee who are the Company's executives or employees shall not receive the remuneration of the Executive Committee. Currently, the members of the Executive Committee are the Company's executives.

In addition, the Company has the remuneration of executives in term of salaries, bonuses, position allowance, allowance, social security contributions. In 2018, the amount of remuneration paid to the Executive Committee and Executives are as follow:-

|   | 2017          | 2018          |
|---|---------------|---------------|
| Numbers of Directors and Executives (persons) | 8             | 8             |
| Total remuneration (Baht)                     | 12,704,810.00 | 10,487,900.00 |

The remuneration of the management of the Company and its subsidiaries decreased compared to the year 2017 because the management had supported the company by requesting to reduce the benefits for their own welfare such as travel expenses

#### 8.4.3 Other Compensation

Provident Fund: The Company provides provident fund for the executives by making contributions of 2% and let the executives deposit at 2% of salary.

- In 2017, the Company made the contributions of Baht 245,340 to the provident fund for 8 Managerial persons
- In 2018, the Company made the contributions of Baht 220,024 to the provident fund for 8 Managerial persons

Employee Joint Investment Program: The Company contributed for Management Level in the investment program for accumulative buying of the Company's shares on periodic basis by the employees of the Company.

- In 2017 total 227,985 Baht for 8 Managerial persons
- In 2018 total 465,468 Baht for 8 Managerial persons

## 8.5 Employee

The Company strives on human resource management and development to retain employees who have skill, capability, and experience for enhancement competitiveness of the Company.

As of 31 December 2018, the Company and its subsidiary have 231 employees. The compensation, e.g. salary, overtime, commission, bonus, allowance, intelligent allowance, social security contribution, provident fund deposit, EJIP contribution and other allowance, are around Baht 81,766,392.50 Baht. Number of employees in each section comprise of:

| As of 31 December 2018 (Persons)   |     |
|------------------------------------|-----|
| Management                         | 8   |
| Retail Business                    | 33  |
| International Business             | 3   |
| Finance and Accounting             | 20  |
| Logistics                          | 36  |
| Production Management              | 17  |
| Engineering and Customer Services  | 53  |
| Human Resources                    | 11  |
| Event Rental Business              | 24  |
| Quality Assurance                  | 3   |
| Others <sup>1)</sup>               | 9   |
| Innov Green Solutions (Subsidiary) | 14  |
| Total                              | 231 |

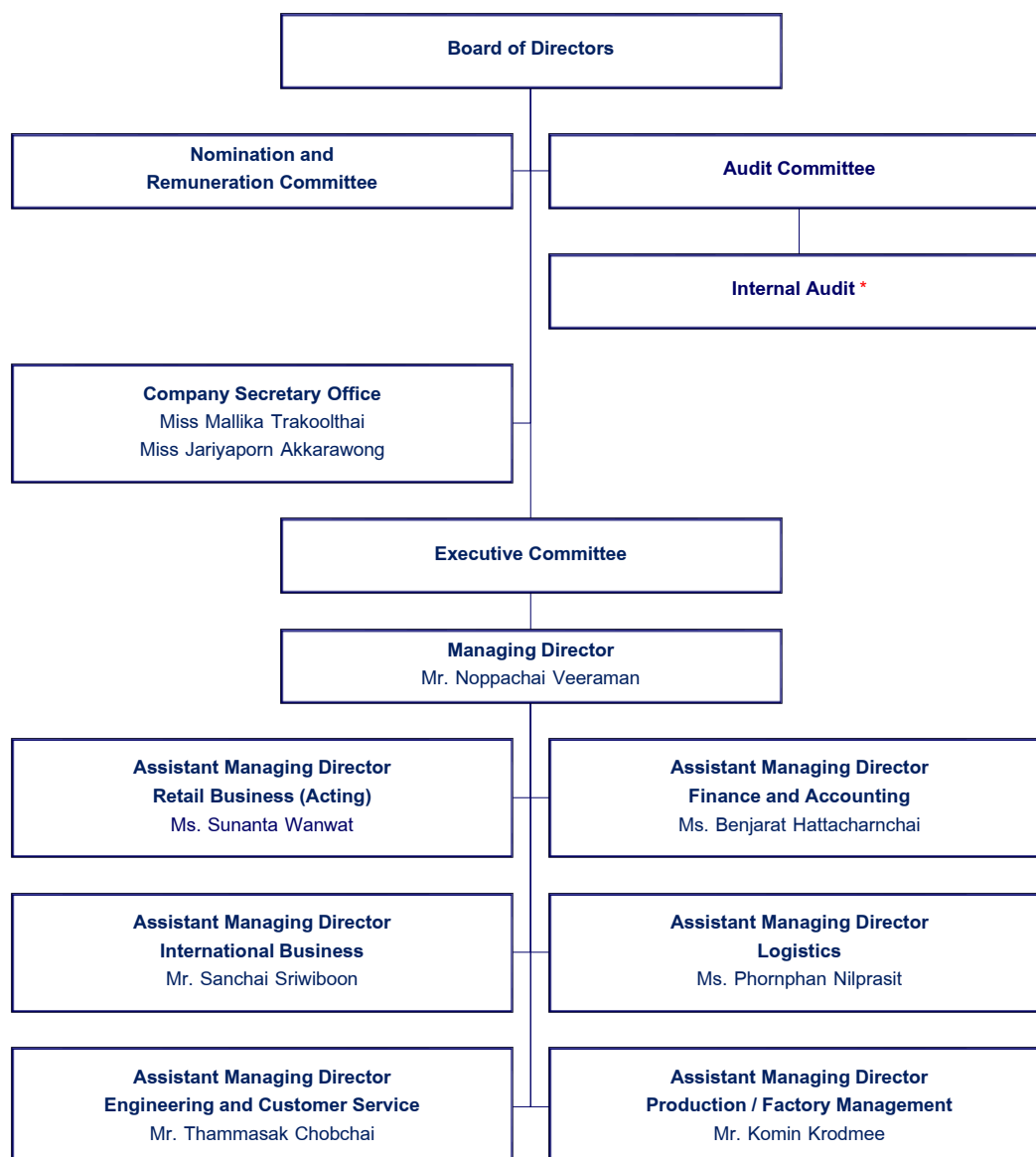
Remark: Others<sup>1)</sup> : Company Secretary Office 1, Managing Director Office 1, MIS Department 2, R&D Department 3 and Purchasing Department 2

The Company and its subsidiary have no labor dispute and devote to develop skill, knowledge, capability, and competency of employees at all level. The details of employee development plan are as follows:-

- Continuously develop the board and executives, i.e the Board of Directors, the Audit Committee, Management, and the Company/Corporate Secretary, to increase their work capability by enhancing and supporting them in term of education, training, seminar, and domestic and international field study.
- Prepare training road map for each position to recruit right person with good career path, including ready for replacement, including succession plan for the Executives.
- Build up employee awareness for working based on code of conduct and good governance by admiration and support good person.
- Enhance employee's development by mean of coaching and on the job training. Also enhance employee to engage in organization culture, ownership attitude, hold team work concept, provide good service, and bring satisfaction to either inside or outside customers.

## 8.6 Management Structure

As of 1 January 2019



\* The Company hires ACC-PLUS Consultant Company Limited to perform internal audit of the Company and its subsidiary. Miss Wanna Maluengnont (Managing Director of ACC-PLUS Consultant Company Limited) is head of internal audit team

## 9. Corporate Governance

### 9.1 Corporate Governance Policy

The Board of Directors approved policy of corporate governance which is in line with “the Code of Best Practices for Directors of Listed Company” stipulated by Stock Exchange of Thailand. The principle consists of the following 5 chapters as follows:-

## Chapter 1: The Right of Shareholders

The company gives precedence to basic rights of shareholders such as rights to trade and transfer their own shares, rights of receiving profit dividend of the company, right of receiving information of the company sufficiently, rights of shareholder's meeting, giving opinions, appointing or removing committee, appointing auditor and matters affecting the company like dividend allocation, specification or amendment of regulation and memorandum of association etc. without any actions that violate or deprive rights of the shareholders as well as promotes shareholder to use their rights.

Apart from basic rights, the company has a policy for operations that promote and facilitate using rights of shareholders as follows

- 1) Providing annual general meeting by it is arranged within 4 months from the end date of each accounting year by providing information, date, time, place and agendas along with delivery of the supporting documents of each agenda to shareholders in advance for at least 7 days and publish in newspaper to appoint date and time of meeting for 3 consecutive days before the meeting starts 3 days prior. It is specified that each agenda requires comments of the committee and complete minutes so that the shareholders can audit it.
- 2) The company will publish information supporting agenda to shareholders in advance on website of the company including inform rights and regulations in meeting as well as procedures of voting of shareholders in meeting to give a chance for shareholders to study information before the meeting.
- 3) In case the shareholders cannot attend the meeting, the company gives a chance for them to give a proxy to independent committee or any person to attend the meeting as the substitute to support using rights of shareholders to vote by using power of attorney delivered by the committee together with the invitation to meeting i.e. proxy (form B) which is the specific proxy form and proxy (form C) which is the proxy form for the foreign investor appointing the custodian in Thailand.
- 4) Before the meeting, shareholders can send opinions, suggestions and inquiries in advance through E-mail: comsec@masterkool.com

For meeting, the company will allocate proper time to promote shareholders to give opinions or suggestions including inquiries in each agenda relevant to the company.

## Chapter 2: Equal Treatment to Shareholders

The company has a policy to treat every shareholder equally to monitor and give opinions about operation of the company by independent committee is responsible for taking care of minor shareholders and that they can give suggestion, opinions, or complaint to independent committee. The independent committee will consider for appropriate operation. For instance, if it is complaining, the independent committee will verify fact and find proper treatment.

The company's committee has specified a measure to prevent using internal data for undesirable purpose of the relevant people including committee, executives, officers and employees of the association related to data (including to spouse and immature children of those people) not to use internal data that has not been published to trade, transfer and accept transfer securities of the company for 30 day during the period before presenting tranche financial statement to SEC or before such data is publicized and the punishment has been stipulated for disclosing data of the company or using company's information for personal benefit according to the policy of Internal Data Utilization Prevention along with giving knowledge to committees and board of directors of the company about reporting security possession to Office of Security

## Chapter 3: Roles of Stakeholders

The company has recognized rights of all stakeholders relevant to the company including internal stakeholder such as shareholder, employees and board of directors of the company or external stakeholders

including opponent, trade partner, community and society etc. The company has deeply realized that supporting and listening to opinion as well as building good relationship with all shareholders would be beneficial to business operation and development of the company with growth and expansion in the future. The company provided rights of all groups to be treated fairly and equally along with complying with regulations of law and rules as follows.

- Shareholder: The company emphasized on being a good representative of shareholders to operate business for satisfaction of shareholders by being aware of long-term value growth of the company along with having good control system and internal audit system that can disclose information transparently, correctly and completely enough for decision to invest
- Employee: The Company will support potential development of human resource for ultimate benefit as the company realized that employees are a part of major resources essential to develop the organization. The company then treats every employee fairly and equally without discrimination along with providing proper returns and welfares. In addition, the Company has done the employee survey on the workplace health, and develop in various matters by “The Happy Workplace” initiative project which guided and supported by Thai Health Promotion Foundation for sustainability of well-being for Masterkool’s employees.
- Trade Partner: The Company will treat all trade partners with integrity by holding principles of trade agreement, terms, and promise given to trade partner for good business relationship and benefit to all parties.
- Opponent: The Company will treat opponents/competitors with ethics of good competition by avoiding dishonest competition to destroy the opponent.
- Customer: The Company is determined to provide good service and give satisfaction to customers by providing quality product and service with honest and fair trade with customers. In addition, The Company provides channels for receiving complaints from customers through central agency that is the Company/Corporate Secretary.๓๕
- Community:  
& Society: The Company gives precedence to taking care of environment of nearby community, location of the office with campaigns to save energy as well as operating business that is not contrary to custom and tradition or causing damages to company. Besides, the company also has a policy to hire local labors nearby the factory of the company in Panat-nikhom, Chonburi Province

#### **Chapter 4: Disclosure of Data and Transparency**

The company realizes importance of correct data disclosure with that is complete, punctual and transparent including financial report and general report according to principles of data and information disclosure of SEC Office and Stock Exchange of Thailand as well as any other matters data affecting security cost of the company that had effect on decision process of company’s stakeholders. The company will propagate information and data of the company to shareholders, investors and public through channels and media of Stock Exchange of Thailand including website of the company, newspaper so that shareholders can access data equally.

The company assigns the Company/Corporate Secretary, or a person authorized by the CEO to be responsible for essential data and information disclosure and communicating with investors, shareholders, as well as analysts and the relevant persons.

For convenience of contact, the prior mentioned persons are invited to contact the Company at the phone number: 0 2953 8800 or facsimile: 0 2589 8586 or E-mail: comsec@masterkool.com

#### **Chapter 5: Responsibility of the Board of Directors**

##### **● Structure of the Board of Directors**

The Board of Directors consists of persons with knowledge, skills, and experiences that can benefit the Company by being an important player in approving policies and business plans. Besides, The Board gives importance to the internal control system and internal audit for the benefit of the company and overall shareholders.

The Board of Directors of the Company has 8 persons which consist of the executive directors, the non-executive directors and three (3) independent directors or at least one-third (1/3) of the Board to balance in voting and considering matters along with auditing management for utmost benefit of the company.

The term of office of the members of the Board shall be three (3) years, and with no more than three (3) consecutive terms (total of 9 years from the date of appointment). After completing a nine-year term, in case of the board members shall serve staggered terms, the Board of Directors shall carefully consider any reasonable means before proposing for shareholders' voting on election of members of the Board for staggered terms.

Directors can hold position in other listed companies; but not more than 5 companies. Besides, directors shall not be partner or executive or employee or consultant who receive regular salary or hold more than one (1) percent of total voting shares of any company that operates the same business and is a significant business competitor to the Company's or its subsidiary.

In addition, the Company appointed subcommittee i.e. the Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee as well as clearly specifying scope of duty and responsibility of operation for such subcommittee.

*The Risk Management Task Force, consisting of the Executives of the Company and its subsidiary, had been set up and chaired by the CEO. The task force was established to support works of the Audit Committee and the Board of Directors, regarding to risk management that could affect the business.*

#### ● **Roles and Responsibilities of the Board of Directors**

The Board of Directors has duty to consider and approve on important matters related to operation of the Company such as vision and mission, strategy, risk, initiative plan and budget; along with provides supervisory on management to meet the target under regulations, laws and business ethics for benefit of the Company and all relevant.

##### **(1) Corporate Governance Policy**

The Company has set a written policy on corporate governance which has been approved by the Board of Directors and used as guideline for directors, executives and employees in implementing such policy to their operations.

##### **(2) Business Ethics**

The Company has set a written business ethics for operating its business transparently, correctly and fairly and publishes to directors, executives and employees to operate their duties in compliance with such policy strictly.

##### **(3) Conflict of Interest**

The Company has stipulated a policy on conflict of interest with principle that any decisions to operate business activities shall be made for utmost benefit of the Company and they should avoid any actions that cause conflict of interest by defining that the relevant or those who are involved in considered transaction shall inform the company about relation or connection in such transaction and they shall not participate in considering judgment and has no authority to approve that transaction.

Audit committee will propose to the Board of Directors the report of related-party transactions and transactions with conflict of interest persons or juristic persons that have been properly and circumspectly determined. The Company complies with principles of cross-transaction of SEC Office and Stock Exchange of

Thailand strictly in term of defining price and terms with people who possibly have conflict of interest seemingly like transaction with outsiders and submit the report within specific time stipulated by SEC Office and Stock Exchange of Thailand and there shall be disclosing financial budget, annual report an annual list form (Form 56-1)

#### **(4) Internal Audit**

The Company gives precedence to providing good internal control system by issuing working manuals and procedures in writing by dividing duty and responsibility along with authority table for operation and approval of the Board of Director, Subcommittee and Executives.

The Board of Director has assigned the Audit Committee to be responsible for verifying internal control process to ensure propriety and effectiveness of the Company's internal control; including operations, financial report, and compliance with rule, regulation, policy and corporate governance. The Company established the Internal Audit Unit and procured the outsource IA, as the head of internal audit, to evaluate and inspect internal control system of the Company and report the result of such inspection directly to the Audit Committee.

***The Board of Directors stipulated policy of corporate governance; along with the business ethics and the Code of Conduct as well as other policies. The mentioned policies shall be regularly reviewed on the year basis.***

##### **● Meeting of the Board of Directors**

The Company will arrange the meeting of company's committee at least in every quarter and may arrange additional meeting if necessary; totally not less than 6 times a year by specifying clear agenda in advance including agenda to monitor performance regularly. The Secretary of the Board of Directors' meeting will provide agendas and deliver documents to the Board's members at least 7 days before the meeting starts so that the directors have enough time to consider and study information along with recording minutes and submitting reports to the committee individually as well as storing the minutes of committee's meeting certified by the committee systematically and they are prepared to be audited or inspected by the company's committee or the relevant people.

##### **● Remuneration of Directors**

The company has specified returns for committee clearly and it will be propagated in annual list form. Such return shall be approved by annual general meeting. However, the company has defined principles and returns of committee and executive depending on knowledge expertise and experience along with duty and responsibility by comparing with the company in same industry to retain the skillful and experienced people to work with the company for long time.

##### **● Development of the Directors and Executives**

The Company supports all directors and executives to develop their knowledge and capacity to continually improve their works by encouraging the directors and executives to participate in trainings. In case of replacement of directors or executives, the Company will provide documents and information beneficial to their duties as well as attending curriculum seminars that are advantageous to such newcomers.

In addition, the Board of Directors who oversees the organization is committed to continue on applying good corporate governance principles for listed companies of the year 2017 to their oversight of the Company to ensure creating sustainable value for the Company; and is reliable for shareholders, all involved parties, and meeting the aspirations of the business, shareholders, investors and society. Details of the development of directors and executives appear in their profile attached.



## 9.2

### **The Subcommittee**

The Management Structure of the Company includes the Board of Directors, Executive, and three Subcommittees i.e. the Audit Committee, Nomination and Remuneration Committee, and the Executive Committee.

The Board of Directors, the Audit Committee and the Executives of the Company are completely qualified and have no prohibited characteristics according to section 68 of Public Company Limited Act B.E. 2535 and have no traits showing that they lack of qualification to be trustable in management with public as shareholders as in section 89/3 and section 89/6 of Securities and Exchange Act B.E. 2535 and Notice of Securities and Exchange Commission.

The Board of Directors has specified in the Articles of Association of the Company and the Corporate Governance Policy that the term of office of the directors shall be three (3) years with one-third (1/3) of the directors or the nearest number of one-third of the directors shall retire from office each year. The directors to retire by rotation at every annual general meeting shall be those who have the longest term in office since their last appointment. The directors who retire can be re-elected for one more term of office.

The Audit Committee and the Nomination and Remuneration Committee hold the term of office for three (3) years, while the Executive Committee holds the term of office according to the term of service as an executive director. In case the member of the Executive Committee is the Non-Executive Director, the term of office is three (3) years, unless the Board of Directors otherwise resolved.

### 9.2.1

#### **The Board of Director and Roles & Responsibilities**

The Board of Directors consists of 8 directors, including executive directors, non-executive directors and non-executive directors who are qualified as the independent directors, in numbers of at least three independent directors or one-third of the total number of directors, in order to balance the voting and to review the management's performance to maximize the benefits to the Company.

