

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 23rd 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**"

Although the performance in 2017 was not as expected, the Company has seen a lot of growth opportunities of the market. Therefore, the Company has set up a four-year strategic plan (2017-2020) which is a guideline for the 2018 business plan in which the key factors were analyzed; e.g. improvement on operation for supporting business expansion, solutions on seasonal business constraints, etc. The business goals and strategies as following:

1.1 Vision, Mission, Goals and Business Strategies

Vision	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.	Mission	MASTERKOOL, an innovative organization who creates quality; for the happiness organization of Masterkool
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Business Goals

The company's financial goals are the revenue of the business group (Masterkool PLC and its subsidiary) and in the year 2018, with an expected growth rate of more than 25 percent (or an expected sales value of more than 700 million Baht). The company has set a net profit target of no less than 5 percent when compared to sales. The proportion of main income comes from the three 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 |

The Company is not only set the financial goals; but also the customer satisfaction which is our organizational goal.

Business Strategies

Marketing Strategy

The Company aims to make Masterkool a Top of Mind 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 cold and energy saving qualities, as a new alternative product of cooling under the slogan “**Super Cool Super Save**” The company conducts a thorough survey of customer satisfaction after sales and service in order to continuously improve products and services.

Product Strategy

The Company remains focusing on being an innovative organization to continuously improve and develop its products. The goal of this operation is to satisfy the customer's satisfaction. It gathers the opinions of the customer satisfaction survey after the sale and service. For the year 2018, the Company plans to develop new products not only for meeting customer needs with cooling efficiency; but also emotional connecting to customers with the design of simple and clean.

During the off-season, the third and fourth quarters of the year, the Company plans to have non-seasonal products available for sale. The plan was postponed from 2017 due to unfavorable market conditions.

Distribution Strategy

Three main market segments are focused i.e. retail market, export market, and corporate market of which the sale portions have been mentioned above. The highest sales which are expected is from the retail market. Anyhow, the Company will consider the 260 qualitative branches for sales in the year 2018.

For the export market, it is planned to expand the market to the Southern Hemisphere to generate incomes during off-season in Thailand. For the corporate market, the expansion in quantity of the expected target shall be achieved to gain concurring income throughout the year.

HR Strategy

The Company has a development plan in both knowledge and skill of our employees. Besides, the development in employee happiness has been launched by following the project of happy organization of Thai Health Promotion Foundation; under our corporate values which are 1) Focusing on achieving organizational goals; 2) Result-oriented developing; and 3) Working happily towards goals. The Company intends to achieve a long-term result that is employee engagement for sustainable growth of the Company.

1.2 Major Changes and Development

2002-2010	Masterkool International Public Company Limited was established on 3 rd 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. 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	<p>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.</p> <p>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.</p>
2014	<p>The Extraordinary General Meeting of Shareholders No. 2/2011 held on 9th September 2014 approved the following resolutions:</p> <ol style="list-style-type: none"> 1) The transformation into a public company 2) Changing the par value from 10 Baht to 0.25 Baht per share 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. <ul style="list-style-type: none"> • 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. <p>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.</p>
2015	On 23 rd 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 rd 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.

1.3 Shareholder Structure as of 1 January 2018



1.4 Relationship with Major shareholders' Business Group

The Company operates its business without any relationship with its major shareholders.

Revenues Structure by Products

Type of Revenues	2015		2016		2017	
	MB	%	MB	%	MB	%
Revenue (Evaporative Air Cooling)	475.24	79.94	699.03	78.58	316.00	57.00
Revenue (Misting Fan)	23.31	3.92	34.46	3.87	24.86	4.00
Revenue (Industrial and Ventilation Fan)	29.21	4.91	21.89	2.46	28.42	5.00
Revenue (Project)	-	-	-	-	102.60	19.00
Revenue (Spare Parts and Ozone Products)	12.97	2.18	97.87	11.00	35.80	6.00
Total Sales Revenues	560.72	94.32	853.25	95.91	507.68	91.00
Revenue (Service) ^{1/}	30.30	5.10	28.26	3.18	30.77	6.00
Total Sales and Service Revenues	591.02	99.42	881.50	99.09	538.45	97.00
Revenue (Others) ^{2/}	3.46	0.58	8.08	0.91	14.89	3.00
Total Revenues	594.46	100.0	889.59	100.00	553.34	100.00

