

1. Policy and Business Overview

Masterkool International Public Company Limited (“Company”) was established on June 3, 2002 by Mr. Noppachai Veeraman and friends. Its main business relies on supply of cooling products, i.e. air cooler, misting fan, and industrial fan under the brand of “MASTERKOOL” and “Cooltop”. The business includes services and rental cooling for outdoor area, design and installation of cooling system inside a plant or warehouse, after-sale warranty, and maintenance. At present, the Company sells the products through more than 200 domestic distributors locating nationwide and also sells in modern retail stores such as Makro, Homepro, Megahome, and Thai Watsadu, totally 204 stores as of December 31, 2015, together with online sale via famous websites such as Lazada, 24shopping, and Tarad.com. Moreover, the Company exports its products under the brand of “MASTERKOOL” to more than 30 countries worldwide. In 2015, the Company has export sale at 18.5% of total revenue from sale and service.

In addition, the Company has 99.98% shares in 1 subsidiary, Innov Green Solution 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. Moreover, the Subsidiary also researches and develops ozone vegetable washer and import ozone show deodorizer. Both are sold under the brand of “ingreen” and start selling through modern trade store from the third quarter of 2014 onwards.

1.1 Vision, Objective, Goal or Business Strategy

- **Vision**

MASTERKOOL is the certain leader of new generation cooling system that removing hot condition without using air conditioner or fan, including being a sustainable organization for customers, suppliers, employees, shareholders, and communities.

- **Mission**

Create “MASTERKOOL” brand awareness for good perception of corporate customers and retail customers, and achieve highest share in Thailand misting fan and air cooler market.

- **Goal**

To achieve “Masterkool” brand awareness, being well-known, recognize, and top of mind brand as a leader of misting fan and air cooler manufacturing, and get the top market share in Thailand.

- **Business Strategy**

To achieve the business goal, the Company focuses on three following strategies

- 1) Marketing strategy: run marketing activities via multimedia continuously

2) Branding strategy can be categorized into 2 Parts

2.1) Corporate Branding: To be the leader of each product under slogan “Real leadership for modern cool”. For example, being the first brand in Thailand that has good knowledge and makes own product design and development by expertise who deeply understands in product and market, with ready-for-sale products and service

2.2) Product Branding: To focus on core function of products in term of cooling and energy saving as a new choice of cooling products under slogan “High cool in real save”

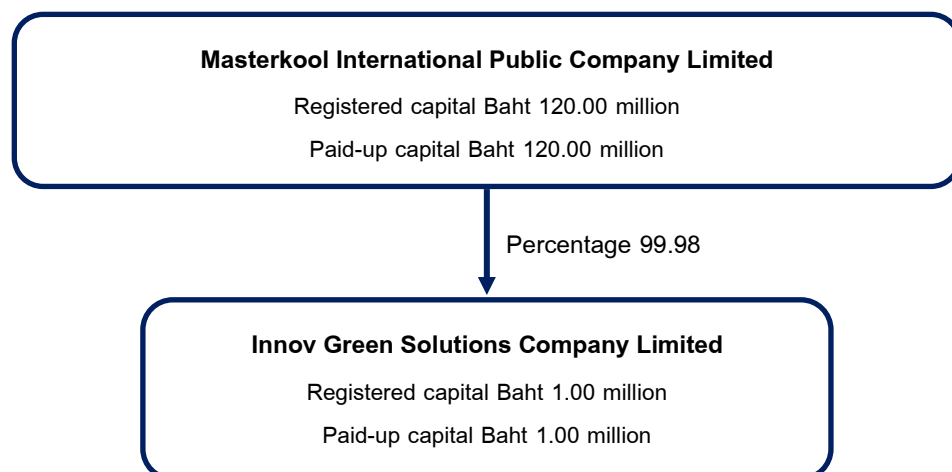
3) Customer satisfaction strategy: The Company surveys for customer satisfaction for sale or after-sale service by using questionnaires, phone call survey, then use the result as reference in product and service development.

1.2 Key Milestones

2002 – 2010	<p>Masterkool International Public Company Limited (“Company”) was established on June 3, 2002 by Mr. Noppachai Veeraman and friends. Its initial capital was Baht 2,000,000 with 200,000 ordinary shares at par value of Baht 10 per share. The Company’s major businesses are manufacturing and sale of misting fan by being the first company that makes research and development for misting fan to solve the problem for any place that is unable to install air conditioner.</p> <p>The Company increased its capital 4 times from Baht 2,000,000 to Baht 44,400,000 in 2009, comprising of 4,440,000 ordinary shares, at par value of Baht 10 per share by offering to the existing shareholders to support business expansion. Regarding the 4th capital increase, the Company sells 440,000 ordinary shares to K-SME at value of Baht 20 per share (par value is Baht 10 per share).</p> <p>In 2008, the Company achieves Prime Minister’s Export Award 2008 in the category of Thai-Owned Brand.</p> <p>In 2009, the Company and the three shareholders entered into joint-venture agreement and shareholders agreement between the shareholders and K-SME (refer to the details in article 9.3 shareholders agreement). Moreover, the Company started import air cooler for sale in Thailand.</p>
2011	<p>The Company joined establishment of Innov Green Solution Company Limited (“ingreen”) with unrelated person with initial capital of Baht 1,000,000 for 10,000 shares at par value of Baht 100 per share. The Company holds 49.99% shares of ingreen to run ozone product business.</p>
2013	<p>The Company made the 5th capital increase of Baht 44,400,000 by increasing from 4,440,000 ordinary shares at par value of Baht 10 per share to 7,000,000 ordinary shares at par value of Baht 10 per share by offering and allocating to the existing</p>

	shareholders, directors, management, and some employees at par value of Baht 10 per share.
2014	<p>The ordinary meeting of shareholders no. 2/2014, dated September 9, 2014 had the resolution to allow the Company performing the following activities.</p> <ul style="list-style-type: none"> ● Transformed to Public Company Limited ● Changed the par value from Baht 10 per share to Baht 0.25 per share ● Increased registered capital from Baht 70,000,000 of 280,000,000 ordinary shares at par value of Baht 0.25 per share to Baht 120,000,000 of 480,000,000 ordinary shares at par value of Baht 0.25 per share. The details of allocation are as follows. <ul style="list-style-type: none"> - 80,000,000 ordinary shares were allocated to the existing shareholders at the current shareholding ratio. - 120,000,000 ordinary shares were allocated to general people <p>The Company made the 6th paid-up capital increase from Baht 70,000,000 of 280,000,000 ordinary shares at par value of Baht 0.25 per share to Baht 90,000,000 of 360,000,000 ordinary shares at par value of Baht 0.25 per share by offering the existing shareholders at the current shareholding rate at the par value of Baht 0.25 per share.</p>
2015	<p>The Company was listed on the Market for Alternative Investment (mai) and offering new shares to the public for the first time (IPO) in the service industry with KOOL securities code on September 23, 2015.</p>

1.3 Shareholders' structure as of December 31, 2015



1.4 Relationship with major shareholders' business: The Company runs its business without and relationship with major shareholders' business

2. Business Operations

2.1 Revenue structure

Company revenue structure by consolidated financial statements 2013 – 2015 can be categorized as follows :

- Revenue structure by products

Type of revenue	2013		2014		2015	
	Mil.Baht	%	Mil.Baht	%	Mil.Baht	%
Revenue from evaporative fan sale	159.20	51.8	339.19	73.2	522.39	81.5
Revenue from misting fan sale	85.94	27.9	56.78	12.3	43.31	6.8
Revenue from industrial and ventilation fan sale	24.77	8.1	32.25	7.0	30.47	4.8
Revenue from spare part and ozone product sale	10.41	3.4	7.98	1.7	11.18	1.7
Total revenue from sale	280.33	91.2	436.21	94.1	607.35	94.8
Revenue from service ^{1/}	25.03	8.1	22.44	4.8	29.06	4.5
Total revenue from service	305.36	99.3	458.65	99.0	636.41	99.3
Other revenue ^{2/}	2.14	0.7	4.84	1.0	4.37	0.7
Total revenue	307.50	100.0	463.49	100.0	640.78	100.0

^{1/} Revenue from service include rental fee, maintenance and warranty fee, ozone system service

^{2/} Other revenues include government subsidy, interest revenue, profit (loss) from exchange rate, and profit (loss) from sale of property

- Revenue structure by distribution channel

Channels	2013		2014		2015	
	Mil.Baht	%	Mil.Baht	%	Mil.Baht	%
Modern Trade ^{1/}	58.27	19.1	156.53	34.1	273.28	42.9
Direct Sale	134.26	44.0	139.35	30.4	136.77	21.5
Dealer	67.87	22.2	92.55	20.2	108.61	17.1
Agent	44.96	14.7	70.22	15.3	117.75	18.5
Total revenue from sale and service	305.36	100.0	458.65	100.0	636.41	100.0

^{1/} Modern Trade include modern department store, catalogue, and online sale.