##### **Roles and Responsibilities of the Board of Directors**

- 1) Supervising the Company and conduct in undertaking their duties complying to laws, the Company's objectives and the Company Articles of Association; also follow the resolutions of the shareholders with integrity and being aware of benefit of the Company and Accountability to Shareholders.
- 2) Setting corporate policies, objectives and directions of the company, also monitoring and supervising of the Executives' to conduct their duties in compliance to policies and regulations of the Company with effectiveness and efficiency for the Maximize Economic Value and Shareholders' Wealth
- 3) Controlling and supervising management department to practice with all stakeholders with ethnics and equality.
- 4) Considering and defining annual budgetary plan and revising annual budgetary plan to be suitable and corresponding to policy and trend of operation including inspecting and controlling management department to use budget according to annual budgetary plan.
- 5) Following up operations of the company to meet targets regularly and realizing compliance with law and regulations in agreement related to the company by determining management department to report overall operation along with material matters of the company to company's committee in every quarterly meeting so that the operations of the company are conducted efficiently.
- 6) Operating for the company to have accounting system, financial report, Internal Control, and Internal Audit that are efficient and reliable.

7) Playing a great role to operate risk management by providing guidelines and measures to manage risk suitably and sufficiently including monitoring such operation regularly.

8) Considering and approving and/or giving opinions to be proposed in the shareholder's meeting to consider approving significant transaction along with related-person transaction according to principles, terms and legal methods and regulations

9) Providing annual report of the Company and/or Company's committee to be in accordance with law and regulations and reporting to shareholders regularly and completely regarding to current condition of business and trends of operation in the future positively and negatively with supporting reasons.

10) Considering and appointing managing director and defining scope of duty and responsibility of the managing director.

11) Considering and specifying annual remuneration structure of the company and principles of remuneration payment of committees, executives and employees by recognizing proper factors such as performance, position, scope of duty and responsibility, quality, knowledge, capability and suitable return rate in same industry.

12) Considering amount of remuneration of the committee according to principles of return payment stipulated by company's committee to be proposed in shareholder's meeting for considering approval.

13) Considering procuring people with knowledge, capacity and experience along with qualification by applicable law and regulations to be proposed in shareholder's meeting for considering appointment as committee.

14) Defining policy, target, strategy and trend of operation of the subsidiary as well as considering appointment of people with knowledge, capability and experience relevant to the operations of subsidiary as the committee of subsidiary by proportion of holding shares of the company in subsidiary.

15) The committee may authorize a committee or many people or even anybody to operate substituting for the committee or may authorize those people to have power as agreed by the committee and within approved duration. The committee may provoke, terminate, change or amend such power of attorney when seeing appropriate. Nevertheless, such proxy shall be conducted in writing or recorded as resolution in the minutes of committee's meeting with clear scope of that authority and duty of the proxy. However, the proxy shall not have power to approve lists that such people or people with conflict of interest have stakes or may have conflict of any other interests with the company unless, it is approval following the policy and principles in shareholder's meeting or the company's committee has approved.

16) Having any other duties and responsibilities stipulated by law and regulations of the company and resolution of shareholder's meeting.

17) Considering and approving essential operations of the company for ultimate benefit of the company except following authority that can be conducted when being agreed by the committee's meeting with majority vote of the committees who attend the meeting and have rights to vote and from at least 3/4 of all votes in shareholder's meeting of shareholders who attend the meeting and have rights to vote:

- 17.1 Selling or transferring business of the company, wholly or partially.
- 17.2 Purchasing or accepting transfer business of other companies or private companies belonging to the company.
- 17.3 Making, amending or terminating an agreement related to business lease of the company, wholly or partially, assigning any persons to manage business of the company or consolidating with other people with purpose of profit and loss share.
- 17.4 Amending Memorandum of Association or regulations.
- 17.5 Adding or reducing capital including debenture issue.
- 17.6 Merger or Company Termination.

- 17.7 Any activities stipulated under the legal provision associated with securities and exchange and/or Regulations of Stock Exchange of Thailand shall be agreed by committee's meeting and shareholder's meeting with at least  $\frac{3}{4}$  votes of all shareholders who attend the meeting and have right to vote such as cross-transaction and obtainment or distribution of asset etc.

Nevertheless, any operations that the committee or the proxy or stakeholders may have conflict of interest with the company, those people have no right to vote in such matter.

## **9.2.2 Audit Committee and Roles & Responsibilities**

Audit committee is set up to Support Company's committee to supervise and inspect financial report, internal audit, and internal control, risk management including good corporate governance so that the operations and data disclosure of the company are conducted transparently and reliably. The audit committee consists of skillful and experienced independent committee that can dedicate time for operation at least 3 people and an audit committee has knowledge and experience in finance and accounting. The audit committees will select a committee as the audit committee chairman. Who will position as the audit committee chairman shall be considered by qualification circumspectly as the audit committee chairman will be a person that gives confidence in effectiveness of the audit committee.

The period of position as audit committee is equal to the company's committee and it will due positioning in annual general meeting along with due of positioning as company's committee. When they leave position, they can be reelected for another term of office

### **Roles & Responsibilities of the Audit Committee**

- (1) Verifying that the company has procedures to make and disclose data in financial report of the company correctly and completely that it is reliable, punctual and sufficient. The project to coordinate with outsourcing auditors and the executives that are responsible for making both annual and quarterly financial report, the audit committee may suggest the auditor to verify or check any list that are necessary and essential during auditing of the company.
- (2) Auditing that the company has suitable and effective Internal Control system and Internal Audit system and considering independence of internal audit institute along with approving the appointment, transferring, denoting or dismissing the leader of internal audit institute or any other institutes responsible for internal audit.
- (3) Verifying that the company has complied with law associated with Securities and Exchange, regulations of Stock Exchange of Thailand and law related to business of the company.
- (4) Considering, selecting and appointing people with independence to act as the auditor of the company and proposing returns of those people by being aware of reliability and sufficiency of resources and audit wok of the auditor office and experience of personnel assigned to audit including performance in previous year and considering denoting the auditor including participating in meeting of auditor without management department for at least once a year.
- (5) Considering and disclosing data related to cross-transaction that may have conflict of interest completely and correctly to be corresponding to law and regulations of Stock Exchange of Thailand. Nevertheless, it is to ensure that such transaction is necessary, reasonable and brings maximum benefit for the company.
- (6) Making a report of audit committee and propagating it in annual report of the company. Such report shall be signed by audit committee chairman and shall consist of following data
  - a) Opinions about correctness, completeness, and reliability of data disclosure in financial report of the company
  - b) Opinions about sufficiency of internal control system of the company

- c) Opinions about compliance with law associated with Securities and Exchange, regulation of Stock Exchange of Thailand or law involved in business of the company
  - d) Opinions about suitability of the auditor
  - e) Opinions about transaction with conflict of Interest
  - f) Number of audit committee's meeting and attendance of each audit committee
  - g) Opinion or Notice that the audit committee received from performance according to the Charter
  - h) Any other lists that the shareholders and investors should know within scope of duty and responsibility assigned by the company's committee
- (7) Any operations assigned by the company's committee with agreement of audit committee such as reviewing policy of financial and risk management, reviewing compliance with business ethics of the executives and reviewing together with executives about essential reports that will be publicized as the law stipulates such as Report and analysis of management department etc.
- (8) Having power to audit and investigate as necessary matters that may significantly affect financial statement and overall operation of the company such as:-
- a) Transaction with Conflict of Interest
  - b) Doubt or assumption that there may be corruption or abnormality or defect in internal controls system
  - c) The doubts that there may be violating law associated with Securities and Exchange, regulations of Stock Exchange of Thailand or laws relevant to business of the company
- (9) Having power to seek for opinions free from professional consultants when seeing that it is necessary to consider expense of the company so that the operation under duty and responsibility is achieved.
- (10) Reporting the result of auditing and investigation to company's committee to revise within time approved by the audit committee. However, if the audit committee finds that there is negligence to operate revision without reasonable support, any audit committee may report such occurrence to SEC and Stock Exchange of Thailand.

Nevertheless, the authority of audit committee does not include power that the audit committee or the proxy from the audit committee can vote and give opinions for the list that the audit committee or the proxy or those with conflict of interest as definition in notice of Security and Exchange Commission has stakes or has conflict of interest with the company and/or its subsidiary.

### **9.2.3 Nomination and Remuneration Committee and Roles & Responsibilities**

The Board of Directors has appointed the Nomination & Remuneration Committee by selecting from some company's committee and/or the expert. The Nomination & Remuneration Committee shall consist of 3 but not over 5 committees. Nevertheless, the independent committee acts as the Nomination & Remuneration Committee chairman

#### **Roles & Responsibilities of the Nomination and Remuneration Committee**

1. Recruiting, selecting and proposing a person to take position as independent committee, committee chairman, and company's committee to present to company's meeting and/or shareholders to consider approving in case of the vacant position due to the due or other cases.
2. Recruiting, selecting and proposing a person to act as the managing director, chief executive office, and secretary of the company in case of the vacant position to present to company's meeting for further approval including specifying principles to inherit the position of chief executive officer
3. Considering and screening organization structure which suitable and supporting to business operation prior to propose to the Board of Directors for consideration of approval.
4. Proposing policy of remuneration and other benefits for directors, managing director and top executives to be suitable for duty and responsibility corresponding to overall operation of the company and market condition.
5. Considering annual bonus and salary adjustment for executives and employees based on the

- Company's performance.
- 6. Considering and screening salary structure and principles of allowance payment
- 7. Check qualification of people who are nominated to be company's committee to be in accordance with applicable law and regulations.
- 8. In case of nomination of the retiring director, the committee should present the retiring director's performance and contribution along with the attendance record of the Board of Directors 'meetings and shareholders' meetings for consideration by the shareholders.

#### 9.2.4 Executive Committee and Roles & Responsibilities

Executive Board appointed by the Board of Directors; and the Chairman of the Executive Committee is the Managing Director. The Committee is responsible on managing the business on behalf of the Board in accordance with the direction, policy and goals set by the Board of Directors

##### Roles & Responsibilities of the Executive Committee

- 1) considering and screening business plan and annual budgetary plan to present to company' committee
- 2) Specifying policy of finance and investment of the company and defining trend of investment policy to be corresponding to policy of the company and approving principles of investment including proposal of investment according to regulations of the company
- 3) Considering and operating material matters relevant to operation of the company
- 4) Considering and screening and giving suggestion all work types proposed to company's committee
- 5) Considering and appointing committee of the affiliated company or joint venture by proportion of shareholding or according to agreement between shareholders of the affiliated company or joint venture (if any)
- 6) Supervising and monitoring result of management of the company to correspond the policy, operation plan and annual budget stipulated by the company's committee and approving as well as reporting to company's committee regularly.
- 7) Considering risk management policy of the company to present to audit committee
  - (A) Identifying and evaluating risk to cover Strategic Risks, Operational Risks, Financial Risks and Legal Risks
  - (B) Considering and reviewing guidelines and tools to manage risk effectively and suitable for risk size and quality of the transactions operated by the company
  - (C) Monitoring result of risk evaluation in both normal condition and Stress Testing
  - (D) Evaluating possible risks from new product or risks that happen for new transaction as well as specifying guidelines to prevent possible risks
- 8) Considering and screening matters that the managing director proposes to management committee to consider approving or agreeing
- 9) Approving matters of finance and asset of the company under scope of approval authority
- 10) Assigning or suggesting the managing director to determine or practice any transaction agreed by the management committee
- 11) Appointing the work team to consider any matters agreed by the management committee
- 12) Considering and proposing matters agreed by management committee or determining approval or agreement
- 13) Considering any matters or doing any duties assigned by the company's committee.

The approval authority of the Executive Committee must not be authorization of approval on any concerns on conflict of interest or related-party transaction of the Company and/or its subsidiary.

The Executive Committee holds the term of office according to the term of service as an executive director. In case the member of the Executive Committee is the Non-Executive Director, the term of office is three (3) years, unless the Board of Directors otherwise resolved

## 9.2.5 Executive and Roles & Responsibilities of Managing Director

### Roles & Responsibilities of the Managing Director

- 1) Managing, supervising, and approving on operations related to the normal/general management of the Company.
- 2) Considering of approval the appointment, dismissal and transfer of senior management levels i.e. deputy managing director, assistant managing director, or equivalent position in accordance with the approved organizational structure; including their salary, compensation, or other benefits
- 3) Administating the Company following the policy and target as well as business plan and strategic plan stipulated by the Board of Directors, or the Executive Committee.
- 4) Authorizing or assigning a person or do particular task within scope complied with approval authority (authority table) or regulations or even commands stipulated by the Board of Directors.
- 5) Holding of supervisory power of issuing commands, regulations, notices, memorandum, and etc to keep good practices which corresponding to policies, the Company's benefits, and maintain work disciplines in the Company.
- 6) Holding of authorization to representing the Company in relating to the business to public or the third party for the benefits of the Company.
- 7) Approving the appointment of consultants which necessary for operation of the Company.
- 8) Performing other duties as assigned by the Executive Committee and / or the Board of Directors.

Nevertheless, the power of managing director along with authorizing other people approved by the managing director does not include power or authorizing to approve transaction that he or the relevant may have conflict of interest contrary to benefit of the company or subsidiary or even transactions that are not under normal operation of the company or subsidiary. To approve such transaction, it shall be proposed in the company's meeting and/or shareholder's meeting of the company to consider and approve according to regulations of the company or applicable law.

## 9.2.6 Authorization Levels and Monetary Limits

The Board of Directors' Meeting No. 1/2008, held on 27 February 2018, has been reviewed and resolved to authorize the approval of important **"Authority Table"** which will continue in force until the resolution is changed. The approval authority of the Executive Committee Managing Director and Deputy Managing Director for important matters can be summarized as follows:

The Authority Table specified on delegation of authority and approval of monetary limits at the Managing Director level, the Executive Committee, and the Board of Directors:

- 1) In case requiring of the authorization of upper levels of the Management, i.e. the Executive Committee, the Board of Directors, then delegated or assigned persons shall collect all concerned documents and propose to the Executive Committee and/or the Board of Directors for consideration of approval.
- 2) In case requiring of the authorization of lower levels of the Managing Director, i.e. the Assistant Managing Director and the lower levels authorized in the Authority Table, then delegated or assigned persons shall collect all concerned documents and propose to the Managing Director for consideration of approval. This Authority Table shall be review every 2 years; or when appropriate.

For the budget of the company, it shall be presented to the Board of Directors for consideration of approval. If any transaction is deemed the related-party transaction or deemed as the acquisition or disposition of assets of the Company or its subsidiary, the Board of Directors and Management of the Companies are responsible for compliance with the relevant regulations of the SEC and the Stock Exchange of Thailand. In addition, the related persons which may have conflicts of interest, or any other benefits which deemed conflict of interest of the company or its subsidiary shall not vote such matters.

### 9.3 Recruitment, Nomination and Appointment of the Directors, Subcommittee, and Top Executive

To recruit a person as the directors, subcommittee and top executive of the Company is conducted by the Nomination and Remuneration Committee who responsible on recruiting and selecting persons to take such positions and nominate qualified persons to the Board of Directors and/or the Shareholder's meeting (depending on each). For selection of lower levels of the Managing Director positions, the selection is in the scope of roles and responsibilities of the Managing Director as the top executives of the Company.

However, persons who are appointed to act as the directors and executives shall have suitable qualification according to section 68 of Public Company Limited Act B.E. 2535, and amendments in accordance with the Securities and Exchange Act (No. 5), 2016, effective from 12 December 2016 (including amended versions) and Securities and Exchange Act, Notice of Capital Market Supervisory Board as well as other relevant laws; such as the Notification of the Capital Market Supervisory Board No. Tor Jor. 39/2016 Re: Application for Permission and Permission to Offer Newly Issued Shares Notification of the Stock Exchange of Thailand Re: Qualifications and Scope of Work of the Audit Committee, 2015. Besides proficiency and work experiences are counted.

In addition, directors can hold position in other listed companies; but not more than 5 companies. Besides, directors shall not be partner or executive or employee or consultant who receive regular salary or hold more than one (1) percent of total voting shares of any company that operates the same business and is a significant business competitor to the Company's or its subsidiary. The Nomination and Remuneration Committee considers knowledge, ability, experience, work and skills that are in line with the direction and characteristics of the business, such as the supervision and management of engineering organizations in the areas of investment, investment. By considering the person who holds the position of the company director, must pass a resolution from the shareholders' meeting more than half of the total votes of the shareholders attending the meeting and having the right to vote by way of appointing each director individually.

In addition, the position of director will hold positions in other listed companies. But not more than 5 companies and must not operate Or not a significant partner in the partnership Or being a director who is involved in the management of employees, employees, consultants who receive regular salary Or holding more than 1% of the total voting rights of other companies Which operates a business that has the same conditions and is a significant competition with the business of the company Or the subsidiary and the company does not have a policy to encourage the managing director to serve as a director in other businesses.

Recruitment and selection of senior management positions is in the scope, the power and responsibility of the highest level executive; which means the current Managing Director position.

#### 9.3.1 Recruitment of the Directors

The Board of Directors has the order of precedence to recruiting and appointing the directors that have expertise and experience to supervise benefit of the company and shareholders.

The Nomination and Remuneration Committee granted the minority shareholders to propose an agenda of annual general meeting and director nominee in advance. The director nominee shall have following qualifications:-

- a) Not having any prohibited characteristics under regulations of applicable law and notices such as Public Company Limited Act B.E. 2535, Notice of Capital Market Supervisory Board, Notice of Securities and Exchange Commission and Regulation of the company relevant to qualification of company's committee, etc.
- b) Having integrity, morality, initiative, excellence, responsibility, justice, independence, and providing equitable shareholder opportunities.
- c) Having educational background and work profile that is beneficial to the Company's business.
- d) Passing training related to corporate governance and high level of policy-making
- e) Having commitment to equal treatment of shareholders' interests
- f) Dedicating time and ability to enhance the business development of the Company.



The Board of Directors shall consist of independent committees at least 1/3 of the Board of Directors; and not less than 3 persons with qualifications stipulated by Notice of Stock Exchange of Thailand, and Notice of Capital Market Supervisory Board.

The Board of Directors shall consider and screen a qualified person to be appointed as the director including directors who represent of shareholders or independent directors by considering on skill and experience to strengthen the Board of Directors' structure; reviewing when appropriate.

#### **Election of the Directors**

The election of the directors in the shareholders' meeting follows principles and procedures as below:-

- a) Each shareholder has his/her votes equal to amount of shares by one-share per one-vote.
- b) Voting a nominee individually and shareholders shall make all votes they have to select the nominated as the director one by one. The election can be for one or many nominee but the votes cannot be shared.
- c) The persons who have the highest votes by order are elected as the director equal to numbers of directors to be selected in that time. In case an elected person in the next order has same vote beyond the amount of committee, the president will make another vote for final judgment.

In case the position of director is vacant due to any other reasons apart from retirement by rotation, the Board of Directors shall consider appointing a qualified person and he shall not have prohibited characteristics to be the director in next board of directors' meeting unless the period of retired director is less than 2 months. The director that replaces will be in position within left period. Nevertheless, the resolution to appoint a person as the committee shall require at least three-quarters (3/4) votes of all board members left.

In annual general meeting, one-third (1/3) of the directors or the nearest number of one-third of the directors shall retire from office each year. The directors to retire by rotation at every annual general meeting shall be those who have the longest term in office since their last appointment. The directors who retire can be re-elected for one more term of office.

#### **9.3.1 Recruitment of Independent Directors and Audit Committee**

The company has a policy to specify qualification and recruitment of independent directors and audit committee in accordance with Notice of Capital Market Supervisory Board at T.J. 28/2008 associated with permission to offer newly issued share dated on 15 December 2008 (including amended version).