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

^{2/} 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 2 types; with further services of rental and after-sales:-

2.1.1 Heat reduction 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



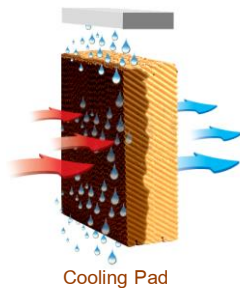
2.1.1.1.2 Centrifugal Force

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 around 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, floating wall-mounted 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 3 types of evaporative air cooling: Mobile MASTERKOOL I-Kool ("MIK"), Wall-mounted MASTERKOOL U-Kool 03 (Mini), and 3) 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.





2.1.1.3 Industrial Fan and Ventilation Fan

2.1.1.3.1 Industrial Fan

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.



2.1.1.3.2 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.



Propeller Fan



Axial Fan



Centrifugal Fan



Roof Fan

2.1.2 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 for Cooling Tower, ESPLANADE



Ozone System, PWA - Chachoengsao

In addition to large 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 country 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 had imported 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.



2.1.3 Event Rental

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.

2.1.4 After-sale service

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.

2.2 Marketing and Competition

2.2.1 Business Strategies

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 "High-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 Strategies

2.2.1.1.1 The Company always updates advertisement, promotion, and information on its website (www.masterkool.com) to make all customers reach information and create their awareness about the Company and its products.

2.2.1.1.2 The Company publishes advertisement through some publishing to create more brand awareness, such as brochure, magazine, corporate book, and newspaper column.

2.2.1.1.3 The Company launches some advertisement to promote the Company and its products via television, radio, and advertising banner.

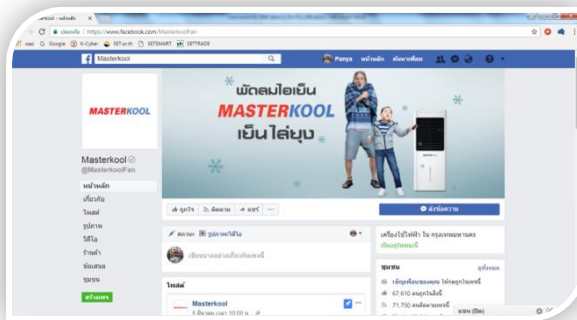
2.2.1.1.4 The Company makes public communication through social media:

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

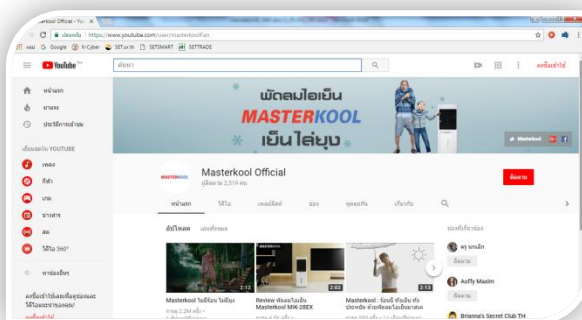
2.2.1.1.5 The Company has publication via booth and events, either local or international, continuously

2.2.1.1.6 The Company focuses on social activities e.g. providing the Company's evaporative air coolers to temples, religious places, and schools.

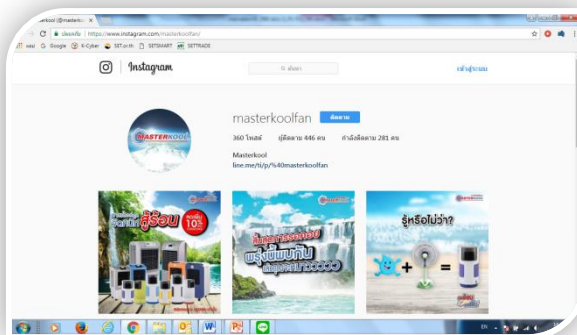
2.2.1.1.7 Launching sales promotion or commercial discount for customers



Facebook: MasterkoolFan



YouTube: MasterkoolFan



Instagram: MasterkoolFan



Line: 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.