- Revenue structure by territory

Source of revenue	2013		2014		2015	
	Mil.Baht	%	Mil.Baht	%	Mil.Baht	%
Domestic	260.40	85.3	388.43	84.7	518.66	81.5
International	44.96	14.7	70.22	15.3	117.75	18.5
Total revenue from sale and service	305.36	100.0	458.65	100.0	633.45	100.0

2.2 Products or Service Characteristics

The Company's products can be categorized into 2 types those are 1) heat reduction and ventilation products such as misting fan, evaporative fan, and industrial and ventilation fan, 2) ozone system products, such as ozone system for big air conditioner, washer, pipe water, vegetable washer, show deodorizer. In addition to sale of those products, the Company also provides rental service, consultancy and installation service, and offering choice that suitable for customer's demand and budget. The followings are details of those products.

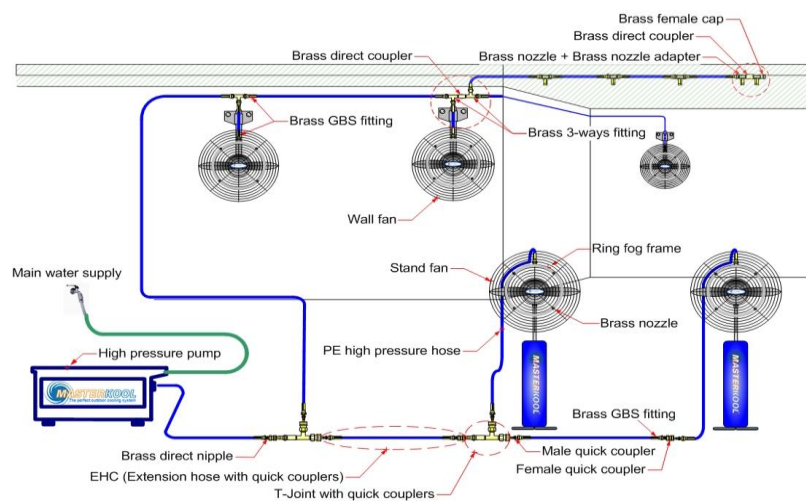
1 Heat reduction and ventilation products

(a) 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.

- High Pressure system

High pressure misting fan comprises high pressure water pump, fan, and small misting nozzle. The Company has total 4 sizes of high pressure misting fan for sale, i.e. 20 inch, 24 inch, 26 inch, and 30 inch with around 6 models. The fan has small spray head for generating 5 micron mist that can absorb heat from the air very well. The high pressure misting fan is available for sale in either table type, or wall type, or mobile type, or 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



Example of high pressure misting fan

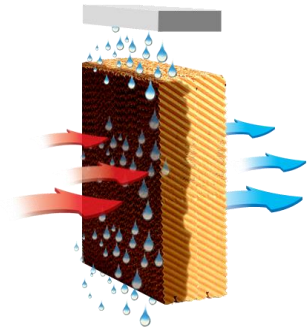
- Centrifugal Force System

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, or wall type, or mobile type, in the size of 24 inch or 26 inch, for around 3 models. Moreover, the Company's centrifugal force misting fan obtains the petty patent no. 5664, provided for the misting fan using centrifugal force systems obtain, by the Department of Intellectual Property, Ministry of Commerce.

(b) Evaporative Fan

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

At present, the Company sells either mobile type or wall type of evaporative fan under the brand of "MASTERKOOL". they are suitable for using as air conditioner in house, shop, outdoor, and suitable for factory, warehouse, large building. The Company designs some models by itself and applies for design patent with the Department of Intellectual Property, Ministry of Commerce. There are some models those were produced by outsource in China for either domestic sale or export, while some are imported for sale



Cooling pad is a key function of evaporative fan



Evaporative fan

At present, the Company sells 3 types and 11 models of evaporative fan; 1) mobile type named MASTERKOOL I-Kool ("MIK") that is suitable for retail customers for using in house, shop, restaurant, hotel, etc., 2) small wall type named MASTERKOOL U-Kool 03, and big evaporate air cooling system for indoor installation named MASTERKOOL U-Kool ("MUK") that is suitable for factory or large warehouse.

(c) Industrial and Ventilation

- Industrial Fan

The Company sells and supplies industrial fan, made of high durability materials, under the brand of “MASTERKOOL” and also sells industrial fan under the brand of “Cool Top”, which is a fighting brand with lower price. The industrial fans sold under either brand have 3 size options, i.e. 20 inch, 24 inch, and 30 inch, available in either table type or wall type. The fan can be adjusted to swing up to 90 degree, 3 wind levels, covering area of 30 – 50 square meters for ventilation and cooling purpose.



Industrial Fan

- Ventilation Fan

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.



Ventilation Fan

(d) Rental service

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 service also includes 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.

(e) After-sale service

The Company has 1-year warranty that provides repair and replacement of spare parts free of charge. At the end of 2014, 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

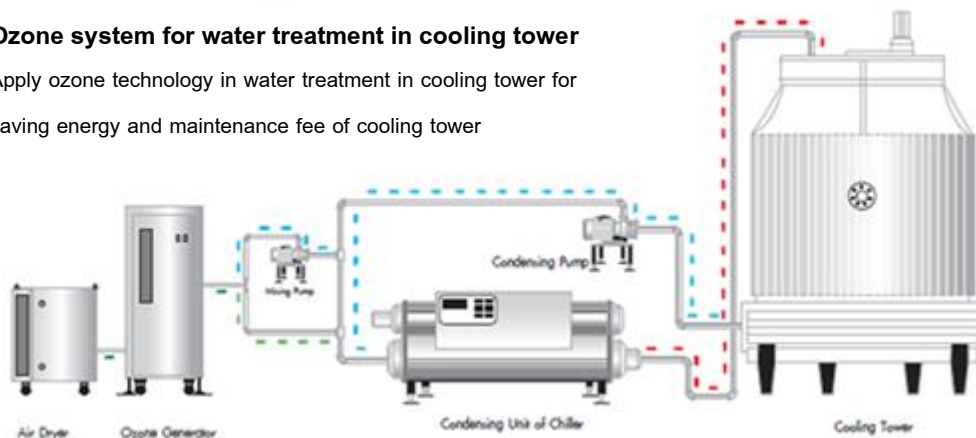
Ozone system product

The Company has the policy to let its subsidiary; Innovgreen Solution Company Limited, operate the business of rental service, supply, provide energy saving and environment conservative products, including service for ozone generator system used for energy saving and environment conservation, e.g. water treatment, sterilization system. As ozone will dissolve to oxygen after reaction with other substance, there is no residual chemical and ozone can prevent new generating dreg by holding Carbolic acid and Calcium in the water. Moreover, ozone can remove existing dreg in the system without using any chemical for dreg reduction and sterilization.

With the above qualification of ozone, the Company can apply ozone with cooling tower of air conditioner in large building and cloth washer of the hospital. This can effectively help in cost reduction of energy and chemical. At present, the Company has revenue from sale, cost saving, and rental. The key customers are big department stores, hotels, hospital. In addition, the ozone system can be applied for other function, such as Chlorine and carcinogen reduction, water treatment and stylization, pipe water quality improvement by reducing inorganic compound in water which is one of carcinogen.

Ozone system for water treatment in cooling tower

Apply ozone technology in water treatment in cooling tower for saving energy and maintenance fee of cooling tower



Ozone system for cloth washing machine

Combine ozone technology with washing technique for developing cloth washing system for saving energy and cost.



Ozone system for pipe water production

Use ozone technology for producing pipe water as it could reduce organic compound in water that may generate carcinogen, and can dissolve color, smell, and toxic from chemical.

Ozone system

In addition to big ozone system, the Company also adapts ozone application for utilizing in new appliances. The first one is an automatic ozone vegetable washer, which applies ozone technology for making fruit and vegetable fresh, clean, and free from germ and residual chemicals. It is designed by the Company, then outsource to other countries for production. The Company has submitted application for design patent of automatic ozone vegetable washer with Department of Intellectual Property. Another one is shoe deodorizer that the Company tries to import for sale. It can apply ozone for killing bacteria quickly, then can kill any bacteria in shoes effectively. Those products are sold under the trademark of "ingreen" in modern trade and in the Company since August 2014 onward.