Nevertheless, the independent directors shall be at least 1/3 of all Board's members and not less than 3 persons while the audit committee consists of at least 3 independent directors with qualification stipulated by law, notice of Stock Exchange of Thailand and Notice of Capital Market Supervisory Board as follows:-

#### **Qualification of Independent Directors**

- a) Holding share not over 1% of all shares with right to vote of the company, headquarter, subsidiary, joint venture, major shareholder or authority of the company. However, it includes shareholding of the relevant of such independent directors.
- b) Not or used to be a committee participating in administration, employee, staff that the consultant with regular salary or the authority of company, holding company, subsidiary or joint venture, joint venture or authority of the company unless retirement from such quality for 2 years before submitting forms to Office of Securities and Exchange Commission. Such incompatibility does not include the case that independent committee used to be bureaucrat or government's advisor that is the major shareholder or authority of the company.
- c) Not being a person with consanguinity or relation by law such as parents, spouse, sibling and child along with spouse of other committee' children, executive, major shareholder, authority or a person proposed to be directors or regulator of the company or subsidiary.
- d) Not having or used to have business connection with the company, holding company, subsidiary, joint venture, major shareholder, or regulator of the company that interrupts free discretion along with not being or used to be a shareholder or the regulator of those who have business connection with the company, holding company, subsidiary, joint venture, major shareholder, or regulator of the company unless retirement for not less than 2 years before submitting form to Office of Securities and Exchange Commission. Such business connection includes normal trade transaction to lease or rent out real estate, asset-related list or service or financial support

by guaranteeing or loaning asset as settlement guarantee including similar behaviors resulting the company or signatory have liability to settle to another party from 3% of net tangible asset of the company or at least 20 million Baht. However, calculating such liability shall follow methods of value calculation of involved transaction according to notice of capital market supervisory board associated with involved transaction permitted to consider such liability including liability during a year before having business connection with the same person

- e) Not being or used to be an auditor of the company, holding company, subsidiary, joint venture, major shareholder or regulator of the company and not being implicit shareholder, regulator or partners of auditing office in which the auditor of the company, holding company, subsidiary, major shareholder or regulator belongs to unless retirement from such characteristic not less than 2 years before submitting form to the Office of Securities and Exchange Commission
- f) Not being or used to be any professional service providers including legal consulting service or financial consultant with service charge more than 2 million Baht per year from the company, holding company, subsidiary, joint venture, major shareholder, or the regulator of the company and not being an implicit shareholder, regulator or partner of such professional service providers unless retirement from such quality not less than 2 years before submitting form to the Office of securities and Exchange Commission
- g) Not being a committee appointed to be representative of the company's committee, major shareholder or shareholders related to major shareholders.
- h) Not running business with same condition and it is implicit opponent to the company or subsidiary and not being an implicit partner in partnership or a committee taking part in administration, employee, staff, and consultant with regular salary or holding share over 1% of all shares with voting rights of other companies that run the same business with implicit competition to the company or subsidiary.
- i) Not having any other qualities that interrupt free comment about operation of the company

After appointed as the independent directors with qualification from a) to i), the independent directors shall be assigned by the Board to make decision for operations of the company, holding company, subsidiary, affiliation, subsidiary in same level, major shareholder or authorized person of the company with Collective Decision.

In case a person appointed by the company to be the independent directors that has or used to have business relation or professional service more than value specified in d) or f), the company can be extended limit of prohibitions to have business relation or professional service in case the company has provided opinions of the company's committee showing that it has been considered following section 89/7 of Securities and Exchange Act B.E. 2535 (including amended version) that such appointment has no effect on operations and comments that the independent directors provides following data disclosure in invitation letter to Shareholder's meeting for agenda considering independent committee appointment

- (A) Business relation or professional service that makes such person disqualified as stipulated in principles
- (B) Reason and necessity to appoint such person as the independent directors
- (C) Opinion of company's committee to propose appointing such person as the independent directors

For benefit according to (E) and (F), the word "partner" is defined as a person assigned by auditing office or a professional service provider to be the signor in auditing report or professional service report (case by case) on behalf of that juristic person.

#### **Qualification of Audit Committee**

- (A) Appointed by the committee or shareholder's meeting of the company as the audit committee
- (B) Independent Committee with quality of independent committee that
  - 1. Not being a committee assigned by the committee to make decision for operation of the company, holding company, subsidiary, affiliation, subsidiary in same level, major shareholder or authorized person of the company and
  - 2. Not being the committee of holding company, subsidiary, or subsidiary in same level that is the authorized company
- (C) Having duty as same as stipulated in Notice of Stock Exchange of Thailand associated with quality and scope of operation of audit committee

- (D) Having sufficient knowledge and experience to act as the audit committee; however, there must be at least an audit committee with proficiency and experience to verify credibility of financial budget

#### **Appointment of Independent Directors/ Audit Committee**

Recruitment and Return Specification Committee selects a qualified person to propose to Company's committee or shareholders to appoint the independent committee/ audit committee (case by case). The audit committee shall be the independent committee appointed from the completely qualified people as in the law, regulations, Notice of Stock Exchange of Thailand and Notice of Capital Market Supervisory Board. There must be at least 1/3 of all committees that are independent committee and 3 audit committees. The independent committee/ audit committee has period of positioning equal to the company's committee. When the due comes, they can be reelected to take that position again. However, at least an audit committee shall have proficiency and experience in finance and accounting.

#### **9.3.3 Recruitment of Executive Committee**

The Board of Directors appoints the executive committee by selecting from those who have knowledge and experience and understanding about business quality, normal operation of the business and management of the company. The component of executive committee consists of the management team with a managing director as the executive committee chairman

#### **9.3.4 Recruitment of Nomination and Remuneration Committee**

The Board of Directors appoints the Nomination and Remuneration Committee by selecting from some of the Board's members and/or experts with amount of not less 3 people but not over 5 people. Nevertheless, the independent director is the Nomination and Remuneration Committee chairman.

#### **9.3.5 Recruitment of Executive**

The Board of Directors appoints a managing director by the Nomination and Remuneration Committee selects those who are qualified to take such positions by considering from knowledge, experience, and proficiency of management to present to the Board of Directors for further appointment.

### **9.4 Subsidiary and Affiliation's Operation Supervision**

The company has mechanism to supervise subsidiary and affiliation directly and indirectly as well as measures to follow up management of the subsidiary and affiliation to maintain benefit of investment of the company and be able to manage and take responsibility of operation of subsidiary as a part of the company by emphasizing on investment in business that supports and makes benefit for the company by considering returns and other benefits the company expects to receive from investment. It is to support and promote business of corporations. However, the company has specified policy of investment in subsidiary and affiliation approved by the Board of Directors' meeting 1/2019 arranged on 26 February 2019 with following details:

The Company has a policy to consider investing in subsidiaries, and associates by focusing on supporting business and benefits of the company; whereas considering on the return and other benefits of the company such as expected return on investment, were made. The Company considers the appropriate proportion of investment and expected return on investment for the benefit of the shareholders of the Company.

The company will supervise by sending people approved by the committee's meeting to be the committee and/or executive of subsidiary and affiliation as the representative by proportion of shareholding for ultimate benefit of the company, subsidiary or affiliation. The committee and executives shall have quality, role, duty and responsibility without lacking reliability as the Notice of SEC Office to take part in such business management.

Committees and/or executives have right to vote in committee's meeting and/or shareholder's meeting of the subsidiary and affiliation according to guidelines or resolution that the committee or shareholder's meeting of the Company has approved. The appointed committees and/or executives can apply discretion to vote in the meeting of the subsidiary and affiliation associated with general management but in case of material matters, they shall be approved by the committee's meeting or shareholder's meeting of the Company first. Essential matters include connected transaction,

obtainment and distribution of asset, any actions that reduce proportion of shareholding of the company in subsidiary and affiliation or even business termination of subsidiary and affiliation.

## **9.5 Control of Internal Data Usage**

The company and subsidiary realize and give precedence to operation according to Good Corporate Governance) and Check and Balance to strengthen confidence of shareholders and every relevant institute for continual operation by being aware of long-term value growth of the company. The committee and executives of the company agree to specify internal data usage control measure so that the company has transparent operation according to good corporate governance approved by the company's meeting 1/2018 arranged on 27 February 2018 that can be summarized as follows:

1. Committee, executives and employees shall keep secret/ internal data of the company and subsidiary and shall not disclose such data or gain personal benefit or other's interest from it no matter it is direct or indirect or receive returns or not.
2. The company provides knowledge for the committee and executives of the company to realize duty of reporting securities holding of themselves, spouse, and immature children according to section 59 of Securities and Exchange Act B.E. 2535 including amended version ("Securities Act") and Notice of Securities and Exchange Commission at SJ. 12/2009 dealing with Making and disclosing Security Holding Report of the committee, executives and auditor and punishment according to Section 275 of Securities and Exchange Act B..E. 2535
3. The company specifies that the committee and executives shall report changing of security holding of the company to Securities and Exchange Commission according to section 59 of Securities Act and Notice of Securities and Exchange Commission at SJ. 12/2009 associated with making and disclosing Security Holding Report of Committees, executives and auditors and delivers the duplicate of this report to the company on the exact same date that this report is submitted to Securities and Exchange Commission
4. The company and Subsidiary specifies not allowing committee, executives or practitioners of the company and the subsidiary to perceive internal data and disclose to outsiders or irrelevant people and they should abstain from trading shares of the company within a month before the company publicizes financial statement or essential information.
5. The committees, executives and employees of the company and the subsidiary shall not trade, transfer or accept transfer securities of the company by using internal data of the company' subsidiary and/or do any other transactions using internal data of the company or subsidiary that may result in damages to the company directly or indirectly. This specification includes the spouse and immature children of the committee, executives and employees of the company and subsidiary. Those who infringe such regulation will be deemed as severe offence and the company has defined penalty for people who gain benefit from using or revealing internal data that defames the company and the company will liaison with relevant supervisory institute for further legal action.

## **9.6 Audit Fee & Non-Audit Fee**

### **9.6.1 Audit Fee**

The company and subsidiary pays remuneration for annual auditing and interim reviewing of financial statements to SP Audit Co., Ltd which is the auditing office of the company and subsidiary for accounting years ended on 31 December 2018 for 1,870,000.

The Annual Shareholders' Meeting 2018 held on 26 April 2018 had a resolution to appoint the following CPA of SP Audit as the auditors of the company and subsidiary for interim reviewing and annual auditing of financial statements for accounting year ended on 31 December 2018:

|                  |                             |                               |
|------------------|-----------------------------|-------------------------------|
| List of Auditor: | 1. Ms.Susan Eiamvanicha     | C.P.A. (Thailand) No. 4306 or |
|                  | 2. Mr.Suchart Panitcharoen  | C.P.A. (Thailand) No. 4475 or |
|                  | 3. Ms.Chuenta Chommern      | C.P.A. (Thailand) No. 7570 or |
|                  | 4. Ms.Wandee Eiamvanicha    | C.P.A. (Thailand) No. 8210 or |
|                  | 5. Mr.Kiatissak Vanithanont | C.P.A. (Thailand) No. 9922    |

Any one of the aforementioned auditors is to audit and certify the financial statements of the company and its subsidiaries for the period ended 31 December 2018 and review of quarterly financial statements of the company and subsidiaries; including BOI requirement audit.

#### **9.6.2 Non-audit Fee**

-None-

#### **9.7 Compliance with Principle of Good Corporate Governance 2017 in Other Terms**

The Board of Directors attaches importance to compliance with the principles of good corporate governance. By assigning the company secretary take the agenda to review the corporate governance policy and other important policies to regularly consider the agenda at least once a year. The review is based on the principles of good corporate governance for listed companies 2012 of the Stock Exchange of Thailand and good corporate governance principles for listed companies 2017 or CG Code 2017 of the Securities and Exchange Commission.

For the year 2019, the Board of Directors reviewed the corporate governance policy at the Board of Directors Meeting No. 1/2562 on February 26, 2019, which was the latest time and found that the company has adopted most practices. And at present, the corporate governance policy and related policies have been updated to comply with the CG Code in order to develop developments that are in pace with changes. The implementation of good corporate governance principles for listed companies can be summarized as follows:

- **Creating sustainable value for the business as an organization leader**

The Board of Directors requires a review of the vision, mission and business goals. By compiling and creating a 3-year strategic plan and annual business plan In which the top management assigns the line management to consider the operation plan And is defined as the target of the organization according to the principles of OKRs (Objectives and Key Results) which currently have created OKRs of the agency and reported on a quarterly basis By the Managing Director communicating the operational results to the executives and employees in the overall picture.

In this regard, the overall operation results Along with the analysis of environmental factors As well as guidelines for improvement And risk management guidelines The management is presented to the Board of Directors on a quarterly basis in the Audit Committee meeting. And the Board of Directors To acknowledge the progress And / or acknowledge the performance To the Board of Directors to give opinions and recommendations, as well as to vote for important matters Or adjusting the strategic plan.

- **Determining the objectives and goals of the business for sustainability**

Objectives and goals of the company Set up in the same direction as the vision and mission which part of the vision and mission has identified the message "Masterkool Family" is based on the meaning that has been communicated in the organization; including all stakeholders, such as shareholders, partners, employees, etc.

Reflecting on whether the performance is in accordance with the objectives and goals or not, the company has taken on the big picture which is the implementation of the information technology system. Used in operations from the beginning to the accounting system Which is currently a Microsfot Dynamic AX and has performed sub-images Means communication about goals obstacles And finding solutions or collaborating between departments By providing a Morning Talk, which is called only for the company group "KOOL Talk" to be a communication channel between agencies And the branch of the group of companies that are located in different locations (Locations), head office / service center, sales office, business office, warehouse and factory rental with Line VDO Call application via the company's WIFI system.

- **Board effectiveness**

The composition of the Board as reviewed by the latest Corporate Governance Policy at the Board of Directors' Meeting No. 1/2562 on February 26, 2019, it was found that the corporate governance structure remained effective. And according to the Public Company Act and the Securities Act As well as the announcement of the relevant regulatory agencies

The Board of Directors has conducted self-assessment at least once a year in order to use in developing and improving the performance of the Company's directors in accordance with the good corporate governance principles for listed companies according to the self-assessment form of the Stock Exchange of Thailand. As a guide both the self-assessment form of the faculty committee and the individual self-assessment form the results of the assessment of the performance of the Board of Directors are good, with a score of more than 80 percent.

In addition, the Audit Committee has scheduled the Audit Committee meeting without management. And the Faculty Secretary join the meeting At least once a year to exchange opinions on internal control systems And management system Before reporting the evaluation results of the adequacy of the internal control system And evaluation results of the management system to the Managing Director Which is the highest level executive And company secretary Which is the secretary of the board of directors has been informed of the conclusion to be taken into consideration to proceed to achieve continuous development

● **Recruitment and development of senior management And personnel management**

The Board of Directors, which is an independent committee, is responsible for evaluating the performance according to the scope of authority and responsibility of the Managing Director. At least once a year, this has appointed the Managing Director to acknowledge the evaluation results. For improving or enhancing the performance of top management

As well as the guideline for the implementation of the succession plan (position of Managing Director) by assigning the executive development plan within the organization And the recruitment of potential or qualified outsiders to join the event to enter the succession plan of the senior management

In addition, the Chairman of the Board of Directors and the Chairman of the Audit Committee devoted time to participate as a special invitation to the Executive Development Program in 2019 as well.

● **Promotion of innovation and business operation with responsibility**

According to the vision and mission of the organization, the direction of innovation is defined. To allow directors, executives and employees to realize the creation of valuable innovations Along with creating benefits for customers And society as well as the environment By using existing technology And expertise in technology to create added value, such as the application of ozone technology that the company has already mastered to design both products and services To help save energy Helps reduce chemical use of large air conditioning systems. As well as the application of ozone to help eliminate pollution from unwanted odors and pollution from dust, etc.

From the highly competitive business situation the Company has developed a reporting system from the point of sale in front of the modern trade department through Applications on mobile phones which helps to manage the risk of overstock or out of stock of the products that are sold in the modern trade department store

● **Appropriate risk management and internal control systems**

Risk Management Committee the Managing Director is the Chairman of the Board. Will assess risk indicators and follow the action plan to manage risks on a quarterly basis and report to the Audit Committee and the Board of Directors every quarter the risk assessment is evaluated according to COSO guidelines, including strategic risk, operational risk, financial risk and compliance risk (Compliance Risk) which includes compliance with the company policy.

As well as checking And monitored by the company's internal auditor And internal auditors from outside companies, which are audited by the operational reporting system and the compliance with the rules and policies which the Board of Directors has issued as announcements And communicate through internal channels Both posted on the announcement board Electronic mail delivery Communication via group lines Transfers from executives / managers / supervisors etc. The important policies include:-

1. Corporate Governance Policy Business Ethics Requirements And working practices
2. Risk management policy and risk management framework
3. Policy on supervision of the use of internal information
4. Connected transaction policy
5. Policy on the acquisition or disposal of assets
6. Internal and external communication policy
7. Conflict of interest policy
8. Development policy for directors, executives and employees
9. Anti-corruption policy
10. Access control policy for information use
11. Policy to prevent incidents that may lead to corruption
12. Incident reporting policy or suspected fraud
13. Policy for finding executives to inherit important positions
14. Transaction policy with subsidiaries
15. Policy to report the purchase or sale of shares
16. Policy on measures to monitor the operation of the company according to the law
17. Investment policy of companies in subsidiaries and associates
18. Nomination and Remuneration Policy for Directors and Executives
19. Dividend payment policy
20. Environmental policy

In the event that customers or employees find clues, improper actions include illegal actions Accuracy of financial reports Internal control system is defective Non-compliance with standards Non-compliance with business ethics and practices that are against the policy In order to have an investigation Whistleblowers can choose not to reveal their identity. By requiring the Company Secretary to act as a unit to receive complaints and to supervise the business and business ethics of the Company By reporting to the independent director / audit committee of the company which has already determined the procedures and processes

#### ● **Financial reliability and disclosure**

The Board oversees that the financial reporting system and the disclosure of important information are accurate, adequate and timely in accordance with the rules and guidelines of the relevant regulatory agencies. The Audit Committee will listen to details and comments from the auditor. And internal auditors every quarter without the management attending the meeting while the auditor and internal auditors present the report unless there is information that the Audit Committee deems necessary to consider, it will consider inviting the relevant person to be the case and only for the agenda. Opinion of the Audit Committee, the Audit Committee has assigned the Secretary of the Audit Committee to present the guidelines for improvement to the management at the Board of Directors' meeting.

#### ● **Supporting shareholder participation And communication with shareholders**

The Board of Directors supervises the company to comply with the SET suggested in the additional guidelines on granting minority shareholders the right to propose agenda items in advance. In the year 2018, the Company announced the invitation to minority shareholders to propose matters to be included in the agenda.

Together with proposing a list of qualified persons to be considered as directors of the company as well which was published through the Company's website and has also been published through the SET Portal information dissemination system

For the Annual General Meeting of Shareholders for the year 2019, the Company has announced the invitation to minority shareholders to propose matters to be included in the agenda, participating in proposing a list of qualified persons to be considered for selection as directors of the company during 2 October 2018-15 January 2019.

In addition, the Chief Executive Officer of Accounting and Finance (CFO), Company Secretary (CS) and Assistant Secretary of the Company (Asst.CS) are the working groups for investor relations, and assigned to carry out the dissemination of information to help make investment decisions for investors through the Quarterly Snapshot Company of the Stock Exchange of Thailand, and published via the company website which is a guideline other than the dissemination of information in accordance with the rules of the Stock Exchange of Thailand and the relevant regulatory authorities that the company has normally performed.

## **9.8 Compliance with good corporate governance principles in other matters**

The company has adopted the guidelines for the development of corporate governance according to the CGR project of the year 2018 to develop operations in the following categories.

### **● Taking into account the role of stakeholders**

The Board of Directors has considered guidelines for improving personnel development. By assigning the Company Secretary who is the secretary of the Board of Directors to issue a letter to relevant agencies to consider the following matters.

1. Care and practice regarding safety and hygiene within the organization As well as reporting accidents statistics stop rate and the rate of illness from work.
2. Personnel development of the company which, in addition to the normal annual personnel development plans The Board of Directors has an additional opinion, reporting the average number of hours of employee training to compare the previous year. And compare the performance of that year for the development of personnel to be more effective.
3. Promoting employees to have knowledge of the environment and practices regarding efficient use of resources.

In this regard, the department responsible for human resource management has prepared a report to the Nomination and Remuneration Committee; through the Secretary of the Nomination and Remuneration Committee.