Currently, the customers in the moderntrade retail channel. It is the customer group that generates revenue for the Company at the top, accounting for approximately 32.31% of sales and services. Therefore, marketing and public relations to customers is important, to generate revenue. The operational plan will select qualified branches, for the year 2018 is expected to open a branch of 260 branches of Modern Trade.

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.

For the year 2018, In addition, the company has researched and developed products with emphasis on cooling efficiency. The company has added the theme of the design to connect the customer's emotion.

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:

1. Direct sales
2. Moderntrade
3. Local Dealers
4. Overseas agents

In addition, in the year 2018, the Company plans to sell via online channels prepare for the changing market and consumer behavior.

However, the business plan for 2018, which is expected to grow 25% from the year 2017, the expected proportion of core revenue, remains a viable retail channel through moderntradel stores accounting for 50% of total revenue. 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.

- 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
- 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
Misting fan	Outdoor activities, touring places, hotel, restaurant, outdoor area, temple, sport field, factory, etc.
Evaporative Air Cooling	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.

2.2.3 Sales and Distribution Channels

The Company sells the products mainly through 4 channels: Direct Sale, Moderntrade, Dealer and Agent.

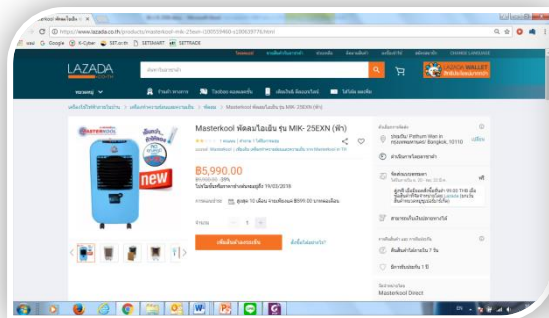
2.2.3.1 Moderntrade

The company mainly distributes Evaporative Air Cooling and Mobile Industrial Fan. In addition, there are plans to bring products without barriers to seasonal selling through the Moderntrade in the year 2018. The majority of Moderntrade customers are retail customers.

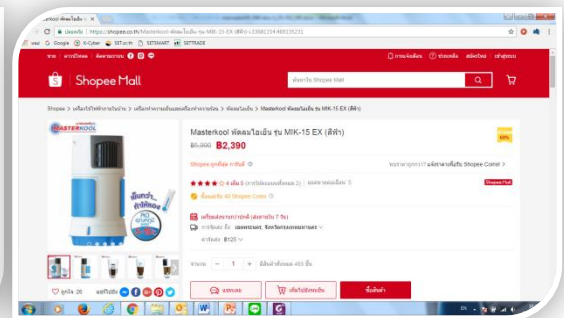
Moderntrade	2014	2015	2016	2017
	(branch)	(branch)	(branch)	(branch)
Home Pro	58	71	75	79
MAKRO	47	65	70	86
Mega Home	4	5	8	12
Thaiwatsadu	0	19	13	20
Global House	0	30	14	19
Big C Jumbo	3	10	0	0
Big C	0	0	0	108
Boonthavorn	0	4	0	0
The Mall	0	0	8	8
Power Buy	0	0	7	28
Tesco Lotus	0	0	43	164
Ban & Beyond	0	0	0	2
Grand Home	0	0	0	3
Homework	0	0	0	3
Top	0	0	0	2
Chic Republic	0	0	0	4
Total	112	204	238	538

In the past year 2017, the company focused on volume of stores. For the year 2018, the company has a plan to select areas of sale with a focus on quality. It is expected that the company will open at approximately 260 stores.

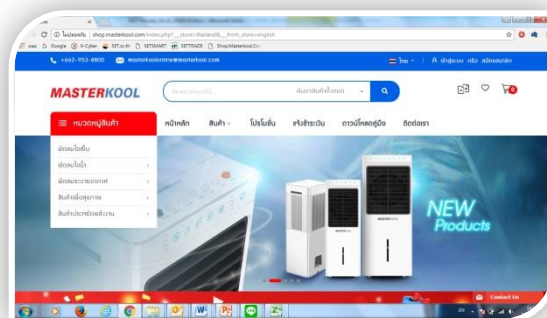
In addition, the Company plans to expand the online channels to promote sales and also an additional channel in 2018.