Ozone vegetable washer



Shoe deodorizer

2.2.1 BOI Certificate, Petty patent, Permit, and International Standard

1 BOI Certificate for electrical appliance manufacture

BOI Certificate No.	1811(5)/2554
Submission Date	July 12, 2011
Business	Manufacturing of evaporative cooler
Privileges	<ol style="list-style-type: none"> 1. Permit to bring into the Kingdom skilled workers and experts to work in investment promoted activities within the period considered by BOI. 2. Exemption/reduction of import duties on approved machinery 3. Exemption of juristic person's income tax for the promoted business' profits for 8 years starting from the first revenue generation date (March 15, 2012). In case the Company loss during the period of tax exemption, the loss can be deducted from the net profit obtained in one or more years after the period but not later than 5 years after expiry date 4. Exemption of including dividend from the promoted business in income tax calculation along the promoting period 5. Exemption of import duties for raw or essential materials for use in production for export for 1 year from the first import date 6. Exemption of import duties for goods import for export from the first import date 7. Permit to take out or remit money abroad in foreign currency

2. Design permit for high pressure pump timing controller

BOI Certificate No.	1002002474
Submission Date	September 9, 2010
Invention name	high pressure pump timing controller
Covering period	November 28, 2014 – September 8, 2020
Privileges	Protection of invention within the period

3. Petty patent for centrifugal misting fan

BOI Certificate No.	5664
Submission Date	September 30, 2010
Invention name	Misting fan
Covering period	October 20, 2008 – October 19, 2014 (Under renewal period which can be done two times for 2-year period each, before expiry date of December 19, 2018)
Privileges	Protection of invention within the period

4. Permit and international standard

Permit/ international standard	Duration	Detail
1. Industrial standard permit TIS 934-2533 (1990)	Operation period	Present standard mark for DC electric fan
2. ISO 9001:2008	December 16, 2013 – December 15, 2016	International standard certification of quality system management
3. TIS import permit -No.nor 8825-1618/934 -No.nor 8857-1619/934	Operation period	The decree allows imported products have to meet the standards for discharge into the Kingdom. For cooling fan, which is imported from abroad.

2.3 Marketing and Competition

2.3.1 Business Strategy

The Company sets its goal to be one leader of misting fan and evaporative fan manufacturing with the highest market share in Thailand, under the slogan of “Masterkool 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 “High Cool Real Safe”, for being No. 1 of eco 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.

1) Marketing and Advertising Strategy

The Company strives on marketing and advertising strategy by focusing on publication of “MASTERKOOOL” logo and other products through various channels and uses many activities continuously. The promotion and advertising policy and example of activities and channels can be summarized as follows.

- (a) The Company always post advertisement of its website (www.masterkool.com) to make all customers reach information and create their awareness about the Company and its products. Moreover, the Company also use website www.masterkool-direct.com for direct sale.
- (b) The Company publishes advertisement through some publishing to create more brand awareness, such as brochure, book, corporate book, and newspaper column.
- (c) The Company launches some advertisement to promote the Company and its products via television, radio, and billboard, e.g. advertisement through MCOT radio station, Greenwave radio, Sa Ked Kao plan of Channel 7, FIVE morning news of Channel 5, and large billboard on Rama II road.

(d) The Company makes publication and communication through social media as follows.

- Facebook Page at <http://www.facebook.com/MasterkoolFan>
- YouTube: at <http://www.youtube.com/user/masterkoolfan>
- LINE (Line ID: Masterkool-Direct)

(e) The Company has publication via booth and events, either local or international, continuously.

- Local booth, i.e. Thailand Industrial Fair 2015, Food & Hotel Thailand 2015, and HomePro Expo 2014, Baanlaesuan Fair and Annual Red Cross Fair
- International booth, i.e. Canton Fair 2015 (China), Thailand Week Hanoi 2015 (Vietnam) and Thailand Week Mumbai 2015 (India)

(f) The Company focuses on social activities. The company's products were rendered to temples and schools.

(g) Launching sales promotion or commercial discount for customers

In addition to the above channels, the Company also concerns about direct approach to customers to create more awareness. The Company assigns some officers to work at the department in modern trades for promotion, suggestion, and creation of product and brand awareness. Currently, modern trade customers are the main segment who generates the most revenue for the Company because the large distribution channels covering all regions of Thailand; can approach consumer directly, and likely to have more branches continuously. Tentatively, the number of branches will be increased continuously. Moreover, in 2015 the Company will place its product in new modern trade, such as Thai Watsadu.



Media Advertising



Canton Fair (China)

2) Product Development and Selection Strategy

The Company always aware of consumer demand, thus it not only creates brand awareness but also produces and develops quality product to meet consumer's requirement and suitable for the brand. The Company continuously runs survey of consumer demand and makes comparison study among competitors' products for better quality. Initially, the Company mainly sold misting fan, however, consumer concerns about mist that can make them wet or sick. Thus, the Company started finding and developing evaporative fan that has not mist, including ozone system that can sterilize to relieve consumers' concern. Lastly, the Company has developed moisture control system in evaporative fan to set suitable moisture while using evaporative fan.

In addition, the Company has research, development, and selection procedure to get the required products as per customer demand with good cooperation of team and by jointly work with King Mongkut's Institute of Technology Ladkrabang in some projects. 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.

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 9 repair and service centers nationwide. This makes the Company different from some small competitors those focuses on low price product with a few repair center. 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 be acceptable in both local and international market of evaporative fan.

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 those are direct sale, modern trade and website, dealer, and agent. At present, the highest sale comes from modern trade that can approach customer easily and has many branches nationwide. As customer can test the product efficiency before making decision, it may effect on buying decision. Now the Company sells its products through modern trades such as Makro, Homepro, BigC Jumbo, Megahome, and Thai Watsadu, totally 470 branches nationwide.

However, one key success factor of selling product through modern trade is the service of product consultant (PC), who provides product information directly to customers. 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, including set up the following management system for more than 169 product consultants.

- Provide training before work so that they can have some knowledge and understand the products, then can offer and suggest suitable products for customers
- Set appropriate goal and compensation for motivation.
- Monitor sales' performance closely to support and help them solve some problem, including arrange monthly meeting for information exchange and build up good relationship
- Set up daily information transfer system about sale and inventory to increase efficiency of inventory management and marketing plan

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.

2.3.2 Target customers

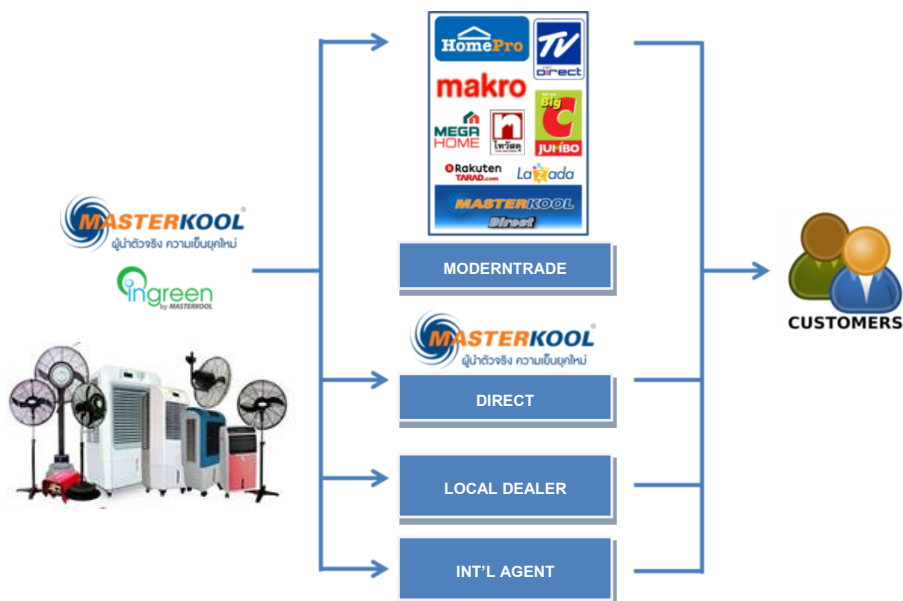
The Company has various target groups, i.e. industrial, public sector, education institute, hotel, hospital, department store, touring place, restaurant, home appliance customers, etc. The target group can be categorized by products as follows.

Products	Target customers
misting fan	Outdoor activities, touring places, hotel, restaurant, outdoor area, temple, sport field, factory, etc.
evaporative fan	Individual customers, touring place, hotel, restaurant, hospital, temple, sport field, factory, school, warehouse, etc.
Ventilation Fan and industrial Fan	Touring place, restaurant, hospital, temple, sport field, factory, warehouse, etc.
Ozone system	Department store, hotel, hospital, pipe water plant, Individual customers (for ozone vegetable washer and ozone shoe deodorizer) etc.