### **● Disclosure and transparency**

The Board of Directors has considered guidelines for improving the disclosure report of shareholding of directors and executives and indirectly, such as holding shares of spouses. Underage children of directors and executives which are separated from each other by direct shareholding by assigning the Office of Corporate Secretary to prepare a report in the annual report

For the history of directors The Board of Directors agreed that it was fully disclosed.

### **● Responsibilities of the Board**

The Board of Directors has assigned the Audit Committee which is independent to manage the evaluation of the entire Board of Directors, Individual director According to the guidelines of the Stock Exchange of Thailand As well as evaluating the annual performance of the highest executive (Managing Director) regularly at least once a year.



**10.1 Overview Policy**

With business locations all personnel must accelerate the recovery of the business situation. Therefore obstructing human resources and the time to form an anti-corruption formally, but the company has a policy and concept in conducting business with transparency, morality, adherence to social responsibility and all stakeholders Group according to good corporate governance principles As well as policies and guidelines for various groups of stakeholders in order to ensure that the company Can create stability and sustainability in business operations Including the confidence for all stakeholders. The company has operated by focusing on social responsibility as follows.

**1) Fair Business Operation**

- The Company determines policy and practical guideline to all groups of customers. The fair and clear condition under laws is notified and the precedence is given to customer satisfaction together with fair business operation.
- The Company equally and fairly treats its business partners and creditors through strict compliance with commercial condition and/or commercial agreement.
- The Company fairly treats the competitor companies without violation of business ethics as well as non-execution in the way of criticism, malevolence or defamation of the competitor companies.

**2) Anti-Corruption**

- The Company's policy is to define responsibility, practical guideline, and requirement in proper operation for prevention of anti-corruptions with all of the Company's business activities and for proper and circumspect consideration and practice on decision making and business operation that may have anti-corruption risk
- The Company's anti-corruption policy covers the prohibition of the Company's directors, executives and employees to execute or accept all forms of corruption both of direct or indirect. It also covers the businesses in all countries and all relevant agencies with regular verification on compliance with anti-corruption policy as well as review of practical guideline and operating requirement to be consistent with the change of business, rule, regulation and legal provision.
- The Audit Committee has set guidelines for auditing the internal control system by the third-party auditors to be able to conduct a thorough audit on the key issues of neutrality and independence.

**3) Respect on Human Rights**

- The Company gives precedence and respects human right through promotion and protection of liberty and rights as well as fair and equitable treatment without the policy of discrimination on individuals who are divergent in races, females, children and disabled.
- The Company employs the disabled to work for the Company as equitable treatment, enabling to create jobs and revenues to such disabled.

**4) Fair Employee Treatment**

- Human resources are considered a major backlash in driving the business of the company. To achieve the goal. Besides, the company performs basic tasks such as a good work environment Have a human resource management system that is fair and promote the development of personnel to be progressive as appropriate in all lines of work. By providing an assessment of the "health" of the worker and from 2016

until the present, the company has started to follow the guidelines of the organization of happiness Or Happy Workplace by participating in the project with the Office of Health Promotion Foundation

#### **5) Responsibility to Customers**

- The customer satisfaction is regarded as one of the Company's main strategies in stepping into being "The Real Leader for Modern Cool" according to the Company's slogan. However, apart from maximum sales volume value in Thailand, the Company also emphasizes on customer responsibility.
- The Company has been certified for international standard of ISO 9001:2015 quality system management as the seal on well care in the Company's product and service quality. Moreover, the Company also has the assurance of the Company's product and service quality so that the customers are assured that they will get quality products and services from the Company with customer responsibility.
- The Company provides customers on direct complaint about products and services of the employees to the Company via telephone no. 02-953-8800 and 02-015-5920. Besides, the customers may contact the independent unit i.e. the corporate secretary office via email: [comsec@masterkool.com](mailto:comsec@masterkool.com)
- The Company has clear discount and selling pricing policy for each group of customers. Moreover, the Company also controls selling price with its dealers in every distribution channel to be in proper level.

#### **6) Environment Care**

- The Company realizes on the significance of environmental care in order not to cause pollution problems that may affect life quality of human and ecosystem. The Company then does not perform any acts that affect damage toward natural resources and environmental condition.

#### **7) Co-Development for Community and Society**

- The Company promotes the use of business process for benefit on quality of life development, helps build economy and strength to community and society, supports the employment in the community, implants employee conscious in environmental and social responsibility, and regularly seeks for opportunity in support of social and community activities.

#### **8) Availability of Innovation and Propagation of Innovation Derived from Operation with Responsibility on Society, Environment and Stakeholders**

The Company continuously dedicates resources in research and development in order to invent environmentally friendly products and services, and helps in energy saving. The Company's evaporative air cooler product is one of the proofs for such dedications with energy saving capability of air cooler when compared with air-conditioner; moreover, the Company also accepts to completely advise energy saving.

### **10.2 Operation and Reporting Preparation**

Social responsibility according to aforesaid policy and practical guideline is the part of the Company's business operations that have been continuously practiced from fair treatment to business partner, quality product manufacture and service provision based on Management Quality of ISO 9001:2015, clear selling pricing for customer, fair appraisal of employee performance until participation in community development through employment to people in community. Apart from compliance with policy and ongoing practical guideline, the Company also regularly reports social responsibility activities at the Company's website <http://www.masterkool.com>

### **10.3 Operation of Business Affecting Social Responsibility**

The Company has no activities that affect the social responsibility.

### **10.4 CSR in Process and CSR after Process**

#### 10.4.1 CSR in Process

Since the year 2017, CSR in the process became clearer after joining the health promotion program of the Thai Health Promotion Foundation. The ability to share to community or society, as well as sustainability of business comes from employees of the Company; therefore the Company's direction is to create employment engagement.

In addition to employee welfare that the company Available to regular employees such as provident funds. Accident insurance Annual health examination Loan benefits and granting holidays, birthdays as additional holidays as well as training for the potential development of employees in various fields. The Company also takes into account the importance of employees as directly stakeholders to the business. By starting from cultivating the concept of collective responsibility within the organization Consider working happily to deliver quality work to customers within the organization. For the important results that are aimed at external customer satisfaction and other stakeholders.

The company provides an opportunity for each unit to organize activities to promote happiness both inside and outside the work. According to the suitability of the environment and the time of each agency which is different in both space, time and appropriateness of activities such as activities before starting work (For example Morning exercise Prayer, Mindfulness, or Morning Talk Meeting.

#### 10.4.2 CSR after Process

The company regularly organizes activities for the benefit of society and the environment. For the year 2018, the company continued to operate in the "CSR-MASTERKOOL project, a hundred of coolness to society" which aims to deliver the company's products. To be a public benefit for various agencies that experience hot weather and have problems with the electricity cost of the air conditioner By providing the products of the company In such projects for various agencies.

In the year 2018, the executives and employees of the company brought a fan and give to benefit the religious Location for public service and various homes.



The activity of offering a cool fan at Wihan Phra Mongkhon Bophit  
Located at Pratu Chai Sub-district Phra Nakhon Si Ayutthaya District Phra Nakhon Si Ayutthaya Province



The activity of offering cool fans at Suthat Temple, Thepwararam Ratchaworawihan



Food and activities Consumption-consumption

At the Child and Mental and Intellectual Property Office, Bang Talat Sub-district, Pak Kret District Nonthaburi



The group donated steam to schools in the area of Salok Bat Sub-district. Khanu Woralaksaburi District Khampangphet

By Mr. Pornthep Poompuang, President of Salok Subdistrict Administrative Organization together with  
Chairman and Vice President of the Interior House Club of Kamphaeng Phet Province honored

## 10.5 Prevention of corruption involvement

The company has a policy of defining responsibility. Guidelines and requirements for appropriate actions In order to prevent corruption against all business activities of the company and to make business decisions and actions that may have a risk of corruption being considered and treated carefully and appropriately.

Anti-Corruption Policy of the Company Covering the prohibition of directors, executives and employees of the company Conduct or accept corruption in all forms, either directly or indirectly Which covers businesses in all countries and all relevant agencies And to regularly review compliance with the anti-corruption policy As well as reviewing guidelines and procedures for compliance with business changes, regulations and legal requirements.

The Audit Committee has established guidelines for internal control system auditing. By the external auditor who is the inspector In order to be able to conduct an audit to cover all important and independent risks The Company.

In addition, the company has evaluated business risks on a quarterly basis, and assigned the Risk Management Task Force or the Chairman of the Executive Committee to be the Chairman and the company secretary, who is a person from the central agency, performs follow-up on the operations of various agencies To eliminate or reduce risk.

## **11. Internal Control and Risk Management**

### **11.1 Opinion of the Board of Directors on Internal Control System**

The Company and its subsidiary have the order of precedence to good internal control system management for supporting effective operations of the Company and its subsidiary under internal control system that is adequate, effective and extensive to all areas in order to be in line with the relevant laws and rules for the listed companies in the Stock Exchange. The Board of Directors always arranges the adequate and effective check and balance mechanism for protection and well-management of the properties of the Company and its subsidiary under authorization level of approval and specifies roles and responsibility of the executives and staff by check and balance mechanism with written work procedures. The independent internal audit work unit is available. The Company has hired Acc-Plus Consultant Company Limited ("Acc-Plus Co., Ltd.") to perform auditing work of all units of the Company and its subsidiary; and directly report to the Audit Committee.

Moreover, the Company and its subsidiary also arranges proper and sufficiently circumspect Internal Control System and Internal Audit System for protecting assets of the Company and its subsidiary from improper use as well as prevention of fraud that may take place in the Company and its subsidiary under clear and accountable work process in consistency with the guideline of the Stock Exchange of Thailand.

In the Board of Directors' Meeting No. 1/2019 on 26 February 2019, the Board of Directors which included the Audit Committee considered adequacy of internal control system of the Company and its subsidiary based on Assessment Form of the Office of SEC in accompany with further inquiries for additional information from the management and related officers. The internal control system of the Company and its subsidiary in all 5 areas has been assessed based on Guideline of COSO (Committee of Sponsoring Organizations of the Treadway Commission) as follows.

- 1) Control Environment
- 2) Risk Management
- 3) Control Activities
- 4) Information & Communication
- 5) Monitoring Activities

The Board of Directors commented that the Company and its subsidiary have proper and adequate internal control system according to existing control environment. Moreover, the Company has also arranged the sufficient personnel for effective system operation and has also proper internal control system in the issue of monitoring and controlling the operations of the Company and its subsidiary to enable to sufficiently protect the properties of the Company and its subsidiary from the unauthorized or wrongful use of their directors or executives; including related-party transaction and transaction who may have conflict of interest. In conclusion, the Audit Committee and the Board of Directors have had aligned comments.

### **11.2 Observations of Internal Auditor and Financial Auditor**

The Company and its subsidiaries recognize the importance of good internal control systems in order to support the operations of the Company. And subsidiaries Is effective By providing adequate internal control systems Effective And covers all aspects In order to comply with relevant laws, rules and regulations for being a listed company on the stock exchange The Board of Directors provides a check and balance mechanism that is efficient enough to protect the company's assets. And subsidiaries always by determining the level of approval authority and the responsibility of the executives and employees with checks and balances; there is a written work regulation. There is an independent internal audit unit which the company has hired ACC-Plus Consultant Company Limited

("ACC-Plus Company Limited") to inspect the operations of various departments within the company. And subsidiaries and report directly to the examination committee

#### **11.2.1 Observations of internal audit departments regarding the internal control system of the company**

In 2018, the internal auditor has inspected and monitored the internal control system and compliance with the system covering all systems of the company. And subsidiaries Which includes 1) Credit Management System for Receiving and Managing Accounts Receivable 2) Production System 3) Purchasing and Payment System 4) Fixed Asset Management System And have assessed the risks at the same time.

##### **1) Credit management system for receiving money and managing trade accounts receivable**

Because the company has continuously expanded its business especially online and international business channels the auditor therefore recommends increasing the frequency of monitoring progress in the debtor management process in order to prevent risks.

##### **2) Production system**

-None-

##### **3) Purchasing and payment systems**

The auditors agreed that the supplier selection criteria and supplier assessment should be improved after using the service to clarify the supplier's classification so that the assessment topic will reflect more clearly.

##### **4) Fixed asset management system**

The investigator saw that the property registration list should be improved by adding more detailed information, such as photos, for faster traceability.

#### **11.2.2 Observations of External Audit**

Auditing the financial statements for the year 2018, the auditor has reviewed the important internal control systems of the company. And subsidiaries And report to the Audit Committee of the Company No. 1/2019 on 26 February 2019, appeared in the auditor's report in the annual financial statements as attached.

#### **11.2.3 Report of the Audit Committee**

-As attachment-

#### **11.3 Head of Internal Audit and Head of Compliance**

Miss Wanna Maluengnont, the Managing Director of Acc-Plus Consultants Co., Ltd has been appointed as the head of interna audit of the Company. Details are attached.

## 12. Related Party Transactions

### 12.1 Nature of related transactions and the necessity and reasonableness of the related party transactions during the year 2018

| Person who may have conflict of interest                      | Relationship   | RPT Type   | (Thousand Baht)                     |                                       | Necessity and Reasonability  |
|---|--|--|-------------------------------------|---------------------------------------|--|
|   |  |  | 2017                                | 2018                                  |  |
| 1 Site Preparation Management Company ("Site Prep Co., Ltd.") | Mr. Kritsana Thaidumrong, the Director and Major Shareholder in Site Prep Co., Ltd. and the Company's director   | The company sells products And the installation of a cooling fan system for Site Prep Co., Ltd. with value of sales and services And have outstanding receivables at the end of the period as follows:<br>- Revenue<br>- AR (Beginning)<br>- AR (Ending)                               | -<br>-<br>-                         | 134.57<br>-<br>-                      | The Company has sold products and installation services of air cooler system to Site Prep Co., Ltd. under price and condition indifferent from other customers<br><br><b>AC's Comment:</b><br>Normal business under price and condition indifferent from other customers |
| 2. Actdee Company Limited ("Actdee Co., Ltd.")                | Mr. Thanapat Thaidumrong and Mr. Thammathat Thaidamrong, the Director and Major Shareholders in Actdee Co., Ltd. Mr. Thanapat Thaidamrong and Mr. Thammathat Thaidamrong are the close relatives of Mr. Kritsana Thaidumrong who is the Company's Director | The company has sold its products to Aegean Co., Ltd., which is a distributor of the company. With the trading value during the period And have outstanding receivables at the end of the period as follows:<br>- Revenue<br>- Promotion expenses<br>- AR (Beginning)<br>- AR (Ending) | 9,620.80<br>-<br>884.31<br>2,783.30 | 9,970.14<br>-<br>2,783.30<br>4,563.83 | The Company has sold products of air cooler system to Actdee Co., Ltd. under price and condition indifferent from other dealers<br><br><b>AC's Comment:</b><br>Normal business under price and condition indifferent from other customers                                |

| Person who may have conflict of interest | Relationship  | RPT Type   | (Thousand Baht) |           | Necessity and Reasonability   |
|--|---|--|-----------------|-----------|---|
|  |   |  | 2017            | 2018      |   |
| 3. Mr. Noppachai Veeraman                | Mr. Noppachai Veeraman is the Managing Director. And the major shareholder of the company | In February 2018, the Company borrowed 10,000,000 baht (ten million baht) for use as working capital in the business. With the interest rate of 6.5% per annum | -               | 10,000.00 | <p>The company lacks liquidity during this period, therefore borrowing money to be used as working capital in the business. And interest rate is Reference rates from commercial banks in Thailand.</p> <p><u>Opinion of the Audit Committee:</u><br/>Such items are appropriate. Due to the said loan item Used for working capital And the interest rate that is specified as the rate that is referenced by commercial banks in Thailand</p> |



## 12.2 Measure and Procedure of Approving on Related Party Transaction

The Company has set up measures to enter into related party transactions with people who may have conflicts. The Audit Committee is required to give an opinion on the necessity of entering into the transaction with reasonableness and the price suitability of the item; based on the conditions in the normal course of the market. This can be compared to the price charged to third parties. In the event that the Audit Committee is unqualified in considering potential inter-transactions, the Company will provide persons with special expertise such as auditor, financial advisor. Property appraiser law Office Independent experts, independent of the company. And a person who has no conflict of interest as a facilitator of such connected transaction to be used for the decision of the Audit Committee; for the Audit Committee to present to the Board meeting and / or shareholders as depending on each case.

In addition, the Company has imposed measures not to the management and / or stakeholders can participate in approving directly or indirectly their own interests. Also, the Board of Directors is responsible for the Company to comply with the laws governing securities and stock exchange and regulations, announcements, orders or requirements of the Capital Market Supervisory Board and the Stock Exchange of Thailand; including compliance with the disclosure requirements of connected transactions, and acquiring or disposing of important assets of the Company or its subsidiary, moreover, comply with the accounting standards set by the Federation of Accounting Professions and the Certified Public Accountants of Thailand. The disclosure of related party transactions is included in the notes to financial statements that have been audited or reviewed by the Company's auditor.

## 12.3 Policy and Trend of Future Related Party Transaction

The Company will continue to do such transactions in the future with ACTDEE Co. Ltd, a major dealer of the Company, and relatives of the directors are major shareholders in such companies. By entering into the related transaction, it will be according to the ordinary course of business. There is a clear policy on entering into inter-company transactions i.e. the normal price and terms of business; likely to a transaction with an unrelated party by entering into an interim transaction in the future. It is necessary for the business operations and benefits of the Company

The Audit Committee will review the compliance with the rules and give an opinion on the reasonableness of transactions occurring quarterly.

For related party transactions between the Company or its subsidiaries and the person who may have conflict of interest that are not in line with normal commercial condition, the Company shall assign the Audit Committee to be the person who advises the necessity, Reasonability and appropriateness of price of connected transactions occurred to be in line with market price. The price occurred with outsiders is compared. However, if the Audit Committee is unskilled in consideration on related party transactions that may occur, the Company shall bring the person who possesses knowledge and special skill such as auditor and asset estimator, etc. that is independent from the Company and is the person who has no conflict of interest to enter for consideration and giving opinion about such related party transactions in order to be used as support on decision making of the Audit Committee.

Nevertheless, according to related party transactions that may cause conflict of interest possibly occurred in the future, the Company has prescribed the measure on prohibition of the participative ability of the executive, director or stakeholder in approval of the transaction with self-interest both direct and indirect. However, the Board of Directors shall enter to control the Company to perform in accordance with the law of Securities and Stock Exchange, regulation, proclamation, order or requirement of the Board of the Stock Exchange of Thailand and Capital Market Supervisory Board as well as the compliance with criteria about disclosure of information of connected transactions and acquisition or disposal of the Company's and its subsidiaries' assets according to the Proclamation of the Board of the Stock Exchange of Thailand and the Proclamation of Capital Market Supervisory Board and/or related agencies as well as compliance with the accounting standard required by Federation of Accounting Professions and Certified Public Accountant of Thailand.