There are 2 groups of local customers; corporate customers and individual customers. Misting fan products, either high pressure misting fan or centrifugal force misting fan, have the target group as organizations those have outdoor area, such as touring place, hotel, restaurant, outdoor activity area, animal farm, temple, sport field, factory, etc. For big evaporative fan used in system, ventilation fan, and industrial fan, the target groups are organizations with clear area and require ventilation such as factory, warehouse, touring place, restaurant, temple, indoor stadium. Moreover, mobile evaporative fan also have the target from individual home use to corporate customers.

2.3.3 Sale and distribution channel

The Company sells the products mainly through 4 channels, i.e. direct sale, modern trade, dealer, and agent.



1) Direct Sale

The Company also sells all products to any customers through its shop locating in front of the Company's building at 12/16-17 and 20, Tessaban Songkrao Road, Lad Yao, Chatuchak, Bangkok and through salesman. Most customers are organization, such as customers who have outdoor activities, factory, warehouse, hotel, hospital, school, government office. In 2015, the Company had direct sale at 21.1% of sale and service revenue.



The Company's shop

2) Modern Trade

The Company sells misting fan, evaporative fan, mobile industrial fan, ozone vegetable washer, and ozone shoe deodorizer through modern trade where the most customers are individual. The Company categorizes modern trade into 2 types

- a) Selling through modern trade with showing place that customers can touch and trial products, including aware of product efficiency before buying. The examples of those modern trades are Home Pro, MAKRO, Mega Home, Big C Jumbo. During 2013 – 2015, number of modern trades those allow the Company placing goods are shown in the below table.

แบ่งตามผู้ค้าปลีกสมัยใหม่	30 April 2013	30 April 2014	30 December 2015
	(Stores)	(Stores)	(Stores)
Home Pro	20	58	71
MAKRO	19	47	65
Mega Home	-	4	5
Thai Watsadu (start selling in 2015)	-	-	19
Global House	-	-	30
Big C Jumbo	-	3	10
Boonthavorn	-	-	4
Total	39	112	204

- b) Selling through catalog, brochure, and website such as TV Direct, 7-Catalog (www.24shopping.co.th) www.masterkool-direct.com www.lazada.co.th www.tarad.com www.pantavanij.com

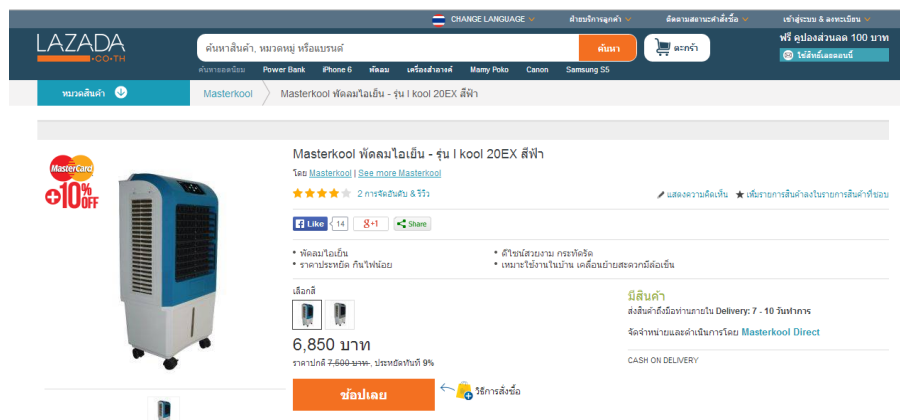
In 2015, the Company sells through modern trade at 43.2% of revenue from sale and service. Thus, it can be considered as the most sale channel of the Company



Sale on the Company's website



Sale via modern trade



Sale via website lazada.co.th

3) Dealer

The Company appointed dealers to be local distribution channel for all products sold domestically, including either mobile or fixed misting fan, evaporative fan, or industrial fan, and after-sale service and rental service. The dealers' customers include individual and corporate. In the year 2013 – 2015 the Company has dealer nationwide as shown in the following table.

Numbers of Dealers	31 Dec 2013	31 Dec 2014	31 Dec 2015
	(places)	(places)	(places)
Dealers	144	283	211

Dealers shall be awarded mainly by considering the competency to meet the target, shop size, financial status, and payment capability. The Company shall follow up and evaluate dealers' performance regularly to ensure that they can meet the sale target. The Company shall set credit approval, payment period, and discount by considering payment profile, sales target, repayment capability, working capital, guarantee properties, and other factors. In 2015, the Company sells through dealers at 17.1% of revenue from sale and service.

4) Agent

To sell the products in international market, the Company has agents who understand customers' demand in each area. The Company started selling in the first country, which is Greece, in February 2004. At the end of 2015, the Company sells through agents in more than 37 countries worldwide, such as Japan, German, Spain, Australia, India, Singapore, Vietnam, Myanmar, Cambodia, and Malaysia. In 2015, the Company sells through agents at 18.5% of revenue from sale and service.

Number of agents in 2013 – 2015, categorized by territory

Number of agents by territory	31 Dec 2013	31 Dec 2014	31 Dec 2015
	(places)	(places)	(places)
Asia (exclude Thailand)	19	23	13
Middle East	6	3	6
Europe	2	8	8
Africa	4	4	6
South America	2	2	2
Pacific Peninsula	4	3	2
Total	37	43	37

2.4 Industry and Competition

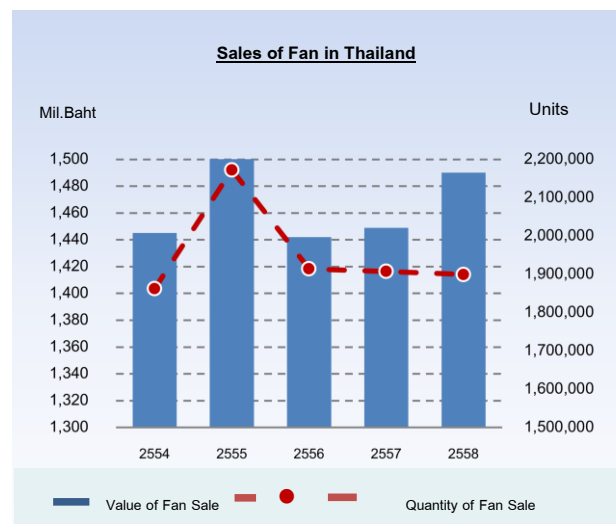
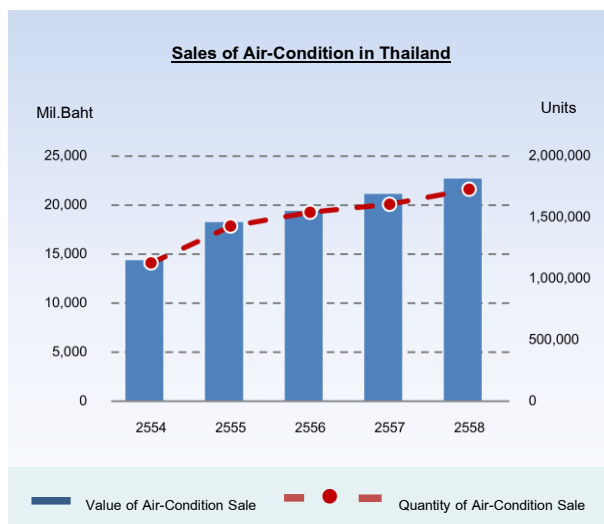
2.4.1 Industry Information

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

Import statistic of medium to large evaporative fan	2013	2014	2015	Growth rate (%)	
	(Mil.Baht)	(Mil.Baht)	(Mil.Baht)	2013-2014	2014-2015
Evaporative fan import value of	141.46	189.48	156.91	34.0	-17.2

Source: Custom department

The information of Custom Department said that 2014 import value of medium to large evaporative fan are 189.48 Million Baht, 34.0% growing up from 2013. This because evaporative fan is a new product group for replacement of air conditioner or fan with strong benefit of better temperature reduction than fan and energy saver than air conditioner. In addition, hot weather of Thailand make brand new products be popular easily, thus evaporative fan has very high growth rate. Whereas, total import value in 2015 is 156.91 Million Baht, 17.2% going down from 2014 affected from overall economy since ending of 2014. In 2015, growth rate of the industrial sector increased to only 0.1% according to the information of the Office of the National Economic and Social Development Board.



Source: The Office of Industrial Economics

In addition, if considering industry overview of air conditioner, which is a product almost similar to the Company's products, it is found that during the past 5 years, sale of air conditioner in Thailand tended to expand continuously. In 2011, domestic sale of air conditioner were 1.12 million units, value 14,364 Million Baht. In 2015, domestic sale of air conditioner were 1.72 million units, value 22,701 Million Baht. By quantity, Cumulative Average Growth Rate ("CAGR") of domestic sale of air conditioner from 2011 – 2015 are 8.92%. If consider the sale value, CAGR is 9.59%.