## Part 3 Important Financial Information

### 13. Important Financial Information

#### 13.1 Statements of Financial Position

Masterkool International Public Company Limited and Subsidiary  
Statements of Financial Position  
As at December 31, 2018

| (Unit : Baht)   |        |                       |                       |                       |                              |                       |                       |
|---|--------|-----------------------|-----------------------|-----------------------|------------------------------|-----------------------|-----------------------|
|   | Note   | Consolidated          |                       |                       | Separate financial statement |                       |                       |
|   |        | December 31, 2018     | December 31, 2017     | January 1, 2017       | December 31, 2018            | December 31, 2017     | January 1, 2017       |
|   |        |                       | Reclassification      | Reclassification      |                              | Reclassification      | Reclassification      |
| <u>Assets</u>   |        |                       |                       |                       |                              |                       |                       |
| Current assets  |        |                       |                       |                       |                              |                       |                       |
| Cash and cash equivalents                                       |        | 27,016,861.67         | 10,866,863.62         | 47,440,839.74         | 11,791,449.19                | 7,873,775.74          | 46,754,433.00         |
| Short-term investments  | 7      | -                     | 122,760.35            | 55,571,264.84         | -                            | 122,760.35            | 55,571,264.84         |
| Trade and other current receivables - related parties           | 6.1, 8 | 4,563,831.34          | 2,783,295.44          | 884,313.70            | 19,796,035.93                | 21,848,399.76         | 3,543,683.47          |
| Trade and other current receivables - third parties             | 9      | 103,305,117.93        | 123,007,707.60        | 144,131,147.58        | 92,458,052.38                | 84,155,151.14         | 138,945,241.23        |
| Current portion of receivables of finance lease                 | 10     | 4,526,286.41          | 16,980,684.76         | 8,257,377.79          | 89,192.00                    | 498,809.21            | 440,030.25            |
| Short-term loan to related party                                | 6.1    | -                     | -                     | -                     | -                            | 7,000,000.00          | 25,279,887.50         |
| Inventories   | 11     | 179,783,156.68        | 230,135,975.99        | 183,624,020.38        | 175,949,663.09               | 229,670,600.39        | 184,761,984.62        |
| Total current assets  |        | <b>319,195,254.03</b> | <b>383,897,287.76</b> | <b>439,908,964.03</b> | <b>300,084,392.59</b>        | <b>351,169,496.59</b> | <b>455,296,524.91</b> |
| Non-current assets  |        |                       |                       |                       |                              |                       |                       |
| Deposits at financial institutions pledged as collateral        | 12     | 70,750,000.00         | 71,702,955.77         | 50,029,913.34         | 69,750,000.00                | 70,702,955.77         | 49,029,913.34         |
| Receivables of finance lease                                    | 10     | 142,135.36            | 2,831,831.35          | 8,950,907.25          | 22,687.90                    | 111,879.92            | 523,126.23            |
| Investment in subsidiary  | 13     | -                     | -                     | -                     | 30,255,410.25                | 30,255,410.25         | 1,261,210.25          |
| Property, plant and equipment                                   | 14     | 53,086,260.97         | 58,318,787.37         | 49,692,448.75         | 44,244,945.94                | 48,700,282.35         | 45,602,393.63         |
| Intangible assets   | 15     | 4,765,475.36          | 6,823,399.46          | 6,191,943.07          | 4,477,214.67                 | 5,064,042.90          | 4,975,586.41          |
| Deferred tax assets   | 16     | 22,217.81             | 7,558,301.38          | 7,695,624.75          | 22,413.08                    | 6,181,673.18          | 7,148,086.60          |
| Revenue Department Receivable                                   |        | 3,902,480.25          | -                     | -                     | 3,902,480.25                 | 3,902,480.25          | -                     |
| Other non-current assets  |        | 6,854,546.83          | 10,885,399.48         | 5,582,178.30          | 5,404,169.06                 | 6,141,215.10          | 4,548,571.83          |
| Total non-current assets  |        | <b>139,523,116.58</b> | <b>158,120,674.81</b> | <b>128,143,015.46</b> | <b>158,079,321.15</b>        | <b>171,059,939.72</b> | <b>113,088,888.29</b> |
| Total assets  |        | <b>458,718,370.61</b> | <b>542,017,962.57</b> | <b>568,051,979.49</b> | <b>458,163,713.74</b>        | <b>522,229,436.31</b> | <b>568,385,413.20</b> |
| <u>Liabilities and shareholders' equity</u>                     |        |                       |                       |                       |                              |                       |                       |
| Current liabilities   |        |                       |                       |                       |                              |                       |                       |
| Bank overdrafts and short-term loan from financial institutions | 17     | 191,447,502.13        | 171,028,833.25        | 2,185,243.02          | 191,447,502.13               | 171,028,833.25        | 2,185,243.02          |
| Trade and other current payables - related parties              | 6.1    | 587,670.99            | -                     | -                     | 1,091,165.78                 | 238,408.28            | 18,320.00             |
| Trade and other current payables - third parties                | 18     | 66,111,084.88         | 73,883,997.65         | 154,735,281.95        | 57,850,136.94                | 56,327,297.18         | 147,781,367.61        |
| Revenue Department payable                                      |        | 1,165,296.23          | 616,685.03            | 29,590.77             | 896,073.82                   | 439,261.85            | 26,335.77             |
| Accrued income tax payable                                      |        | -                     | -                     | 10,478,976.48         | -                            | -                     | 10,478,976.48         |
| Provision for warranty  | 19     | 5,803,175.96          | 3,565,711.61          | 4,412,578.92          | 3,901,175.96                 | 3,565,711.61          | 4,412,578.92          |
| Current portion of long-term liabilities                        |        |                       |                       |                       |                              |                       |                       |
| - Long-term loan from financial institutions                    | 20     | -                     | 24,692.40             | 102,201.83            | -                            | 24,692.40             | 102,201.83            |
| - Finance lease liabilities                                     | 21     | 2,138,337.72          | 2,674,539.30          | 1,867,633.03          | 2,138,337.72                 | 2,674,539.30          | 1,867,633.03          |
| Loan from related parties                                       | 6.1    | 10,000,000.00         | -                     | -                     | 18,000,000.00                | -                     | -                     |
| Total current liabilities                                       |        | <b>277,253,067.91</b> | <b>251,794,459.24</b> | <b>173,811,506.00</b> | <b>275,324,392.35</b>        | <b>234,298,743.87</b> | <b>166,872,656.66</b> |
| Non-current liabilities   |        |                       |                       |                       |                              |                       |                       |
| Long-term provision for warranty                                | 19     | 225,100.00            | 1,902,000.00          | -                     | -                            | -                     | -                     |
| Long-term loan from financial institutions                      | 20     | -                     | -                     | 25,030.26             | -                            | -                     | 25,030.26             |
| Finance lease liabilities                                       | 21     | 577,572.26            | 2,714,982.08          | 3,066,349.33          | 577,572.26                   | 2,714,982.08          | 3,066,349.33          |
| Employee benefit obligations                                    | 22     | 11,264,685.01         | 6,581,978.14          | 1,889,945.28          | 10,225,533.22                | 5,734,125.99          | 1,873,260.72          |
| Deferred tax liabilities  | 16     | 1,170,838.62          | -                     | -                     | -                            | -                     | -                     |
| Total non-current liabilities                                   |        | <b>13,238,195.89</b>  | <b>11,198,960.22</b>  | <b>4,981,324.87</b>   | <b>10,803,105.48</b>         | <b>8,449,108.07</b>   | <b>4,964,640.31</b>   |
| Total liabilities   |        | <b>290,491,263.80</b> | <b>262,993,419.46</b> | <b>178,792,830.87</b> | <b>286,127,497.83</b>        | <b>242,747,851.94</b> | <b>171,837,296.97</b> |
| Shareholders' equity  |        |                       |                       |                       |                              |                       |                       |
| Share capital   | 23     |                       |                       |                       |                              |                       |                       |
| Authorised share capital  |        |                       |                       |                       |                              |                       |                       |
| 576,000,000 ordinary shares of Baht 0.25 each                   |        | 144,000,000.00        | -                     | -                     | 144,000,000.00               | -                     | -                     |
| 480,000,000 ordinary shares of Baht 0.25 each                   |        | -                     | 120,000,000.00        | 120,000,000.00        | -                            | 120,000,000.00        | 120,000,000.00        |
| Issued and paid up share capital                                |        |                       |                       |                       |                              |                       |                       |
| 480,000,000 ordinary shares of Baht 0.25 each                   |        | 120,000,000.00        | 120,000,000.00        | 120,000,000.00        | 120,000,000.00               | 120,000,000.00        | 120,000,000.00        |
| Premium on ordinary shares                                      |        | 183,030,332.93        | 183,030,332.93        | 183,030,332.93        | 183,030,332.93               | 183,030,332.93        | 183,030,332.93        |
| Surplus on share-based payment transactions                     |        | 3,063,936.73          | 3,063,936.73          | 3,063,936.73          | 3,063,936.73                 | 3,063,936.73          | 3,063,936.73          |
| Retained earnings (Deficits)                                    |        |                       |                       |                       |                              |                       |                       |
| Appropriated - legal reserve                                    | 24     | 8,256,778.85          | 8,256,778.85          | 3,743,166.50          | 8,256,778.85                 | 8,256,778.85          | 3,743,166.50          |
| Unappropriated  |        | (146,123,941.70)      | (35,326,505.40)       | 79,421,712.46         | (142,314,832.60)             | (34,869,464.14)       | 86,710,680.07         |
| Total shareholders' equity                                      |        | <b>168,227,106.81</b> | <b>279,024,543.11</b> | <b>389,259,148.62</b> | <b>172,036,215.91</b>        | <b>279,481,584.37</b> | <b>396,548,116.23</b> |
| Total liabilities and shareholders' equity                      |        | <b>458,718,370.61</b> | <b>542,017,962.57</b> | <b>568,051,979.49</b> | <b>458,163,713.74</b>        | <b>522,229,436.31</b> | <b>568,385,413.20</b> |

## 13.2 Statement of Comprehensive Income

### Masterkool International Public Company Limited and Subsidiary

#### Statements of Comprehensive Income

For the year ended December 31, 2018

(Unit : Baht)

|  |      | Consolidated            |                        | Separate financial statement |                        |
|--|------|-------------------------|------------------------|------------------------------|------------------------|
|  | Note | 2018                    | 2017                   | 2018                         | 2017                   |
|  |      | Reclassification        |                        | Reclassification             |                        |
| Revenues   |      |                         |                        |                              |                        |
| Revenue from sales   |      | 497,556,624.68          | 449,975,043.20         | 473,658,427.72               | 426,843,901.57         |
| Revenue from services  |      | 67,985,622.82           | 79,143,566.18          | 46,546,768.50                | 59,549,750.88          |
| Other income   |      | 7,176,862.44            | 14,890,385.86          | 6,086,174.21                 | 12,292,887.45          |
| Total revenues   |      | 572,719,109.94          | 544,008,995.24         | 526,291,370.43               | 498,686,539.90         |
| Expenses   |      |                         |                        |                              |                        |
| Cost of sales  |      | 401,399,969.97          | 344,803,525.59         | 389,315,521.99               | 340,593,057.99         |
| Cost of services   |      | 37,523,754.15           | 50,828,624.83          | 16,411,693.18                | 31,137,019.00          |
| Cost of distribution   |      | 160,321,997.26          | 149,891,987.15         | 153,806,373.65               | 142,906,519.35         |
| Administrative expenses  |      | 62,245,816.28           | 76,480,589.53          | 54,749,762.26                | 69,159,471.06          |
| Finance cost   |      | 11,408,516.10           | 5,646,250.22           | 11,473,310.63                | 5,646,250.35           |
| Total expenses   |      | 672,900,053.76          | 627,650,977.32         | 625,756,661.71               | 589,442,317.75         |
| Loss before income tax expense                                 |      | (100,180,943.82)        | (83,641,982.08)        | (99,465,291.28)              | (90,755,777.85)        |
| Income tax expense   | 25   | (8,706,922.19)          | (594,118.62)           | (6,159,260.10)               | (966,413.42)           |
| Loss for the year  |      | (108,887,866.01)        | (84,236,100.70)        | (105,624,551.38)             | (91,722,191.27)        |
| Other comprehensive income                                     |      | -                       | -                      | -                            | -                      |
| Items must not be classified into profit or loss in the future |      |                         |                        |                              |                        |
| Actuarial losses   |      | (1,909,570.29)          | (4,206,504.81)         | (1,820,817.08)               | (3,552,340.59)         |
| Total comprehensive loss for the year                          |      | (1,909,570.29)          | (4,206,504.81)         | (1,820,817.08)               | (3,552,340.59)         |
| <b>Total comprehensive loss for the year</b>                   |      | <b>(110,797,436.30)</b> | <b>(88,442,605.51)</b> | <b>(107,445,368.46)</b>      | <b>(95,274,531.86)</b> |
| Basic loss per share   | 26   | (0.23)                  | (0.18)                 | (0.22)                       | (0.20)                 |
| Number of share (Unit : share)                                 |      | 480,000,000             | 480,000,000            | 480,000,000                  | 480,000,000            |

### 13.3 Consolidated Statements of Changes in Shareholders' Equity

Masterkool International Public Company Limited and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2018

(Unit : Baht)

|                                       | Note | Issued and<br>paid-up<br>share capital | Share<br>premium      | Surplus<br>on share-based<br>payment<br>transactions | Retained earnings (deficits) |                         | Total                 |
|---------------------------------------|------|--|-----------------------|--|------------------------------|-------------------------|-----------------------|
|                                       |      |  |                       |  | Legal reserve                | Unappropriated          |                       |
| Balance as at January 1, 2017         |      | 120,000,000.00                         | 183,030,332.93        | 3,063,936.73   | 3,743,166.50                 | 79,421,712.46           | 389,259,148.62        |
| Change in equity for the year         |      |  |                       |  |                              |                         |                       |
| Legal reserve                         | 24   | -                                      | -                     | -  | 4,513,612.35                 | (4,513,612.35)          | -                     |
| Dividend                              | 27   | -                                      | -                     | -  | -                            | (21,792,000.00)         | (21,792,000.00)       |
| Actuarial losses                      |      | -                                      | -                     | -  | -                            | (4,206,504.81)          | (4,206,504.81)        |
| Total comprehensive loss for the year |      | -                                      | -                     | -  | -                            | (84,236,100.70)         | (84,236,100.70)       |
| Balance as at December 31, 2017       |      | 120,000,000.00                         | 183,030,332.93        | 3,063,936.73   | 8,256,778.85                 | (35,326,505.40)         | 279,024,543.11        |
| Change in equity for the year         |      |  |                       |  |                              |                         |                       |
| Actuarial losses                      |      | -                                      | -                     | -  | -                            | (1,909,570.29)          | (1,909,570.29)        |
| Total comprehensive loss for the year |      | -                                      | -                     | -  | -                            | (108,887,866.01)        | (108,887,866.01)      |
| Balance as at December 31, 2018       |      | <b>120,000,000.00</b>                  | <b>183,030,332.93</b> | <b>3,063,936.73</b>                                  | <b>8,256,778.85</b>          | <b>(146,123,941.70)</b> | <b>168,227,106.81</b> |

### 13.4 Separate Statements of Changes in Shareholders' Equity

Masterkool International Public Company Limited and Subsidiary

Separate Statements of Changes in Shareholders' Equity

For the year ended December 31, 2018

(Unit : Baht)

|                                       | Note | Issued and<br>paid-up<br>share capital | Share<br>premium      | Surplus<br>on share-based<br>payment<br>transactions | Retained earnings (deficits) |                         | Total                 |
|---------------------------------------|------|--|-----------------------|--|------------------------------|-------------------------|-----------------------|
|                                       |      |  |                       |  | Legal reserve                | Unappropriated          |                       |
| Balance as at January 1, 2017         |      | 120,000,000.00                         | 183,030,332.93        | 3,063,936.73   | 3,743,166.50                 | 86,710,680.07           | 396,548,116.23        |
| Change in equity for the year         |      |  |                       |  |                              |                         |                       |
| Legal reserve                         | 24   | -                                      | -                     | -  | 4,513,612.35                 | (4,513,612.35)          | -                     |
| Dividend                              | 27   | -                                      | -                     | -  | -                            | (21,792,000.00)         | (21,792,000.00)       |
| Actuarial losses                      |      | -                                      | -                     | -  | -                            | (3,552,340.59)          | (3,552,340.59)        |
| Total comprehensive loss for the year |      | -                                      | -                     | -  | -                            | (91,722,191.27)         | (91,722,191.27)       |
| Balance as at December 31, 2017       |      | 120,000,000.00                         | 183,030,332.93        | 3,063,936.73   | 8,256,778.85                 | (34,869,464.14)         | 279,481,584.37        |
| Change in equity for the year         |      |  |                       |  |                              |                         |                       |
| Actuarial losses                      |      | -                                      | -                     | -  | -                            | (1,820,817.08)          | (1,820,817.08)        |
| Total comprehensive loss for the year |      | -                                      | -                     | -  | -                            | (105,624,551.38)        | (105,624,551.38)      |
| Balance as at December 31, 2018       |      | <b>120,000,000.00</b>                  | <b>183,030,332.93</b> | <b>3,063,936.73</b>                                  | <b>8,256,778.85</b>          | <b>(142,314,832.60)</b> | <b>172,036,215.91</b> |

### 13.5 Statement of Cash Flows

Masterkool International Public Company Limited and Subsidiary

#### Statements of Cash Flows

For the year ended December 31, 2018

(Unit : Baht)

|   | Note | Consolidated     |                  | Separate financial statement |                  |
|---|------|------------------|------------------|------------------------------|------------------|
|   |      | 2018             | 2017             | 2018                         | 2017             |
|   |      |                  | Reclassification |                              | Reclassification |
| Cash flows from operating activities  |      |                  |                  |                              |                  |
| Loss before income tax expense  |      | (100,180,943.82) | (83,641,982.08)  | (99,465,291.28)              | (90,755,777.85)  |
| Adjustments to reconcile loss before income tax expense for cash provided by (used in) operating activities |      |                  |                  |                              |                  |
| Depreciation and amortization   |      | 19,599,468.24    | 17,089,007.88    | 18,569,670.39                | 16,260,321.41    |
| Doubtful debt (Reversal)  |      | (516,577.44)     | 2,397,298.28     | (520,954.23)                 | 2,299,515.78     |
| Impairment loss on assets (Reversal)  |      | (1,411,149.13)   | 10,581,845.98    | (1,411,149.13)               | 8,965,941.60     |
| Impairment loss on intangible assets  |      | 1,540,000.00     | -                | -                            | -                |
| Unrealised gain from exchange rates   |      | (1,115,475.81)   | (1,907,732.50)   | (1,132,061.17)               | 1,960,495.06     |
| Loss from write-off of property, plant and equipment  |      | 297,349.19       | 65,474.26        | 291,867.33                   | 65,474.26        |
| Gain from disposal of property, plant and equipment   |      | (157,876.39)     | (93,066.43)      | (157,876.39)                 | (93,066.43)      |
| Unrealised loss from short-term investment  |      | -                | 1,142.56         | -                            | 1,142.56         |
| Loss from obsolete inventories  |      | 6,653,915.04     | 20,110,371.40    | 6,641,098.40                 | 20,103,558.09    |
| Employee benefit obligations  |      | 2,773,136.58     | 321,987.00       | 2,670,590.15                 | 308,524.68       |
| Provision for warranty (Reversal)   |      | 560,564.35       | 1,055,132.69     | 335,464.35                   | (846,867.31)     |
| Interest income   |      | (1,745,001.03)   | (3,145,429.58)   | (582,868.74)                 | (1,356,154.06)   |
| Interest expenses   |      | 11,408,516.10    | 5,646,250.22     | 11,473,310.63                | 5,646,250.35     |
| Loss from operating activities before changes in operating assets and liabilities                           |      | (62,294,074.12)  | (31,519,700.32)  | (63,288,199.69)              | (41,361,631.98)  |
| (Increase) decrease in trade and other current receivables - related parties                                |      | (1,715,741.63)   | (1,898,981.74)   | 2,037,706.29                 | (19,883,008.41)  |
| (Increase) decrease in trade and other current receivables - third parties                                  |      | 19,875,661.19    | 18,706,458.08    | (7,972,785.11)               | 52,318,800.58    |
| (Increase) decrease in finance lease receivables  |      | 15,144,094.34    | (2,604,231.07)   | 498,809.23                   | 352,467.35       |
| (Increase) decrease in inventories  |      | 43,130,697.28    | (67,140,008.14)  | 46,511,631.91                | (65,466,854.99)  |
| (Increase) decrease in other non-current assets   |      | 2,598,541.00     | (5,303,221.18)   | 1,955,041.51                 | (4,751,127.76)   |
| Increase in trade and other payables - related parties  |      | -                | -                | 200,291.72                   | 220,088.28       |
| Decrease in trade and other payables - third parties  |      | (12,058,488.81)  | (82,333,342.52)  | (3,964,146.39)               | (90,695,307.79)  |
| Increase in revenue department payable  |      | 548,611.20       | 587,094.26       | 456,811.97                   | 412,926.08       |
| Cash generated from operation   |      | 5,229,300.45     | (171,505,932.63) | (23,564,838.56)              | (168,853,648.64) |
| Cash received from interest   |      | 1,800,329.26     | 2,894,873.97     | 657,481.22                   | 2,835,980.68     |
| Cash paid for income tax  |      | (2,470,168.60)   | (10,772,230.68)  | -                            | (11,222,972.70)  |
| Net cash provided by (used in) operating activities   |      | 4,559,461.11     | (179,383,289.34) | (22,907,357.34)              | (177,240,640.66) |