When considering domestic sale of fans, which are another group of products those are similar to the Company's products, it is found that either quantity or value of fan sale during the past 5 years has a little change. This may cause by saturated condition of fan market. However, comparing between value of fan market and air conditioner market, it is found that in 2015 fan market has less value than 10% of air conditioner market.

2.4.2 Competitors

The entrepreneur who sells either misting fan or evaporative fan which is key product of the Company can be considered as competitors. The Company has many competitors because low investment, high growth rate, and high gross profit, especially evaporative fan, which is more popular during the past 2-3 years. Currently, it deemed the key products that cause major revenue for the Company. 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 for more than 10 years. 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 fan or misting fan. Ultimately, there is not any competitor who has world class brand and sell products in the same category as the Company. The following companies can be deemed as the Company's competitors.

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 10 years according to the slogan of **"Masterkool Real Leader for modern cool"**

2.4.3 Industrial trend and future competition

Evaporative fan, which is key product of the Company, is deemed as optional products between general fan, which cannot help reduce ambient temperature during great hot weather, and air conditioner, which make cool weather in a building in exchange with huge amount of electricity charge and high product price. Evaporative fan adapts new innovation to meet consumer need in such issue by providing cool with less electricity charge, comparing to air conditioner. It does not use hazardous chemicals those can harm environment. In addition, evaporative fan is a new product that has just been presented to consumers, thus it has more opportunity to grow up in the future.

The management considers that the market of evaporative fan likely to grow up continuously with its new innovation that can meet consumer demand, provide cooler weather than general fan, and saver than air conditioner. Meanwhile, misting fan is less popular than evaporative fan. Most customers are organizations, such as hotel, school, restaurant, factory, animal farms. Moreover, the management considers that the market of misting fan will grow up in lower rate than the market of evaporative fan and may be replaced by evaporative fan, which has better qualification. However, some place match with using misting fan rather than evaporate fan, such as outdoor activity, beer garden, and sport field

Key impact of evaporative fan and misting fan sale

1) Growth of modern trade

Distribution channel is one of key factors that effects on business growth, especially growing and high demand business. At present, an important and popular distribution channel is modern trade. Thus, growth and expansion of modern trade creates more distribution channel and opportunities of domestic sale.

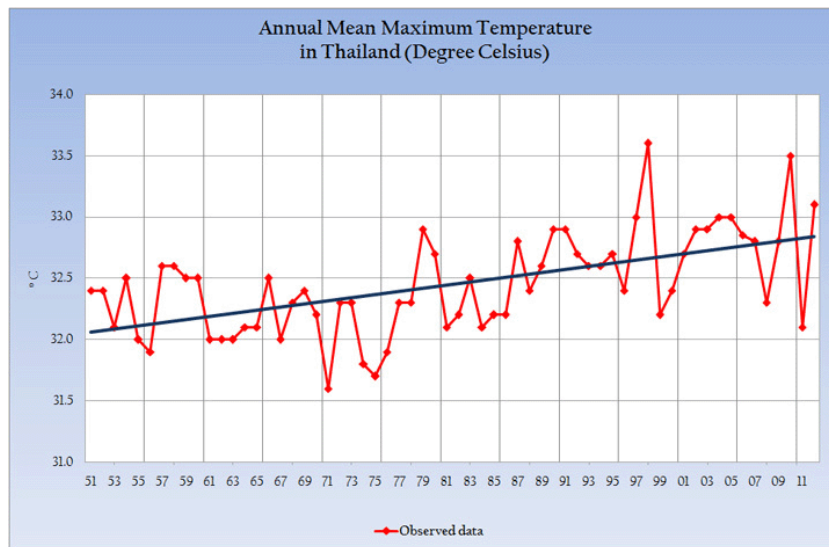
Modern Trade	2012	2013	2014	2015	Grow Rate (%)		
	Branch	Branch	Branch	Branch	2012-2013	2013-2014	2014-2015
Tesco Lotus	146	157	163	170	7.5	3.8	4.3
Big C	113	119	121	125	5.3	1.7	3.3
Makro	57	64	79	82	12.3	23.4	3.8
Homepro	53	64	71	77	20.8	10.9	8.5
Thai Watsadu	23	35	40	45	52.2	14.3	12.5
Mega Home	-	2	4	7	n/a	100.0	75.0
Total	392	441	478	506	12.5	8.4	5.9

Source: Gathering from retails' website and annual report

From 2012 to 2015, number of modern trade branches increase continuously from 392 branches in 2012 to 506 branches in 2015, or equivalent 8.9% increase; it was deemed a major part of sale growth of products place in such modern trade, including evaporative fan, misting fan, and industrial fan.

1) Weather

The growth of evaporative fan and misting fan market in Thailand subjects to hot weather and higher temperature; especially in summer starting from February to June which is hottest and has the highest sale. In addition, from information of Thai Meteorological Department, it is showing that average temperature of Thailand tends to increase along for more than 10 years.

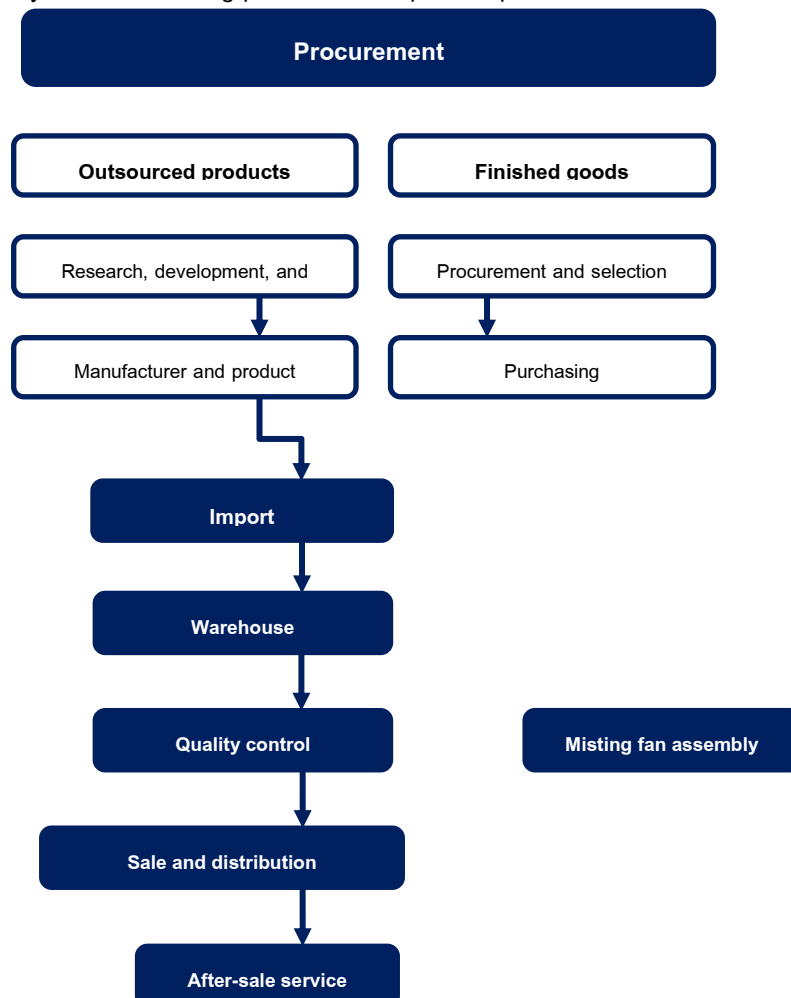


Source: Thai Meteorological

Average highest temperature from 1991 to 2012 show that it is higher continuously. See average line, it is found that the highest temperature of 32.1 degree Celsius in 1991 increase to 32.7 degree Celsius in 2012, or equivalent Cumulative Average Growth Rate at 0.03%, which is related to cooler manufacturing business.

2.5 Procurement of Product and Service

The Company has the following procedures for product procurement.



2.5.1 Raw Material, Assembly Part, and Finished Goods 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 under the slogan of “Real Leader of Modern 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 labour. 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.

- **Designed Products**

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 for mobile evaporative fan (Masterkool I-Kool) and ozone vegetable washer. After outsource from other country produces the products by compliance with the Company’s specification, the Company shall import them with package. In addition, the Company makes agreement to have its ‘outsource’ guarantee quality of mobile evaporative fan. If the product fails to comply with the quality specify by the Company, then the Company is entitled to claim the ‘outsource’.
2. Part for assembly for misting fan that the Company purchases parts from many suppliers and assembly at the factory.