### 13.5 Financial Ratio

| Financial Ratio              | 2018   | 2017   | 2016  |
|------------------------------|--------|--------|-------|
| Liquidity ratio (times)      | 1.15   | 1.51   | 2.56  |
| Return on equity (%)         | -48.69 | -25.21 | 24.32 |
| Return on assets (%)         | -21.67 | -15.18 | 19.48 |
| Debt to equity ratio (times) | 1.73   | 0.94   | 0.46  |
| Asset turnover ratio (times) | 1.14   | 1.00   | 1.60  |
| Gross profit margin (%)      | 22.39  | 25.46  | 35.28 |
| EBIT Margin (%)              | -15.50 | -14.10 | 12.21 |
| Net profit margin (%)        | -19.01 | -15.22 | 9.78  |

## 14. Management's Discussion and Analysis

26 Februar 2019

Subject: Management's Discussion and Analysis of Operating Results for the twelve-month period of 2018 ended 31 December 2018

Attention: The President of the Stock Exchange of Thailand

Masterkool International Public Company Limited ("the Company") would like to announce the operating results of the Company for the twelve -month period of 2018 ended 31 December 2018 which has been reviewed in the Board of Directors' Meeting No. 1/2019 arranged on 29 February 2019 as following:-

**Table 1: Overall performance for the twelve-month period of 2018 ended 31 December 2018**

Million Baht

| Description              | FY 2018<br>( 12 Months ) | FY 2017<br>(12 Months ) | Increase (Decrease) |              |
|--------------------------|--------------------------|-------------------------|---------------------|--------------|
|                          |                          |                         | Amount              | %            |
| Net Product Sales        | 497.56                   | 449.98                  | 47.58               | 10.57        |
| Net Service Sales        | 67.98                    | 79.14                   | (11.16)             | (14.10)      |
| Other Revenue *          | 7.18                     | 14.89                   | (7.71)              | (51.78)      |
| <b>Total Revenues</b>    | <b>572.72</b>            | <b>544.01</b>           | <b>28.71</b>        | <b>5.28</b>  |
| Cost of Goods Sold       | 401.40                   | 344.80                  | 56.60               | 16.42        |
| Cost of Service          | 37.52                    | 50.83                   | (13.31)             | (26.19)      |
| Selling Expenses         | 160.32                   | 149.89                  | 10.43               | 6.96         |
| Administrative Expenses  | 62.25                    | 76.48                   | (14.23)             | (18.61)      |
| Financial Cost           | 11.41                    | 5.65                    | 5.76                | 101.95       |
| Income Tax Expense       | 8.71                     | 0.60                    | 8.11                | 13.65        |
| <b>Net Profit (Loss)</b> | <b>(108.89)</b>          | <b>(84.24)</b>          | <b>24.65</b>        | <b>29.26</b> |
| <b>EPS (Baht/Share)</b>  | <b>(0.23)</b>            | <b>(0.18)</b>           | <b>0.05</b>         | <b>27.78</b> |

\* Other revenue such as interest income, foreign exchange gains, government grants, etc

### Business Overview

With reference to the operating results of the company, according to the consolidated financial statements for the 12 months of the year 2018, the company has a net loss of -108.89 million baht, which is the operating loss at -100.18 million baht and the deferred tax accounting 8.70 million baht.

The company has made the business plan of the year 2018 since the last quarter of 2017, focusing on research and development of products that meet the needs of the market. Therefore, in early 2018, the company launched an innovative product "Mosquito Repellent Evaporative Air Cooling" with a clean design; combined with the mosquito repellent technology with high frequency in the MIK-14EX and MIK-28EX models, along with marketing activities to create consumer awareness which the overall market response is reflected in the good level. Unfortunately, the major factor that has a serious impact on business is external factors that are beyond control. Even the Weather Forecast Bureau -The Meteorological Department may not predict the formation of monsoons and wind waves or can not be assessed and alerted in advance for a long time. Therefore it is the key factor that affects the overall market demand. Combination with the microeconomic conditions that are still slowing down,

the cooling industry has been affected, including fans and air conditioners which the domestic sales value of air conditioners decreased at a rate of about 4-5% compared to the previous year 2017. For the cooling fan market, it has been clearly affected because the cooling water is an important component of the product. From this situation, many entrepreneurs are experiencing outstanding inventories of cooling products.

Although the company has sales that do not meet the target, but the overall revenue of 2018 was 572.72 million baht with growth of 10.68% from the previous year; and the company still has a number of market share (data reference from the major modern-trade stores). In the second half of the year, the company has changed to its market stability strategy

Together with the turning inventories to cash strategy, the company has continuously organized promotions to drain the products to the market in the second half of the year. Resulting in the cost of sales which is the promotion expenses increased from the previous year by 16.42%

For that expense, as already mentioned, the company has planned to research and develop new products, the mosquito repellent cooling model, since the end of 2017, along with marketing communications that create market awareness. Such production of work pieces and marketing communications through media, both radio and television, are relatively high; and resulting in the overall selling expenses increased by 10.43 million baht or 6.96% increase.

However, the company has closely controlled other expenses, resulting in a significant reduction in overall administrative expenses for the year 2018 totaled 62.25 million baht when compared to the previous year, representing a rate of 18.61%

#### **Economic and industrial conditions affecting operations**

Because the company has the main sales channel through Modern Trade Stores which estimates sales through this channel in the proportion of 50% of the company's total sales target. With the economic slowdown , In particular, the reflection of household debt at the level of more than 77% of gross domestic product (GDP) as of the second quarter of 2018, resulting in shrinking market demand. All cooling industries are affected.

The domestic industry will be affected and in addition, the export market in which the ASEAN Economic Community (AEC), where a climate similar to Thailand, has experienced the products that the company has exported adequate to sell throughout the year without needing to place any further order of products. The export market during the first six months of the year 2018 of the company did not meet the target as well.

#### **Linkage of policies, strategies and goals**

Climate factors that have a significant impact on overall operations during the first six months of 2018, the company has reviewed the management policies and strategies. Especially the strategy of marketing for the retail channel through Modern Trade Stores, to maintain the market in the second half of the year and control costs continuously.

For the export channel, the company assessed the market situation of the affected AEC countries as mentioned above. And therefore, the company decided to adjust the strategy to recruit new distribution agents from other countries in the other hemispheres and other continents in the second half of the year.

#### **Analysis on the performance of the company by key business units**

The company has various distribution channels. The main channels are Retail channels, Sales channels for corporate customers, and Export channels which the performance is as follows:-

**Table 2: Sales summary by segments for the twelve-month period of 2018 ended 31 December 2018**

Million Baht

| Segmentation               | Jan-Dec 2018  | Jan-Dec 2017  | Y-o-Y Difference % |
|----------------------------|---------------|---------------|--------------------|
| Retail Channel             | 255.10        | 259.87        | (1.90)             |
| Corporate Customer Channel | 76.94         | 102.07        | (24.62)            |
| Exporting Distribution     | 164.18        | 114.41        | 43.50              |
| Services and Rental Units  | 69.32         | 52.77         | 31.36              |
| Others                     | 7.18          | 14.89         | (51.78)            |
| <b>Total Revenues</b>      | <b>572.72</b> | <b>544.01</b> | <b>5.25</b>        |

**Retail Market**

The retail channel of the company consists of Selling through Modern Trade Stores, Online Channel, and product booths. When comparing the 12-month period of 2017, the retail channel sales decreased by -4.93 million baht or 1.90% decrease due to the weather that is the main factor affecting the needs of retail consumers; combining with the overall economic situation of the target customers, The company has accelerated the change of channel management in the second half of 2018 to maintain the company's evaporative cooling market. The company also adds products, "drinking water dispenser" which is a non-seasonal product that able to generate sales throughout the year which the company has released since August 2018 under the brand "Masterkool" which is already recognized for quality. This is the beginning of reducing the risk of seasonal variations of modern trade channels. The sales of the water dispenser in the first 4 months values more than 3.71 million baht.

For online direct channel, the company has just begun its operation for the first year in 2018 by launching the company's online distribution website; and added products to the main web shopping channels, including Lazada, Shopee and JD Central.

**Corporate Market**

For sales channel of corporate customers, the company understands the business model so well and has expertise in technology including solving hot weather problems, application of ozone system for energy saving and environmental protection. The implementation of the project that offers various solutions to suit each corporate customer is something that requires quite long time because of the work that the project has a longer sales cycle than general product sales. The company urgently moves on the expansion of its customer base in the corporate market. Anyhow, the customer base in 2018 is still insufficient to cover the planned sales target. In addition, the large projects that are in the sales process have delayed on the installation; resulting in sales of channels in 2018, equal to 76.94 million baht, which decreased by -24.62% of sales of 102.07 million baht in the previous year.

The plan to strengthen the business through the sales channels of the corporate customers, the company continues to accelerate building a market base with confidence in the growth opportunities of this channel in the future. The company plans to generate recurring revenue for this channel in order to reduce the risk of instability in the company's overall revenue.

**Export Market**

Over the years, the major export markets of the company are the ASEAN Economic Community (AEC), and when the primary market is affected by the climate that is similar to Thailand, it has a huge impact on sales. Export channel which in the first half of the year did not meet the target. The management quickly decided in the situation to accelerate the search for representatives from the other continents and other hemispheres by speeding up the delivery of samples to target distributors such as New Zealand, Mexico, and Canada. Therefore, the company has income from exports in 2018 approximately 164.18



million baht which increased from 2017 in amount of 49.77 million baht or equivalent to 43.50% increase rate. Numbers of distributors total 34 agents.

### **Comparative analysis to the budgeting plan**

Action plan for the year 2018, the company has been allocated sales to key channels that are retail channels 50%, sales channels, corporate customers 20%, and export channels 30% which details below:-

- Retail Channel 44.83%
- Corporate Sales Channel 13.67%
- Export Channel 29.18%
- Rental, Services, and others 12.32%

Sales channels that the company considers necessary to accelerate sales by figure out the business solution is Corporate sales channels, which mention that the nature of the operation is Business-to-Business have a long cycle of sales cycle time. Finding a target customer may not be able to do Sales Lead like other channels due to the need for expertise in technology and tailor made of proposed solutions, therefore, the approach must continue to expand the market base to a sufficient amount in excess of the target value in order to finally be able to close sales or increase the target. Anyhow the company has a strong believe of business opportunities in providing energy-saving solutions. In addition, the energy saving trend may leading to a market demand that can generate sales. Some projects are offering continuous revenue services that are recurring revenue for the organization.

Other income is revenue from the services, both rental service and product warranty services which can generate sales of 69.32 million baht in 2018, which is in proportion 12.11% of total sales in 2018.

### **Financial Status**

**Table 3: Summary statement of financial position as of 31 December 2018**

Million Baht

| Statement of Financial Position                                    | Consolidated financial statements |               |                |                |
|--|-----------------------------------|---------------|----------------|----------------|
|  | 31 Dec 2018                       |               | 31 Dec 2018    |                |
| Cash and cash equivalents  | 27.02                             | 10.87         | 16.15          | 148.57         |
| Temporary investment   | -                                 | 0.12          | (0.12)         | (100.00)       |
| Trade and other receivables – related parties                      | 4.56                              | 2.78          | 1.78           | 64.03          |
| Trade and other receivables – other parties                        | 103.3                             | 123.01        | (19.71)        | (16.02)        |
| A/R under finance lease agreements due within one year             | 4.53                              | 16.98         | (12.45)        | (73.32)        |
| Inventory  | 179.78                            | 230.14        | (50.36)        | (21.88)        |
| Deposits as financial institutions pledged as collateral           | 70.75                             | 71.70         | (0.95)         | (1.32)         |
| Receivables for finance lease contracts                            | 0.14                              | 2.83          | (2.69)         | (95.05)        |
| Property, plants and equipment                                     | 53.09                             | 58.32         | (5.23)         | (8.97)         |
| Intangible assets  | 4.77                              | 6.82          | (2.05)         | (30.06)        |
| Deferred tax assets  | 0.02                              | 7.56          | (7.54)         | (99.74)        |
| Other non - current assets   | 3.90                              | -             | 3.90           | 100.00         |
| <b>Total assets</b>  | 6.86                              | 10.89         | (4.03)         | (37.01)        |
| Temporary investment   | <b>458.72</b>                     | <b>542.02</b> | <b>(83.10)</b> | <b>(15.33)</b> |
| Bank over drafts and short - term loans from financial institution | 191.45                            | 171.03        | 20.42          | 10.67          |
| Trade and other payables – related parties                         | 0.59                              | -             | 0.59           | 100.00         |
| Trade and other payables – other parties                           | 66.11                             | 73.88         | (7.77)         | (10.52)        |
| Product Warranty <i>Estimated Liabilities</i>                      | 1.16                              | 0.62          | 0.54           | 87.1           |

|  |               |               |                 |                |
|--|---------------|---------------|-----------------|----------------|
| Current portion of long - term loan from financial institution     | 5.80          | 3.57          | 2.23            | 62.47          |
| Current portion of liabilities under finance lease contracts       | -             | 0.02          | (0.02)          | 100.00         |
| Income tax payable   | 2.14          | 2.67          | (0.53)          | (19.85)        |
| Revenue Department <i>Payable</i>                                  | 10.00         | -             | 10.00           | 100.00         |
| Short – term loan from related person                              | 0.23          | 1.90          | (1.67)          | (87.89)        |
| Long - term of liabilities under finance lease contracts           | 0.58          | 2.72          | (2.14)          | (78.68)        |
| Employee benefit obligation  | 11.26         | 6.58          | 4.68            | 71.12          |
| <b>Total liabilities</b>   | <b>1.17</b>   | <b>-</b>      | <b>1.17</b>     | <b>100.00</b>  |
| Bank over drafts and short - term loans from financial institution | <b>290.49</b> | <b>262.99</b> | <b>27.70</b>    | <b>10.53</b>   |
| Issued and paid-up share capital                                   | 120.00        | 120.00        | -               | -              |
| Premium on share capital   | 183.03        | 183.03        | -               | -              |
| Surplus on share-based payment transactions                        | 3.06          | 3.06          | -               | -              |
| <b>Retained earnings</b>   |               |               |                 |                |
| - Appropriated for legal reserve                                   | 8.26          | 8.26          | 0.00            | 0.00           |
| - Un-appropriated retained earnings                                | (146.12)      | (35.32)       | 110.79          | 313.59         |
| <b>Total shareholders' equity</b>                                  | <b>168.23</b> | <b>279.03</b> | <b>(110.80)</b> | <b>(39.71)</b> |
| <b>Total liabilities and shareholders' equity</b>                  | <b>458.72</b> | <b>542.02</b> | <b>(83.10)</b>  | <b>(15.33)</b> |

### **Assets**

As of December 31, 2018, the company has total assets of 458.72 million baht, which compared with the value of assets as of 31 December 2017 with the value of 542.02 million baht; the company has total assets decreased by 83.10 million baht, representing a decrease of 15.33%. The details include:-

- Cash and cash equivalents: The value as of the end of 31 December 2018 was 27.02 million baht, an increase of 16.15 million baht, representing an increase of 148.57% from the sale of products and services.
- Inventories: The value as of the end of December 31, 2018 decreased by 50.36 million baht, representing a decrease of 21.887% because the company had to return inventories into cash.
- Current portion of finance lease receivables due within 1 year: value at the end of the period December 31, 2018, decreased by 12.45 million baht, representing a decrease of 73.32% according to normal business operations, which is service of the use of systems such as ozone systems For energy saving etc

### **Liabilities**

As of December 31, 2018, the company had total liabilities of 290.49 million baht, which compared with the total liabilities as of 31 December 2017 with the value of 262.99 million baht. The company had total liabilities decreased by 27.70 million baht or 10.53% decrease. The main details include:-

- Overdrafts and short-term loans from financial institutions: The value as of the end of December 31, 2018 was 191.45 million baht, an increase of 20.42 million baht or 10.67%, which came from overdraft and short-term loans. This is used as working capital in the business.
- Trade and other payables - other businesses: The value as of the end of December 31, 2018 is 66.11 million baht, a decrease of 7.77 million baht or 10.52%, which the company has paid for the goods according to the normal conditions from the manufacturer; both domestic and foreign suppliers as scheduled according to the plan.

- Short-term loans from related persons: the value as of the end of December 31, 2018 equals to 10 million baht, which is a loan from the directors of the company for working capital in the business.

#### **Shareholders' Equity**

As of December 31, 2018, the Company had shareholders' equity in the total amount of 168.23 million baht, which decreased by 110.80 million baht or equivalent to a decrease of 39.71% compared to the shareholders' equity as of 31 December 2017, which has shareholders' equity equal to 279.03 million baht. The decrease in shareholders' equity is due to the operating loss for the 12 months of 2018 (January - December 2018).

**Table 4: Financial Ratio**

| Financial Ratio              | 2018   | 2017   | 2016  |
|------------------------------|--------|--------|-------|
| Liquidity ratio (times)      | 1.15   | 1.51   | 2.56  |
| Return on equity (%)         | -48.69 | -25.21 | 24.32 |
| Return on assets (%)         | -21.67 | -15.18 | 19.48 |
| Debt to equity ratio (times) | 1.73   | 0.94   | 0.46  |
| Asset turnover ratio (times) | 1.14   | 1.00   | 1.60  |
| Gross profit margin (%)      | 22.39  | 25.46  | 35.28 |
| EBIT Margin (%)              | -15.50 | -14.10 | 12.21 |
| Net profit margin (%)        | -19.01 | -15.22 | 9.78  |

#### **Liquidity Ratio**

From factors affecting the operating results for the 12 months of 2018, the liquidity ratio and quick liquidity ratio decreased by 0.37 times and 0.11 times, respectively, compared with the ratio at the end of the period 31 December 2017. The company still has inventory worth a total of 179.78 million baht which the company can be sold through all channels in the future; because the company's products are durable goods that do not deteriorate easily.

#### **Profitability Ratio and Performance Ratio**

From the 12-month operating results of 2018, the gross profit margin decreased by 2.84%. And net profit margin shows reduced performance ability which the ratio of performance is reduced due to the operating results of the company according to the consolidated financial statements for the 12 months of 2018, the company has a net loss of -108.89 million baht, which is the operating loss at -100.18 million baht and awaiting deferred payment 8.70 million baht.

#### **Financial Policy Ratio**

The Company's debt to equity ratio increased from the previous year. The debt-to-equity ratio for the 12-month period of 2018 is 1.73 times, which is directly related to the Company's operating results for the 12 months of 2018, ended on December 30, 2018 which the company did not meet its goals.

(Mr. Noppachai Veeraman)  
Managing Director

## Board Responsibilities for Financial Reports

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The Board of Directors of Masterkool International Public Company Limited is responsible for the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries. Including financial information that appears in the annual report such financial statements are prepared in accordance with generally accepted accounting standards in Thailand. The Board of Directors considers choosing to use appropriate accounting policies and consistently adheres to With prudent discretion and the most appropriate estimate of preparation Including adequate disclosure of important information in the notes to the financial statements And comply with the requirements of the Securities and Exchange Commission Including the Stock Exchange of Thailand And related regulatory agencies Such financial statements have been audited And giving opinions on unconditional financial statements from independent auditors Therefore reflecting the financial status and operating results that are real, transparent, and can be checked for the benefit of the shareholders of the company and general investors.

The Board of Directors has set a policy and provides a risk management system. And appropriate internal control systems to ensure that the accounting data is reliable It is worthwhile to use and maintain the assets of the company. As well as for the development of operations and prevention of risks that may have a significant impact

The Board of Directors has appointed the Audit Committee, which is from the Independent Committee, to oversee the quality of financial reporting and internal control systems. The opinion of the Audit Committee regarding this matter has already appeared in the report of the Audit Committee in this annual report.

The Board of Directors is of the opinion that the overall internal control system of the Company and its subsidiaries is at a satisfactory level. And can confirm the reliability of the information in the financial statements and consolidated financial statements of the company and subsidiaries as at 31 December 2018.

*- Signature of Mr. Sanpat Sopon -*

(Mr. Sanpat Sopon)  
Chairman of the Board of Directors

*- Signature of Mr. Noppachai Veeraman -*

(Mr. Noppachai Veeraman)  
CEO / Managing Director

## Details of Director, Executive, Regulator and the Company Secretary

### Mr.Sanpat Sopon

#### Chairman of the Board, Independent Director



**Age :** 65

**Educational Qualification :**

- Master of Business and Administration, Western Michigan University, USA
- Bachelor of Law, Ramkhamhaeng University

**Director Training :**

- Certificate Course for Role of the Chairman Program (RCP 30/2013)  
Thai Institute of Directors (IOD)
- Certificate Course for Executive Director Course (EDC 1/2012)  
Thai Institute of Directors (IOD)
- Certificate Course for the Directors Certification Program (DCP 49/2004)  
Thai Institute of Directors (IOD)
- Certificate Course for Advanced Audit Committee Program  
(AACP 23/2016) Thai Institute of Directors (IOD)

**Proportion of Shareholding in the Company :** None

**Last 5 Years of Experience:**

- 2019 – Present Chairman of the Board  
Masterkool International Public Company Limited
- 2013 – Present Director, Independent Director, Audit Committee Member and  
Nomination and Remuneration Committee Member,  
Masterkool International Public Company Limited
- 2013 – 2019 Chairman of the Audit Committee  
Masterkool International Public Company Limited
- 2017 - Present Independent Director, Chairman of the Audit Committee  
Vintcom Technology Public Company Limited
- 2014 – Present Director, Moustache Trang Co., Ltd.
- 2012 – Present Director, Sanpat and Associates Co., Ltd.
- 2010 – Present Director, Ratchaburi Future Co., Ltd.
- 2010 – Present Director, Moustache Ratchaburi Co., Ltd.
- 2009 – Present Director, Moustache Co., Ltd.
- 2013 - 2017 Chairman of the Board, Independent Director  
Planet Communication Asia Public Company Limited
- 2010 – 2014 Expert Director, Software Industry Promotion Agency  
(Public Organization) (SIPA)

**Appointed on 26 February 2019**

- Chairman of the Board

**Appointed on 8 November 2013**

- Independent Director
- Audit Committee Member
- Nomination and Remuneration  
Committee Member

**Assoc. Prof. Dr. Prakrit Tangtisanon**

**Director, Independent Director**



**Age :** 76

**Educational Qualification :**

- Honorary Doctorate Degree, Tokai University, Japan
- Master of Communication Engineering, Faculty of Engineering  
The University of Electro-Communications, Japan
- Bachelor of Communication Engineering Program, Faculty of Engineering,  
Tokai University, Japan

**Appointed on 8 November 2013**

- Director
- Independent Director
- Audit Committee Member

**Appointed on 26 February 2019**

- Chairman of the Nomination  
and Remuneration Committee

**Director Training :**

- Certificate Course for Directors Certification Program (DCP 185/2014)  
Thai Institute of Directors (IOD)
- Certificate Course for Advanced Audit Committee (AACP 25/2017)  
Thai Institute of Directors (IOD)

Proportion of Shareholding in the Company : None

**Last 5 Years of Experience:**

- 2013 – Present Director, Independent Director, Audit Committee Member and  
Nomination and Remuneration Committee Member  
Masterkool International Public Company Limited
  - 2019 – Present Chairman of the Nomination and Remuneration Committee  
Masterkool International Public Company Limited
  - 2013 – 2019 Chairman of the Board  
Masterkool International Public Company Limited
  - 2017-Present Chairman of the Board, Independent Director  
Nova Organic Company Limited
  - 2016-Present Director, Bangkokthonburi University Council
  - 2016-Present Vice President, Old Japan Student's Association,  
Kindom of Thailand
  - 2008 – 2012 Executive Director, Japan International Corporation Agency: JIC
-

**Mr. Mongkol Kasaemsun**  
**Director, Independent Director**



**Age :** 58

**Educational Qualification :**

- Master of General Management (Administrative Studies), Southeastern Oklahoma State University, USA
- Bachelor of Agricultural Engineering Program, Kasetsart University

**Director Training :**

- Certificate Course for Directors Accreditation Program (DAP 70/2008) Thai Institute of Directors (IOD)

**Appointed on 8 November 2013**

- Director
- Independent Director
- Nomination and Remuneration Committee Member

**Appointed on 26 February 2019**

- Chairman of the Audit Committee

**Proportion of Shareholding in the Company :** None

**Last 5 Years of Experience:**

- 2013 – Present Director, Independent Director, Audit Committee Member and Nomination and Remuneration Committee Member Masterkool International Public Company Limited
- 2019 – Present Chairman of the Audit Committee Masterkool International Public Company Limited
- 2013 – 2019 Chairman of the Nomination and Remuneration Committee, Masterkool International Public Company Limited
- 2017 - Present Chairman of the Board, Independent Director Innov Green Solutions Company Limited
- 2017-Present Director, Independent Director, Chairman of the Audit Committee, Nova Organic Company Limited
- 2017-Present Director, Independent Director, PPM Advisory Company Limited
- 2017-Present Director, Independent Director, Digital Focus Company Limited
- 2014 - 2018 Director of Private Teacher Aid Fund, Private Teacher Aid Fund, Ministry of Education
- 2012 – 2014 Advisor and Subcommittee Member, National Innovation Agency
- 2012 – 2012 President, Thai Social Enterprise Office

**Mr. Kritsana Thaidumrong**

**Director**



**Age :** 56

**Educational Qualification :**

- Master of Business Administration Program, Thammasat University
- Bachelor of Engineering, Electric Power Engineering Program, King Mongkut's Institute of Technology Ladkrabang

**Director Training :**

- Certificate Course for Directors Certification Program (DCP 191/2014) Thai Institute of Directors (IOD)

**Appointed on 8 November 2013**

Director

**Proportion of Shareholding in the Company :** None

**Last 5 Years of Experience:**

- 2013 - Present Director, Masterkool International Public Company Limited
  - 2016 - Present Director, Sitem Holding Company Limited
  - 2015 - Present Director, Carboncor (Thailand) Company Limited
  - 2011 - Present Director, Bangkok Tire Trading Company Limited
  - 2008 - Present Director, Bangkok Tire Refinery Company Limited
  - 2007 - Present Director, Folding Gate Company Limited
  - 2006 - Present Director, Metis Air Corporation Company Limited
  - 1994 - Present Director and Chairman of Executive Committee Site Preparation Management Company Limited
-



**Mr. Fung Meng Hoi**

**Director**



**Appointed on 3 June 2002**

Director

**Age :** 58

**Educational Qualification :**

- Bachelor of Business Administration Program, Ottawa University, USA

**Director Training :**

- Certificate Course for Director Certification Program (DCP 189/2014)  
Thai Institute of Directors (IOD)

**Proportion of Shareholding in the Company :** 60,372,200 Shares, 12.58%

**Last 5 Years of Experience:**

- 2002 -Present     Director, Masterkool International Public Company Limited
- 2016 - Present     Director, Dionysus Asia Sdn Bhd , Malaysia
- 2016 - Present     Director, The Wine Poetry Sdn Bhd, Malaysia
- 2016 - Present     Director, SenseTech Properties Sdn Bhd, Malaysia
- 2003 - Present     Director, SenseTech Sdn Bhd, Malaysia

**Mr. Noppachai Veeraman**

**Director**



**Appointed on 3 June 2002**

- Director
- Chairman of Executive Committee
- Managing Director

**Age :** 55

**Educational Qualification :**

- Bachelor of Electronics and Electrical Engineering Program  
King Mongkut's Institute of Technology Ladkrabang

**Director Training :**

- Certificate Course for Directors Certification Program (DCP 185/2014)  
Thai Institute of Directors (IOD)
- Certificate Course for Director Accreditation Program (DAP 82/2010)  
Thai Institute of Directors (IOD)

**Proportion of Shareholding in the Company :** 123,065,064 Shares, 25.64%

**Last 5 Years of Experience:**

- 2002–Present Director, Chairman of Executive Committee and Managing Director, Masterkool International Public Company Limited
- 2011–Present Director, Managing Director  
Innov Green Solutions Company Limited

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**Ms.Benjarat Hattacharnchai****Director****Age** 45**Educational Qualification :**

- Master of Business Administration, Executive Program, Kasetsart University
- Bachelor of Education, Business Education Program, Kasetsart University

**Director Training :**

- Certificate Course for Director Accreditation Program (DAP 84/2010)  
Thai Institute of Directors (IOD)
- Certificate Course for Company Secretary Program (CSP 50/2013)  
Thai Institute of Directors (IOD)
- Certificate Course for Effective Minute Taking (EMT 25/2013)  
Thai Institute of Directors (IOD)
- Executive Financial Management Certificate Program Class 1  
Chulalongkorn University

**Appointed on 12 May 2016**

- Director
- Executive Director
- Assistant Managing Director  
of Finance & Accounting

**Proportion of Shareholding in the Company :** 85,512 Shares, 0.02%**Last 5 Years of Experience:**

- 2016 - Present Director, Executive Director, Assistant Managing Director of Finance & Accounting, Masterkool International Public Company Limited
- 2016 - Present Director, Innov Green Solutions Company Limited
- 2009 - 2016 Vice President Finance & Supply Chain  
Zemasch Corporation Company Limited

**Miss Sunanta Wanwat**

**Director**



**Age :** 44

**Educational Qualification :**

- Master of Electronic Commerce Program, Faculty of Business Administration, Sripatum University
- Bachelor's Degree, Marketing Program, Faculty of Business Administration, Payap University

**Director Training :**

- Certificate Course for Director Accreditation Program (DAP105/2013)  
Thai Institute of Directors (IOD)

**Appointed on 8 November 2013**

- Director
- Assistant Managing Director,  
Innov Green Solutions  
Company Limited

**Proportion of Shareholding in the Company :** 5,218,867 Shares, 1.09%

**Last 5 Years of Experience:**

- 2013-Present      Director, Masterkool International Public Company Limited
  - 2017-Present      Assistant Managing Director, Innov Green Solutions  
Company Limited
  - 2011-Present      Director and Executive Director, Innov Green Solutions  
Company Limited
  - 2013-2016      Assistant Managing Director of Customer Service and  
Business, Masterkool International Public Company
-

**Miss Mallika Trakoolthai**  
**Company Secretary**



**Age :** 51

**Educational Qualification :**

- Bachelor in English Program, Faculty of Humanities, Srinakharinwirot University

**Training**

- Fundamental Practice for Corporate Secretaries Class 28, Thailand Listed Companies Association (TLCA)
- Fundamentals of Law for Corporate Secretaries Class 10, Thailand Listed Companies Association (TLCA)
- Management Development Program, Thailand Management Association
- Advances for Corporate Secretaries Class 1/2016, Thailand Listed Companies Association (TLCA)
- How to Develop a Risk Management Plan HRP, Class 12/2017 Thai Institute of Directors (IOD)

**Appointed on 8 November 2013**

- Executive Director
- Company Secretary

**Proportion of Shareholding in the Company :** 1,018,827 Shares, 0.21%

**Last 5 Years of Experience:**

- 2013 - Present    Executive Director and Company Secretary  
Masterkool International Public Company Limited
- 2010 - 2013       Director and Assistant MD of Organization Development  
Masterkool International Public Company Limited

### Details of Directors of the Subsidiary

| Name                                     | Position                       | Number of meeting attended/<br>Total numbers of meeting in 2018 |
|--|--------------------------------|---|
| 1. Mr. Mongkol Kasaemsun Na<br>Ayudthaya | Chairman                       | 4/4   |
| 2. Mr. Noppachai Veeraman                | Director and Managing Director | 4/4   |
| 3. Ms. Sunanta Wanwat                    | Director                       | 4/4   |
| 4. Ms. Benjarat Hattachanchai            | Director                       | 4/4   |

Authorized directors who are authorized to sign on behalf of the Company are Mr. Noppachai Veeraman, Miss Sunanta Wanwat, Miss Benjarat Hattachanchai, two-thirds of the directors signing together with the company's seal.

The Board of Directors has appointed Ms. Mallika Trakoolthai as the secretary of the Board of Directors.

In this regard, the Board of Directors of the subsidiary is a 4-member committee from the Board of Directors of Masterkool International Public Company Limited which details of the subsidiary's board of directors are specified in Attachment 1.

## Appendix 3

|                                 |   |  |  |
|---------------------------------|---|--|--|
| Internal Auditor<br>(Outsource) | Acc-Plus Consultant Co., Ltd.<br><br>33 Soi Chat San, Thanon Suthisan Winitchay, Sam Sen Nok, Bangkok<br><br>Tel 0-2693-3581-2  |  |  |
| Chief of Internal Auditor       | Ms. Wanna Maluangnon  |  |  |
| Education Qualifications        | Master of Business Administration, Chulalongkorn University<br><br>Diploma of Auditing, Thammasat University<br><br>Bachelor of Accounting, Chulalongkorn University  |  |  |
| Work experience                 | 1994-Present  | Managing Director                        | Acc-Plus Consultant Co., Ltd                   |
|                                 | 1993-Present  | Consultant of Accounting and Taxation    | The Far East Law Office Co., Ltd.              |
|                                 | 2014-Present  | Independent Director and Audit Committee | PAE ( <i>Thailand</i> ) Public Company Limited |
|                                 | 2011-2013   | Independent Director and Audit Committee | Picnic Corporation Public Company Limited      |
| Related Training                | <ul style="list-style-type: none"> <li>• Workshop on COSO2013 framework for internal control, the latest version, Class 3/56, organized by the Federation of Accounting Professions</li> <li>• Workshop on the evaluation of internal control system design COSOERM of each application (December 2011)</li> <li>• Audit Committee Program – ACP, Class 42/2013, organized by The Thai <i>Institute of Directors</i> Association (<i>IOD</i>)</li> <li>• Director Accreditation Program – DAP, Class 99/2012, organized by The Thai <i>Institute of Directors</i> Association (<i>IOD</i>)</li> <li>• Auditor License No. 4170</li> </ul> |  |  |

**Masterkool International Public Company Limited and Subsidiary**  
**Statements of Financial Position**  
**As at December 31, 2018**

| (Unit : Baht)  |        |                   |                   |                  |                              |                   |                  |
|--|--------|-------------------|-------------------|------------------|------------------------------|-------------------|------------------|
|  | Note   | December 31, 2018 | Consolidated      | January 1, 2017  | Separate financial statement |                   |                  |
|  |        |                   | December 31, 2017 |                  | December 31, 2018            | December 31, 2017 | January 1, 2017  |
|  |        |                   | Reclassification  | Reclassification |                              | Reclassification  | Reclassification |
| <u>Assets</u>  |        |                   |                   |                  |                              |                   |                  |
| Current assets   |        |                   |                   |                  |                              |                   |                  |
| Cash and cash equivalents                                |        | 27,016,861.67     | 10,866,863.62     | 47,440,839.74    | 11,791,449.19                | 7,873,775.74      | 46,754,433.00    |
| Short-term investments                                   | 7      | -                 | 122,760.35        | 55,571,264.84    | -                            | 122,760.35        | 55,571,264.84    |
| Trade and other current receivables - related parties    | 6.1, 8 | 4,563,831.34      | 2,783,295.44      | 884,313.70       | 19,796,035.93                | 21,848,399.76     | 3,543,683.47     |
| Trade and other current receivables - third parties      | 9      | 103,305,117.93    | 123,007,707.60    | 144,131,147.58   | 92,458,052.38                | 84,155,151.14     | 138,945,241.23   |
| Current portion of receivables of                        |        |                   |                   |                  |                              |                   |                  |
| finance lease  | 10     | 4,526,286.41      | 16,980,684.76     | 8,257,377.79     | 89,192.00                    | 498,809.21        | 440,030.25       |
| Short-term loan to related party                         | 6.1    | -                 | -                 | -                | -                            | 7,000,000.00      | 25,279,887.50    |
| Inventories  | 11     | 179,783,156.68    | 230,135,975.99    | 183,624,020.38   | 175,949,663.09               | 229,670,600.39    | 184,761,984.62   |
| Total current assets                                     |        | 319,195,254.03    | 383,897,287.76    | 439,908,964.03   | 300,084,392.59               | 351,169,496.59    | 455,296,524.91   |
| Non-current assets                                       |        |                   |                   |                  |                              |                   |                  |
| Deposits at financial institutions pledged as collateral | 12     | 70,750,000.00     | 71,702,955.77     | 50,029,913.34    | 69,750,000.00                | 70,702,955.77     | 49,029,913.34    |
| Receivables of finance lease                             | 10     | 142,135.36        | 2,831,831.35      | 8,950,907.25     | 22,687.90                    | 111,879.92        | 523,126.23       |
| Investment in subsidiary                                 | 13     | -                 | -                 | -                | 30,255,410.25                | 30,255,410.25     | 1,261,210.25     |
| Property, plant and equipment                            | 14     | 53,086,260.97     | 58,318,787.37     | 49,692,448.75    | 44,244,945.94                | 48,700,282.35     | 45,602,393.63    |
| Intangible assets  | 15     | 4,765,475.36      | 6,823,399.46      | 6,191,943.07     | 4,477,214.67                 | 5,064,042.90      | 4,975,586.41     |
| Deferred tax assets                                      | 16     | 22,217.81         | 7,558,301.38      | 7,695,624.75     | 22,413.08                    | 6,181,673.18      | 7,148,086.60     |
| Revenue Department Receivable                            |        | 3,902,480.25      | -                 | -                | 3,902,480.25                 | 3,902,480.25      | -                |
| Other non-current assets                                 |        | 6,854,546.83      | 10,885,399.48     | 5,582,178.30     | 5,404,169.06                 | 6,141,215.10      | 4,548,571.83     |
| Total non-current assets                                 |        | 139,523,116.58    | 158,120,674.81    | 128,143,015.46   | 158,079,321.15               | 171,059,939.72    | 113,088,888.29   |
| Total assets   |        | 458,718,370.61    | 542,017,962.57    | 568,051,979.49   | 458,163,713.74               | 522,229,436.31    | 568,385,413.20   |

Notes to financial statements are an integral part of these financial statements.