- **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 fan, industrial and ventilation fan, and ozone shoe deodorizer. Moreover, the Company also import big evaporative fan for installation in system, which is in the range of U-KOOL Model MUK-30 MUK-18 and MUK-16. The Company will assembly 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.

2.5.2 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.

5.3 Warehouse Management

After goods are delivered to the Company warehouses: there are 2 locations; Panasnikom and Pathumthani. A warehouse supervisor will check goods quantity to be matched with the number notified by the manufacturer. The Company manages the warehouse by using information system. The products will be counted before storage and upon withdrawal, and monitored the inventory by using such information system. In case the inventory is lower than designed 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.

The Company manages warehouse starting from sales forecast to set purchasing plan and manufacturing plan. The Company also set safety stock used for manages product quantity to be in appropriate level. In case product quantity is lower than minimum, the Company will purchase or produce additional product to comply with purchasing plan and maintain minimum safety stock. The Company will adjust safety stock level twice a year in May and November to maintain inventory level and ensure their sufficiency for summer sale.

2.5.4 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 manufacture.

2.5.5 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 9001:2008. After assembly, the Company will examine the quality again before storage at the Company's warehouse for delivery to customer.

2.5.6 Product sale and distribution การ

- **Product sale**

The Company sells its products through many distribution channels, i.e. direct sale, modern trade, dealer, and agent.

- **Product distribution**

The Company distributes products to customers and distribution channels by either the Company's truck and via delivery service. The Company hires 3 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.

2.5.7 After-sale service

The Company has 1-year warranty that provides repair and replacement of spare parts free of charge. At the end of 2014, 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

2.6. Environment Impact

- None –

3. Risk Factors

Important Risk Factors may affect the Company' business or return on investment of investors and impact abatement guideline or risk protection guideline can be concluded as follows:

3.1 Risk of the Company's Business Engagement

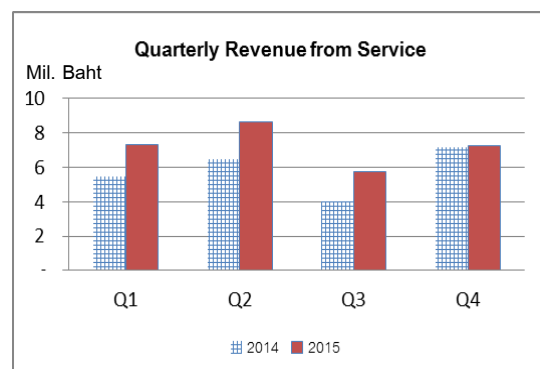
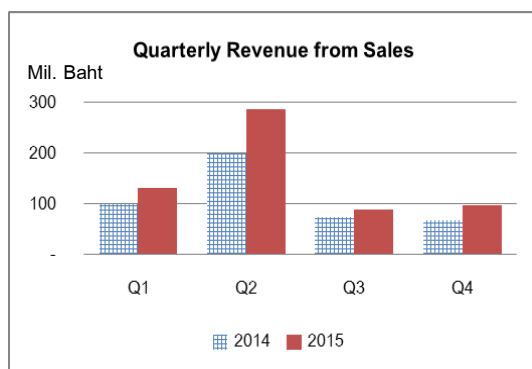
3.1.1 Risk from Business Competition that may have higher tendency

The Company's business competition may tend to be intensified from increase in market demand in air-conditioner substituted product group since today, Air Cooler and Mist Fan products have been well known more by market, particularly Air Cooler market with tendency of high growth rate, resulting in market entry of several entrepreneurs and being direct competitor with the Company and possibly directly affecting the Company's turnover.

Nevertheless, the Company's continuous marketing has affected "MASTERKOOL" brand generally acceptable in the market about cooling product in open area. In addition, the Company's executives are experienced in business doing in the air-conditioner substituted product group for more than 10 years. The Company has also had business alliances for business dealings for long time. Moreover, several distribution channels have been existent including distribution through more than 200 modern retail shops, distribution through over than 210 local dealers, and distribution through over than 30 foreign dealers worldwide. The Company's marketing strategy mainly emphasizes on product quality, having Research Department performing duty in design, regular development and improvement of the Company's product efficiency in order to respond the customer demand. This has resulted in popularity on the Company's products and differentiation from other competitors. Moreover, the Company believed that the size of air-cooling market has still had the opportunity for considerable growth. Thus, due to product quality and strong brand, the Company believed that it will be able to operate its business under competition that may be increased without significant effect on the Company's overall operation.

3.1.2 Risk from Fluctuation of Revenue During the Year

The Company's main products are mostly the product for heat reduction and cooling. Therefore, the Company's revenue from sales in the year has mostly fluctuated according to season. Every year, the Company has had maximum sales volumes in summer period around February to June, resulting in higher turnover of the Company in the first half of the year than the second half of the year with maximum revenue in Quarter 2



The Company has realized on risk from such fluctuation. Then, there has been measure for risk support by offering heat extracting and temperature reducing system to be used in the project works in industrial plant, warehouse, or big retail shop for use as substitute of the use of air-conditioner consuming high electricity quantity. Normally, installation has been carried out for the entire year. This group of customers has been the direct customers of the Company, resulting in fewer fluctuation of direct distribution channel with most of customers as corporate customers than other distribution channels. Moreover, revenue from the Company's services has also seasonally fluctuated lesser than revenue from sales a lot. Thus, if the products are sold for large-scale project works more; the Company will have more revenue from services and maintenances that are independent on season. In addition, the Company has invented and supplied new products besides the products used for heat reduction to compensate decreased revenue in Q3 and Q4 such as ozone vegetable washer and ozone shoe deodorizer using ingreen Brand. They have been commenced for distribution on August 2014, including increase in proportion of revenue from sales in foreign customers with summertime different from Thailand. However, the above measure can help abate the impact occurred from fluctuation of revenue during the year to be lowered. However, if the investor annually considers and compares the Company's turnover, the fluctuation of revenue during the year occurred from season will not have significant impact.

3.1.3 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 Air Cooler Product in foreign country. In 2015, the Company's product purchase volumes from such manufacturing contractor and distributor of Air Cooler Product was estimated to be around 71.45% of total of product ordering volumes in 2015 which was the manufacturing employment for Mobile 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.

3.1.4 Risk from being imitated for product design

The Company's products are mostly the products related to innovation with regular invention and improvement of new products both in product invention and design. The opportunity for being imitated for the Company's product design by its competitors results in the Company's disadvantage from selling products invented by the Company. However, the Company has already applied the request for patent or petty patent for products designed or invented by the Company with Department of Intellectual Property, Ministry of Commerce

3.1.5 Risk from inventory damage

In the period of around Q4 to Q1 of every year, the Company prepares many finished products in warehouse to support sales in summer period. If damage is occurred with product such as fire, earthquake or other disasters, the Company shall recognize loss derived from product damage as well as opportunity loss in selling of products. However, as at the end of 2015, the Company's inventory quantity was Baht 230.92 Million. Nevertheless, the Company has stored finished products in 2 warehouses including Phanat Nikhom Warehouse and Pathum Thani Warehouse for diversification of risk from such circumstance. Moreover, the Company has insured inventory in order to reduce risk occurred from product damage with total coverage limit for Baht 105.85 Million.

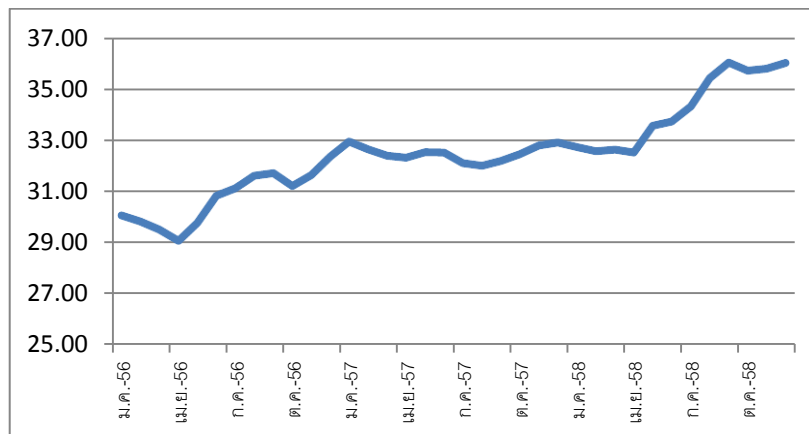
3.2 Financial Risk

3.2.1 Risk from Fluctuation of Foreign Currency Exchange Rate

The fluctuation of foreign currency exchange rate has affected the Company's turnover due to the Company's business engagement mostly by import of products from foreign countries and mainly payment of products in USD currency while the Company's main revenue is in Baht currency. In case that USD is increased or Baht is devalued, it will result in higher product costs while the Company cannot increase selling price with the business partners right away, causing loss from exchange rate by the Company and affecting the Company's overall operation. Nevertheless, the Company has had the part of revenues in USD currency from sales to foreign dealers. In 2014 and 2015, the Company had revenue from foreign countries for Baht 70.22 Million or estimated to be 15.3% of revenue from sales and services, and Baht 117.75 Million or estimated to be 18.5% of revenue from sales and services, respectively. However, with the Company's nature of business with both revenue and expense in USD currency, the Company then has operated its business with risk management from exchange rate at the same time (Natural Hedge). This will help abate the impact from fluctuation of exchange rate at a certain level.

Foreign Exchange Rate Referring USD (Baht per USD) in the Period of 2012 – 2014

Source: Bank of Thailand



Foreign Exchange Rate Referring USD (Baht per USD) in the Period of 2012 – 2014

Source: Bank of Thailand

In 2015, the Company's loss from exchange rate was Baht (10.24) Million. Currently, the Company has closely monitored the change in USD value and mainly managed risk from fluctuation of foreign currency exchange rate using Foreign Exchange Forward Contract. However, the Company will consider financial cost in

making Foreign Exchange Forward Contract together with fluctuation of exchange rate in the market for consideration on entry to make Foreign Exchange Forward Contract

4. Assets Used in Business Engagement

4.1 Main Fixed Assets Used in Business Engagement

As at 31 December 2015, the Company and its subsidiaries have had main fixed assets used in business engagement. Their details have been as follows.


Unit: Baht Million



Type/Nature of Assets	Nature of Ownership	Obligation	Net Book Value
			As at 31 December 2015
Land and Building of Phanat Nikhom plant location where is situated at Na Wang Hin Sub-district, Phanat Nikhom District, Chon Buri Province, for total area of 6 rais and 1 ngan.	Owner	They have been pledged as credit collateral in total limit of Baht 38.0 Million.	5.84
Improvement of Leased Building	Owner	-	0.97
Equipment	Owner	-	32.33
Assets for Lease	Owner	-	7.32
Furnishing, Fitting and Office Equipment	Owner	-	2.78
Vehicles	Owner	Some vehicles have been bounded for guarantee obligation on Lease Contract	4.96
Asset During Construction	Owner	-	0.39
Total			54.58

In addition, as at 31 December 2015, the Company and its subsidiaries have had intangible assets such as computer software with book value for Baht 3.20 Million.

4.2 Trademark

The Company registered following trademarks with Trademark Office, Department of Intellectual Property, Ministry of Commerce.

Trademark	Registration No.	For Products	Coverage Duration
	C184112	Mist Fan, Air Cooler, Industrial Fan, and Ventilator	28 March 2002 to 27 March 2022

Trademark	Registration No.	For Products	Coverage Duration
	C394331	Mist Fan, Air Cooler, Industrial Fan, and Ventilator	16 August 2012 to 15 August 2022*
	C311567	Industrial Fan	16 January 2009 to 15 January 2019*
	C311568	High Pressure Mist Fan	16 January 2009 to 15 January 2019*
	C311569	Rotating Disc Mist Fan	16 January 2009 to 15 January 2019*
	C311570	Small High Pressure Mist Fan	16 January 2009 to 15 January 2019*

* Trademark Registration Certificate can be renewed for 10 years per time

4.3 Patent

The Company has been granted for petty patent and patent for below inventions from Department of Intellectual Property, Ministry of Commerce.

Request No.	Type	Name	Coverage Duration
0803001262	Petty Patent	The fan making mist by high speed centrifugal force	30 September 2010 to 19 October 2014*
1002002474	Patent	Control Unit in working time of high pressure pump	28 November 2014 to 8 September 2020

* It can be renewed for 2 years per time for 2 times and now, it has been under the first renewal with Department of Intellectual Property.

4.4 Important Contracts in Business Operation

As at 31 December 2015, the Company's important contracts in business operation can be concluded as follows

- 1) Lease Contract of Office and Warehouse. Every contract has not been entered to be made with the individual related to the Company.

Location	Rental Fee Rate/Month	Area Size	Lease Duration
Lease Contract of Vibhavadi Warehouse and Electricity System and Water Supply System together with parking lot No. 259/14, Vibhavadi 70 Alley (Patcharapha), Talat Bang Khen Sub-district, Lak Si District, Bangkok	Baht 45,000	135 Square Wah	1 January 2013 – 31 December 2015 *
Lease Contract of Show Room and Office for 3 rooms of economic building No. 12/16-17 and 12/20, Thetsaban Songkhro Road, Latyao Sub-district, Chatuchak, Bangkok	Baht 37,500	3 rooms of Economic Building	1 January 2013 – 31 December 2016
Lease Contract of Pathum Thani Warehouse No. 39 Moo 6, Phahon Yothin Road, Khlong Nueng Sub-district, Khlong Luang District, Pathum Thani Province	Baht 460,000	6,480 Square Meter	1 October 2014 – 30 September 2015
Building Lease Contract No. 22, 2 Alley, Thetsaban Rangsan Nuea, Latyao Sub-district, Chatuchak District, Bangkok	Baht 7,000	98 Square Wah	

* renewed the contract

2) Important Insurance Policy

The Company has had 2 contracts of important insurance policies with details of following important policy contracts.

Asset Risk Insurance

Insurer	LMG Insurance Public Company Limited
Insured	Masterkool International Public Company Limited
Insured Assets	Buildings including additions, furniture, tool, electric appliances and product stock.
Asset Location	<ol style="list-style-type: none"> Office and Show Room, located No. 12/16-17 and 20, Thetsaban Songkhro Road, Latyao Sub-district, Chatuchak, Bangkok 10900 Parts Assembly Plant, located at No. 184 Moo 10 Na Wang Hin Sub-district, Phanat Nikhom District, Chon Buri 20240 Warehouse 1, located at No. 22, 2 Alley, Thetsaban Rangsan Nuea, Latyao Sub-district, Chatuchak District, Bangkok 10900 Warehouse 2, located at No. 259/14 Moo 4 Vibhavadi 70 Alley (Patcharapha), Talat Bang Khen Sub-district, Lak Si District, Bangkok 10210.
Coverage Limit	Baht 55,851,904
Coverage Duration	5 January 2015 to 5 January 2016*
Coverage	<ol style="list-style-type: none"> Disaster due to fire and strike of lightning Disaster due to explosion, storm and water Disaster from aircraft Disaster from earthquake or volcanic eruption or internal wave or tsunami Disaster from hail or smoke Disaster from almost scraping and/or collision of motor vehicle Disaster from strike, riot or hostile act as well as accident from external factor.

* * renewed the Insurance

Fire Risk Insurance

Insurer	Bangkok Insurance Public Company Limited
Insured	Masterkool International Public Company Limited
Insured Assets	The Company's product stocks
Asset Location	Product storage warehouse, located at 39 Moo 6, Phahon Yothin (KM . 39) Road, Khlong Nueng Sub-district, Khlong Luang District, Pathum Thani 12120
Coverage Limit	Baht 50,000,000
Coverage Duration	14 October 2014 to 14 October 2015
Coverage	<ol style="list-style-type: none"> 1. Disaster due to fire 2. Disaster due to water (excluding flood) in limited liability amount throughout the duration for Baht 50,000,000 3. Disaster from explosion in limited liability amount throughout the duration for Baht 50,000,000 4. Disaster from storm (general natural disaster and catastrophe) in limited liability amount throughout the duration for Baht 10,000,000 5. Disaster from earthquake or volcanic eruption (general natural disaster and catastrophe) in limited liability amount throughout the duration for Baht 10,000,000

3) Contract with Foreign Manufacturer

At present, the Company has entered to make Purchase Contract of Product in type of Air Cooler from 2 manufacturers in China for 5 main contracts. The below has been the significant details.