## Masterkool International Public Company Limited and Subsidiary

## Statements of Financial Position

As at December 31, 2018

(Unit : Baht)

|   |      | Consolidated      |                   |                  | Separate financial statement |                   |                  |
|---|------|-------------------|-------------------|------------------|------------------------------|-------------------|------------------|
|   | Note | December 31, 2018 | December 31, 2017 | January 1, 2017  | December 31, 2018            | December 31, 2017 | January 1, 2017  |
|   |      |                   | Reclassification  | Reclassification |                              | Reclassification  | Reclassification |
| <u>Liabilities and shareholders' equity</u>                     |      |                   |                   |                  |                              |                   |                  |
| Current liabilities   |      |                   |                   |                  |                              |                   |                  |
| Bank overdrafts and short-term loan from financial institutions | 17   | 191,447,502.13    | 171,028,833.25    | 2,185,243.02     | 191,447,502.13               | 171,028,833.25    | 2,185,243.02     |
| Trade and other current payables - related parties              | 6.1  | 587,670.99        | -                 | -                | 1,091,165.78                 | 238,408.28        | 18,320.00        |
| Trade and other current payables - third parties                | 18   | 66,111,084.88     | 73,883,997.65     | 154,735,281.95   | 57,850,136.94                | 56,327,297.18     | 147,781,367.61   |
| Revenue Department payable                                      |      | 1,165,296.23      | 616,685.03        | 29,590.77        | 896,073.82                   | 439,261.85        | 26,335.77        |
| Accrued income tax payable                                      |      | -                 | -                 | 10,478,976.48    | -                            | -                 | 10,478,976.48    |
| Provision for warranty  | 19   | 5,803,175.96      | 3,565,711.61      | 4,412,578.92     | 3,901,175.96                 | 3,565,711.61      | 4,412,578.92     |
| Current portion of long-term liabilities                        |      |                   |                   |                  |                              |                   |                  |
| - Long-term loan from financial institutions                    | 20   | -                 | 24,692.40         | 102,201.83       | -                            | 24,692.40         | 102,201.83       |
| - Finance lease liabilities                                     | 21   | 2,138,337.72      | 2,674,539.30      | 1,867,633.03     | 2,138,337.72                 | 2,674,539.30      | 1,867,633.03     |
| Loan from related parties                                       | 6.1  | 10,000,000.00     | -                 | -                | 18,000,000.00                | -                 | -                |
| Total current liabilities                                       |      | 277,253,067.91    | 251,794,459.24    | 173,811,506.00   | 275,324,392.35               | 234,298,743.87    | 166,872,656.66   |
| Non - current liabilities                                       |      |                   |                   |                  |                              |                   |                  |
| Long-term provision for warranty                                | 19   | 225,100.00        | 1,902,000.00      | -                | -                            | -                 | -                |
| Long-term loan from financial institutions                      | 20   | -                 | -                 | 25,030.26        | -                            | -                 | 25,030.26        |
| Finance lease liabilities                                       | 21   | 577,572.26        | 2,714,982.08      | 3,066,349.33     | 577,572.26                   | 2,714,982.08      | 3,066,349.33     |
| Employee benefit obligations                                    | 22   | 11,264,685.01     | 6,581,978.14      | 1,889,945.28     | 10,225,533.22                | 5,734,125.99      | 1,873,260.72     |
| Deferred tax liabilities  | 16   | 1,170,838.62      | -                 | -                | -                            | -                 | -                |
| Total non - current liabilities                                 |      | 13,238,195.89     | 11,198,960.22     | 4,981,324.87     | 10,803,105.48                | 8,449,108.07      | 4,964,640.31     |
| Total liabilities   |      | 290,491,263.80    | 262,993,419.46    | 178,792,830.87   | 286,127,497.83               | 242,747,851.94    | 171,837,296.97   |

Notes to financial statements are an integral part of these financial statements.

**Masterkool International Public Company Limited and Subsidiary**  
**Statements of Financial Position**  
**As at December 31, 2018**

(Unit : Baht)

|   | Note | Consolidated      |                   |                  | Separate financial statement |                   |                  |
|---|------|-------------------|-------------------|------------------|------------------------------|-------------------|------------------|
|   |      | December 31, 2018 | December 31, 2017 | January 1, 2017  | December 31, 2018            | December 31, 2017 | January 1, 2017  |
|   |      |                   | Reclassification  | Reclassification |                              | Reclassification  | Reclassification |
| Shareholders' equity                          |      |                   |                   |                  |                              |                   |                  |
| Share capital                                 | 23   |                   |                   |                  |                              |                   |                  |
| Authorised share capital                      |      |                   |                   |                  |                              |                   |                  |
| 576,000,000 ordinary shares of Baht 0.25 each |      | 144,000,000.00    | -                 | -                | 144,000,000.00               | -                 | -                |
| 480,000,000 ordinary shares of Baht 0.25 each |      | -                 | 120,000,000.00    | 120,000,000.00   | -                            | 120,000,000.00    | 120,000,000.00   |
| Issued and paid up share capital              |      |                   |                   |                  |                              |                   |                  |
| 480,000,000 ordinary shares of Baht 0.25 each |      | 120,000,000.00    | 120,000,000.00    | 120,000,000.00   | 120,000,000.00               | 120,000,000.00    | 120,000,000.00   |
| Premium on ordinary shares                    |      | 183,030,332.93    | 183,030,332.93    | 183,030,332.93   | 183,030,332.93               | 183,030,332.93    | 183,030,332.93   |
| Surplus on share-based payment transactions   |      | 3,063,936.73      | 3,063,936.73      | 3,063,936.73     | 3,063,936.73                 | 3,063,936.73      | 3,063,936.73     |
| Retained earnings (Deficits)                  |      |                   |                   |                  |                              |                   |                  |
| Appropriated - legal reserve                  | 24   | 8,256,778.85      | 8,256,778.85      | 3,743,166.50     | 8,256,778.85                 | 8,256,778.85      | 3,743,166.50     |
| Unappropriated                                |      | (146,123,941.70)  | (35,326,505.40)   | 79,421,712.46    | (142,314,832.60)             | (34,869,464.14)   | 86,710,680.07    |
| Total shareholders' equity                    |      | 168,227,106.81    | 279,024,543.11    | 389,259,148.62   | 172,036,215.91               | 279,481,584.37    | 396,548,116.23   |
| Total liabilities and shareholders' equity    |      | 458,718,370.61    | 542,017,962.57    | 568,051,979.49   | 458,163,713.74               | 522,229,436.31    | 568,385,413.20   |

Notes to financial statements are an integral part of these financial statements.

**Masterkool International Public Company Limited and Subsidiary**  
**Statements of Comprehensive Income**  
**For the year ended December 31, 2018**

(Unit : Baht)

|   | Note | Consolidated     |                  | Separate financial statement |                  |
|---|------|------------------|------------------|------------------------------|------------------|
|   |      | 2018             | 2017             | 2018                         | 2017             |
|   |      |                  | Reclassification |                              | Reclassification |
| <b>Revenues</b>   |      |                  |                  |                              |                  |
| Revenue from sales  |      | 497,556,624.68   | 449,975,043.20   | 473,658,427.72               | 426,843,901.57   |
| Revenue from services   |      | 67,985,622.82    | 79,143,566.18    | 46,546,768.50                | 59,549,750.88    |
| Other income  |      | 7,176,862.44     | 14,890,385.86    | 6,086,174.21                 | 12,292,887.45    |
| Total revenues  |      | 572,719,109.94   | 544,008,995.24   | 526,291,370.43               | 498,686,539.90   |
| <b>Expenses</b>   |      |                  |                  |                              |                  |
| Cost of sales   |      | 401,399,969.97   | 344,803,525.59   | 389,315,521.99               | 340,593,057.99   |
| Cost of services  |      | 37,523,754.15    | 50,828,624.83    | 16,411,693.18                | 31,137,019.00    |
| Cost of distribution  |      | 160,321,997.26   | 149,891,987.15   | 153,806,373.65               | 142,906,519.35   |
| Administrative expenses   |      | 62,245,816.28    | 76,480,589.53    | 54,749,762.26                | 69,159,471.06    |
| Finance cost  |      | 11,408,516.10    | 5,646,250.22     | 11,473,310.63                | 5,646,250.35     |
| Total expenses  |      | 672,900,053.76   | 627,650,977.32   | 625,756,661.71               | 589,442,317.75   |
| Loss before income tax expense  |      | (100,180,943.82) | (83,641,982.08)  | (99,465,291.28)              | (90,755,777.85)  |
| Income tax expense  | 25   | (8,706,922.19)   | (594,118.62)     | (6,159,260.10)               | (966,413.42)     |
| Loss for the year   |      | (108,887,866.01) | (84,236,100.70)  | (105,624,551.38)             | (91,722,191.27)  |
| Other comprehensive income  |      | -                | -                | -                            | -                |
| <b>Items must not be classified into profit or loss in the future</b> |      |                  |                  |                              |                  |
| Actuarial losses  |      | (1,909,570.29)   | (4,206,504.81)   | (1,820,817.08)               | (3,552,340.59)   |
| Total comprehensive loss for the year                                 |      | (1,909,570.29)   | (4,206,504.81)   | (1,820,817.08)               | (3,552,340.59)   |
| Total comprehensive loss for the year                                 |      | (110,797,436.30) | (88,442,605.51)  | (107,445,368.46)             | (95,274,531.86)  |
| <b>Basic loss per share</b>   |      |                  |                  |                              |                  |
| Basic loss per share  | 26   | (0.23)           | (0.18)           | (0.22)                       | (0.20)           |
| Number of share (Unit : share)  |      | 480,000,000      | 480,000,000      | 480,000,000                  | 480,000,000      |

**Masterkool International Public Company Limited and Subsidiary**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the year ended December 31, 2018**

(Unit : Baht)

|                                       | Note | Issued and<br>paid-up<br>share capital | Share<br>premium | Surplus<br>on share-based<br>payment<br>transactions | Retained earnings (deficits) |                  | Total            |
|---------------------------------------|------|--|------------------|--|------------------------------|------------------|------------------|
|                                       |      |  |                  |  | Legal reserve                | Unappropriated   |                  |
| Balance as at January 1, 2017         |      | 120,000,000.00                         | 183,030,332.93   | 3,063,936.73   | 3,743,166.50                 | 79,421,712.46    | 389,259,148.62   |
| Change in equity for the year         |      |  |                  |  |                              |                  |                  |
| Legal reserve                         | 24   | -                                      | -                | -  | 4,513,612.35                 | (4,513,612.35)   | -                |
| Dividend                              | 27   | -                                      | -                | -  | -                            | (21,792,000.00)  | (21,792,000.00)  |
| Actuarial losses                      |      | -                                      | -                | -  | -                            | (4,206,504.81)   | (4,206,504.81)   |
| Total comprehensive loss for the year |      | -                                      | -                | -  | -                            | (84,236,100.70)  | (84,236,100.70)  |
| Balance as at December 31, 2017       |      | 120,000,000.00                         | 183,030,332.93   | 3,063,936.73   | 8,256,778.85                 | (35,326,505.40)  | 279,024,543.11   |
| Change in equity for the year         |      |  |                  |  |                              |                  |                  |
| Actuarial losses                      |      | -                                      | -                | -  | -                            | (1,909,570.29)   | (1,909,570.29)   |
| Total comprehensive loss for the year |      | -                                      | -                | -  | -                            | (108,887,866.01) | (108,887,866.01) |
| Balance as at December 31, 2018       |      | 120,000,000.00                         | 183,030,332.93   | 3,063,936.73   | 8,256,778.85                 | (146,123,941.70) | 168,227,106.81   |

Notes to financial statements are an integral part of these financial statements.

## Masterkool International Public Company Limited and Subsidiary

## Separate Statements of Changes in Shareholders's Equity

For the year ended December 31, 2018

(Unit : Baht)

|                                       | Note | Issued and<br>paid-up<br>share capital | Share<br>premium | Surplus<br>on share-based<br>payment<br>transactions | Retained earnings (deficits) |                  | Total            |
|---------------------------------------|------|--|------------------|--|------------------------------|------------------|------------------|
|                                       |      |  |                  |  | Legal reserve                | Unappropriated   |                  |
| Balance as at January 1, 2017         |      | 120,000,000.00                         | 183,030,332.93   | 3,063,936.73   | 3,743,166.50                 | 86,710,680.07    | 396,548,116.23   |
| Change in equity for the year         |      |  |                  |  |                              |                  |                  |
| Legal reserve                         | 24   | -                                      | -                | -  | 4,513,612.35                 | (4,513,612.35)   | -                |
| Dividend                              | 27   | -                                      | -                | -  | -                            | (21,792,000.00)  | (21,792,000.00)  |
| Actuarial losses                      |      | -                                      | -                | -  | -                            | (3,552,340.59)   | (3,552,340.59)   |
| Total comprehensive loss for the year |      | -                                      | -                | -  | -                            | (91,722,191.27)  | (91,722,191.27)  |
| Balance as at December 31, 2017       |      | 120,000,000.00                         | 183,030,332.93   | 3,063,936.73   | 8,256,778.85                 | (34,869,464.14)  | 279,481,584.37   |
| Change in equity for the year         |      |  |                  |  |                              |                  |                  |
| Actuarial losses                      |      | -                                      | -                | -  | -                            | (1,820,817.08)   | (1,820,817.08)   |
| Total comprehensive loss for the year |      | -                                      | -                | -  | -                            | (105,624,551.38) | (105,624,551.38) |
| Balance as at December 31, 2018       |      | 120,000,000.00                         | 183,030,332.93   | 3,063,936.73   | 8,256,778.85                 | (142,314,832.60) | 172,036,215.91   |

## Masterkool International Public Company Limited and Subsidiary

## Statements of Cash Flows

For the year ended December 31, 2018

(Unit : Baht)

| Note  | Consolidated     |                  | Separate financial statement |                  |
|---|------------------|------------------|------------------------------|------------------|
|   | 2018             | 2017             | 2018                         | 2017             |
|   |                  | Reclassification |                              | Reclassification |
| Cash flows from operating activities  |                  |                  |                              |                  |
| Loss before income tax expense  | (100,180,943.82) | (83,641,982.08)  | (99,465,291.28)              | (90,755,777.85)  |
| Adjustments to reconcile loss before income tax expense for cash provided by (used in) operating activities |                  |                  |                              |                  |
| Depreciation and amortization   | 19,599,468.24    | 17,089,007.88    | 18,569,670.39                | 16,260,321.41    |
| Doubtful debt (Reversal)  | (516,577.44)     | 2,397,298.28     | (520,954.23)                 | 2,299,515.78     |
| Impairment loss on assets (Reversal)  | (1,411,149.13)   | 10,581,845.98    | (1,411,149.13)               | 8,965,941.60     |
| Impairment loss on intangible assets  | 1,540,000.00     | -                | -                            | -                |
| Unrealised gain from exchange rates   | (1,115,475.81)   | (1,907,732.50)   | (1,132,061.17)               | 1,960,495.06     |
| Loss from write-off of property, plant and equipment  | 297,349.19       | 65,474.26        | 291,867.33                   | 65,474.26        |
| Gain from disposal of property, plant and equipment   | (157,876.39)     | (93,066.43)      | (157,876.39)                 | (93,066.43)      |
| Unrealised loss from short-term investment  | -                | 1,142.56         | -                            | 1,142.56         |
| Loss from obsolete inventories  | 6,653,915.04     | 20,110,371.40    | 6,641,098.40                 | 20,103,558.09    |
| Employee benefit obligations  | 2,773,136.58     | 321,987.00       | 2,670,590.15                 | 308,524.68       |
| Provision for warranty (Reversal)   | 560,564.35       | 1,055,132.69     | 335,464.35                   | (846,867.31)     |
| Interest income   | (1,745,001.03)   | (3,145,429.58)   | (582,868.74)                 | (1,356,154.06)   |
| Interest expenses   | 11,408,516.10    | 5,646,250.22     | 11,473,310.63                | 5,646,250.35     |
| Loss from operating activities before changes in operating assets and liabilities                           | (62,294,074.12)  | (31,519,700.32)  | (63,288,199.69)              | (41,361,631.98)  |
| (Increase) decrease in trade and other current receivables - related parties                                | (1,715,741.63)   | (1,898,981.74)   | 2,037,706.29                 | (19,883,008.41)  |
| (Increase) decrease in trade and other current receivables - third parties                                  | 19,875,661.19    | 18,706,458.08    | (7,972,785.11)               | 52,318,800.58    |
| (Increase) decrease in finance lease receivables  | 15,144,094.34    | (2,604,231.07)   | 498,809.23                   | 352,467.35       |
| (Increase) decrease in inventories  | 43,130,697.28    | (67,140,008.14)  | 46,511,631.91                | (65,466,854.99)  |
| (Increase) decrease in other non-current assets   | 2,598,541.00     | (5,303,221.18)   | 1,955,041.51                 | (4,751,127.76)   |
| Increase in trade and other payables - related parties  | -                | -                | 200,291.72                   | 220,088.28       |
| Decrease in trade and other payables - third parties  | (12,058,488.81)  | (82,333,342.52)  | (3,964,146.39)               | (90,695,307.79)  |
| Increase in revenue department payable  | 548,611.20       | 587,094.26       | 456,811.97                   | 412,926.08       |
| Cash generated from operation   | 5,229,300.45     | (171,505,932.63) | (23,564,838.56)              | (168,853,648.64) |
| Cash received from interest   | 1,800,329.26     | 2,894,873.97     | 657,481.22                   | 2,835,980.68     |
| Cash paid for income tax  | (2,470,168.60)   | (10,772,230.68)  | -                            | (11,222,972.70)  |
| Net cash provided by (used in) operating activities   | 4,559,461.11     | (179,383,289.34) | (22,907,357.34)              | (177,240,640.66) |

Notes to financial statements are an integral part of these financial statements.

## Masterkool International Public Company Limited and Subsidiary

## Statements of Cash Flows

For the year ended December 31, 2018

(Unit : Baht)

|   | Note | Consolidated    |                  | Separate financial statement |                  |
|---|------|-----------------|------------------|------------------------------|------------------|
|   |      | 2018            | 2017             | 2018                         | 2017             |
|   |      |                 | Reclassification |                              | Reclassification |
| Cash flow from investing activities                         |      |                 |                  |                              |                  |
| Cash received from sales of short-term investment           |      | 122,760.35      | 275,077,361.93   | 122,760.35                   | 275,077,361.93   |
| Cash paid for purchase of short-term investment             |      | -               | (219,630,000.00) | -                            | (219,630,000.00) |
| Cash paid for investment in subsidiary                      |      | -               | -                | -                            | (28,994,200.00)  |
| Cash paid for purchase of property, plant and equipment     |      | (6,733,914.89)  | (30,179,404.35)  | (6,542,866.04)               | (24,329,421.67)  |
| Cash received from sales of property, plant and equipment   |      | 373,312.62      | 193,816.37       | 373,312.62                   | 193,816.37       |
| Cash paid for purchase of intangible assets                 |      | (771,502.00)    | (1,581,093.00)   | (728,057.00)                 | (1,166,093.00)   |
| Decrease in short-term loan due to related party            |      | -               | -                | 7,000,000.00                 | 18,279,887.50    |
| (Increase) decrease in fixed deposits pledged as collateral |      | 952,955.77      | (21,673,042.43)  | 952,955.77                   | (21,673,042.43)  |
| Net cash provided by (used in) investing activities         |      | (6,056,388.15)  | 2,207,638.52     | 1,178,105.70                 | (2,241,691.30)   |
| Cash flows from financing activities                        |      |                 |                  |                              |                  |
| Increase in short - term loans from financial institutions  |      | 21,108,371.09   | 170,240,506.05   | 21,108,371.09                | 170,240,506.05   |
| Increases in short-term loans from related parties          |      | 10,000,000.00   | -                | 18,000,000.00                | -                |
| Cash paid for obligation under finance leases               |      | (2,673,611.40)  | (2,143,292.75)   | (2,673,611.40)               | (2,143,292.75)   |
| Cash paid for long-term loan due from financial institution |      | (24,692.40)     | (102,539.69)     | (24,692.40)                  | (102,539.69)     |
| Cash paid for dividend                                      |      | -               | (21,792,000.00)  | -                            | (21,792,000.00)  |
| Cash paid for interest                                      |      | (10,763,142.20) | (5,600,998.91)   | (10,763,142.20)              | (5,600,998.91)   |
| Net cash provided by financing activities                   |      | 17,646,925.09   | 140,601,674.70   | 25,646,925.09                | 140,601,674.70   |
| Net increase (decrease) in cash and cash equivalent         |      | 16,149,998.05   | (36,573,976.12)  | 3,917,673.45                 | (38,880,657.26)  |
| Cash and cash equivalents, beginning balance                |      | 10,866,863.62   | 47,440,839.74    | 7,873,775.74                 | 46,754,433.00    |
| Cash and cash equivalents, ending balance                   | 28.1 | 27,016,861.67   | 10,866,863.62    | 11,791,449.19                | 7,873,775.74     |

Notes to financial statements are an integral part of these financial statements.



# **MASTERKOO**L

Master of Innovative Cooling



MasterkoolFan

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