Contract No. 1 – Contract No.4

Contractual Party	<ol style="list-style-type: none"> 1. The first manufacturer is not an individual related to the Company ("The Contractual Party"). 2. Masterkool International Public Company Limited ("The Company")
Type of Products	4 Models of Mobile Air Coolers and 1 Model of Hanging Air Cooler
Contractual Duration	11 Years which is the duration as prescribed in each contract. (The first contract is expired on 31 December 2022).
Pricing Method	Price and Payment Method as mutually agreed in each contract
Contractual Cancellation	<ol style="list-style-type: none"> 1. In case that any party defaults contract. 2. In case that any party cannot deliver product or pay money.
Credit Term	Number of days as mutually agreed in each cycle of product delivery
Conclusion of Contractual Essence	<ol style="list-style-type: none"> 1. The Company is the sole dealer of above products for local distribution worldwide except some countries as agreed in each contract. 2. The party and the Company mutually agree in mold investment condition for each product model and ownership of mold after contractual cancellation. 3. The Company purchases some product models from the Contractual Party according to minimum quantity as determined in Sales Contract while the Contractual Party must produce some models according to purchase order without minimum quantity. 4. The Contractual Party controls product quality to be in the level of product standard as required by the Company so that the product has at least useful life adequate for the Company's assurance with customer for 1 year duration.^{/1}

	<p>5. The Company randomly inspects the products for 10% in each container. If the Company finds poor quality as required by quality, the Contractual Party shall pay the compensation as required in the Contract within 30 days after receipt of report from the Company.^{/1}</p> <p>6. In case that the product quality is poor as required by the Company for more than 1% within 15 months after product delivery, the Contractual Party shall compensate damage to the Company according to the amount mutually agreed in the Contract within 30 days after receipt of report from the Company.^{/1}</p>
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Remark: 1. It has been added by Product Quality Assurance Contract being effective from 15 August 2014 – 14 August 2015 and renewed for 3 years effective from 14 August 2015 - 14 August 2018

Contract No. 5

Contractual Party	<p>1. The second manufacturer is not the individual related to the Company ("the Contractual Party").</p> <p>2. Masterkool International Public Company Limited ("the Company")</p>
Type of Product	Fixed Air Cooler / U-KOOL
Contractual Duration	1 January 2013 to 31 December 2015
Pricing Method	Price and payment condition in line with mutual agreement in the Contract
Contractual Cancellation	<p>1. In case that the Company does not purchase products according to the quantity specified in the Contract.</p> <p>2. In case that any party defaults the Contract.</p>
Credit Term	40 days
Conclusion of the Contractual Essence	<p>1. The Company shall purchase products from the Contractual Party according quantity and price as specified in the Contract.</p> <p>2. The Contractual Party agrees not to sell products to other buyers in Thailand.</p> <p>3. The Company shall not purchase product having its attribute similar to the product defined in the Contract from other manufacturers.</p> <p>4. The Company does not sell above products outside Thailand besides getting approval from the Contractual Party.</p>

* it has been under the contract renewal.

4) Contract with Modern Retail Shop

The Company has entered to make Product Distribution Contract to 6 modern retail shops with over than 200 branches in total. It has been mostly the consignment of products in types of Mobile Air Cooler, Mist Fan and Industrial Fan as well as Ozone Vegetable Washer and Ozone Shoe Deodorizer. The essence of the contract has been concluded as follows.

Contractual Party	<p>1. Modern retail shop that is not an individual related to the Company ("the Contractual Party").</p> <p>2. Masterkool International Public Company Limited ("the Company")</p>
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 the Contractual Essence	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,

	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>6. The Company shall not provide any assets, privileges, reward or commission or other benefits to employees or the representative of the Contractual Party.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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5) Local Dealer Appointment Contract

The Company enters to make the contract with the business entrepreneur. The contract is made 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") 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. 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	<ol style="list-style-type: none"> 1. The Contractual Party is the local dealer of the Company's products in Thailand only. 2. The Contractual Party uses MASTERKOOL trademark with the product, integral part, spare part and equipment particularly for the Company's product only. 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. 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.

*A big dealer who is the individual related to the Company. However, the contractual condition is indifferent from other dealers.

6) Product Transport Employment Contract

The Company has entered to make Product Transport Employment Contract with 3 local product transport contractors. The essence of the contract has been concluded as follows.

Contractual Party	<ol style="list-style-type: none"> 1. The local product transport contractor who is not the individual related to the Company ("the Contractual Party") 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	<ol style="list-style-type: none"> 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. 2. The Contractual Party shall deliver products in local final area zones in the duration mutually agreed with each Contractual Party. 3. Transport cost is increased according to increase in diesel oil price to be line with mutual agreement of each Contractual Party.

4.5 Policy of Investment in its Subsidiaries and Associates

The Company has determined the investment policy in its subsidiaries and associates through investment in the business that supports and promotes the Company's business doing and in line with the main policy of the Company. The return and other benefits expected to be gained from investment shall be mainly considered for maximum benefit of the Company and its shareholders.

The Company shall control and oversee by sending the personnel approved from the Board of Director's Meeting entering to be the director and/or the executive of its subsidiaries and associates as its representative for at least according to the shareholding proportion. The director and the executive are determined to be qualified with role, duty and responsibility under concern on the benefit of that subsidiaries or associates and without the nature of lack of confidence according to the Proclamation of the Office of SEC in order to be

participative in management in that business as well as have voting right in the Board of Directors' Meeting of the subsidiaries or associates according to the guideline or resolution as approved by the Board of Directors or the Company's shareholders

5. Legal Dispute

As at 31 December 2015, the Company had none of legal dispute of which the lawsuit might significantly and negatively affect the Company's business operation. The Company had none of legal dispute of which the lawsuit might negatively affect the Company's assets with quantity higher than 5% of the shareholders' equity.

6. General Information and Other Key Information

General Information as at 31 December 2015

6.1.1. The Company's Information

Company Name	Masterkool International Public Company Limited
Type of Business	Supply and distribution of 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	No. 22, 2 Alley, Thetsaban Rangsan Nuea, Latyao Sub-district, Chatuchak District, Bangkok 10900
Company Registration	0107557000365
Registered Capital	Baht 120,000,000
Paid-Up Capital	Baht 120,000,000
	Consisting of 480,000,000 ordinary shares at par value of 0.25 Baht per share.
Telephone	(66) 2953 8800
Facsimile	(66) 2589 8586
Website	www.masterkool.com
<u>Reference Persons</u>	
Share Registrar	Thailand Securities Depository Company Limited Stock Exchange of Thailand Building 93 Ratchadaphisek Road, Khlong Toei District, Bangkok 10110 Telephone (66) 2009 9000, Facsimile (66) 2009 9991
Auditor	Mr.Boonlert Kaewphanphruek, the Certified Public Accountant Registration No. 4165 BPR Audit & Advisory Company Limited Chartered Square Building, 12th A Floor, Room 08 No. 152 Sathon Nuea Road, Silom Sub-district, Bangrak District, Bangkok 10500 Telephone (66) 2634 5398, Facsimile (66) 2634 5399

6.1.2. Details of Juristic Persons that the Company directly hold the shares from 10% of the number of issued and sold shares and over

Company Name	Innov Green Solutions Company Limited
Type of Business	Design, installation and provision of service relating to environmental conservation and energy saving system such as application of ozone system with air-conditioner, washing machine, vegetable washer and shoe deodorizer, etc.
Office Location	No. 22, 2 Alley, Thetsaban Rangsan Nuea, Latyao Sub-district, Chatuchak District, Bangkok
Company Registration	0105554064743
Registered Capital	Baht 1,000,000
Paid-Up Capital	Baht 1,000,000
	Consisting of 10,000 ordinary shares at par value of 100 Baht per share.
Proportion of the Company's Shareholding	99.98 Percent
Telephone	(66) 2953 8800
Facsimile	(66) 2589 8586

6.2. Other Key Information -None -

7. Securities and Shareholder Information

7.1 Registered and Paid-up capital

As of December 31, 2015, the Company has registered capital of Baht 120 million, paid-up capital of Baht 120 million, comprising of 480 million ordinary shares.

7.2 Shareholders

10 Major Shareholders as at March 15, 2016:

Shareholders	Nr. Of Shares	%
1. Mr. Noppachai Veeraman	126,932,260	26.44
2. Mr. Fung Meng Hoi	81,168,945	16.91
3. K-SME Venture Capital ^{1/}	27,672,072	5.77
4. Mr. Komin Krodmee's group	27,790,176	5.79
4.1 Mr. Komin Krodmee	26,196,582	5.46
4.2 Miss Nootcharin Siwanukroh	1,593,594	0.33
5. Mr. Kritsana Thaidumrong's group	24,604,828	5.13
5.1 Mr. Kritsana Thaidumrong	24,604,828	5.13
5.2 Miss Nittaya Aniwattanakool	-	-
6. Miss Ratchaporn Chittasatien	9,214,062	1.92
7. Mr. Sanchai Sriwiboon	8,405,714	1.75
8. Mr. Nakorn Hankraiwilai	8,000,000	1.67
9. Miss Sunanta Wanwat	5,142,857	1.07
10. Mr. Pichai Wijakkhapun	4,785,500	1.00
11. Others	156,283,586	32.56
Total	480,000,000	100.00

^{1/} K-SME Venture Capital have paid-up capital of Baht 200 million, running business with medium and small enterprise. Its shareholders' list is as follows

7.3 Dividend Policy

The ordinary general meeting of shareholders No.2/2014, dated September 9, 2014 has the resolution to set dividend payment policy of the Company and its subsidiaries by not less 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.