Website - Lazada



Website - Shopee



Website - Shop.Masterkool.Com

2.2.3.2 Direct Sales

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 12/20, Thesabansongkro Rd., Ladyao, Chatuchak, Bangkok and through salesman. Most customers are organization, such as customers who have outdoor activities, factory, warehouse, hotel, hospital, school, government office. In 2017, the Company had direct sale at 35.40% of sale and service revenue

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.

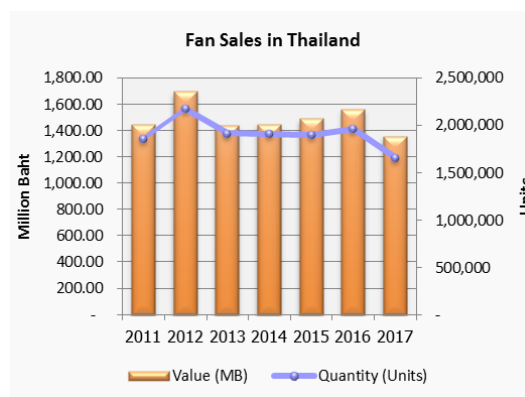
(Million Bath)

Import statistic of medium to large evaporative fan	2014	2015	2016	2017
Import Value of Evaporative Air Cooler	189.48	156.91	258.94	105.99
Growth Rate (%)	33.9	-17.2	65.0	-59

Source: Customs department

According to the Customs Department, in the past year 2017, the import of evaporative air coolers has dropped significantly. This reflects the contraction of the overall market in 2017. As the business model of this category is usually the highest sales volume in the first six months of the year and the second half of the year, it will be imports the products for distribution in the next year. However, due to market overview in the first half of 2017 compared to the same period of 2016, market demand has been declined, the economics are some slowdowns. As a result, the demand for refrigerated products in the whole market is shrinking. Imports of these products at the end of the year declined.

In addition, based on the data from the Office of Industrial Economics, it was found. Industry Overview, Air Conditioning and Fan The product is similar to the company's products. Domestic sales of air conditioners and fan were down by 13% compared to 2016.



Source: The Office of Industrial Economics

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 Company has many competitors because low investment, high growth rate, and high gross profit especially, in the year 2016 evaporative air cooling which is more popular, as a result, in the year 2017, new entrepreneurs have increased by 300%. 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"

2.2.4.3 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 air cooling 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 air cooling 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 air cooling 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 air cooling and may be replaced by evaporative air cooling which has better features. However, some place match with using misting fan rather than evaporate air cooling, such as outdoor activity, beer garden, and sport field. Most customers are organizations, such as hotel, school, restaurant, factory, animal farms.

Key impact of evaporative air cooling and misting fan sale

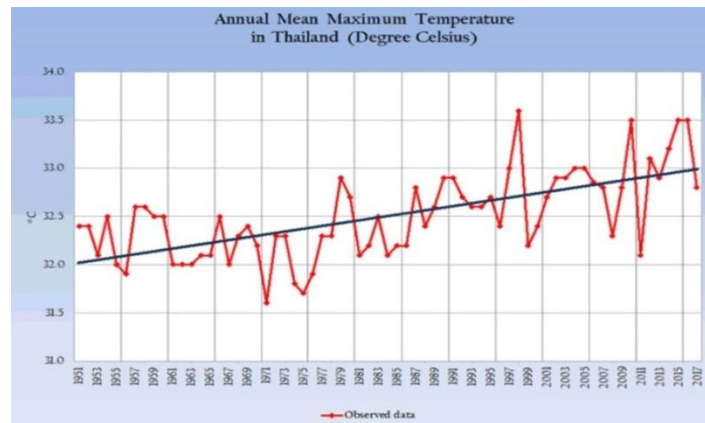
a) Distribution channels in moderntrade

The business is still in the growth phase and the market is still in demand. Moderntrade is an important channel, even though the transition to the digital era began. Moderntrade channel is still popular with consumers. In addition to the expansion of moderntrade that affect sales opportunities, but when the climate and economic factors are unfavorable. There is a risk of discrepancies from expectations, such as in 2017. There are plans to adjust the selection of branches to open in the store. Quality is the key to selecting a branch in 2018.

In the past year 2017, the company has implemented a plan, opening more than 500 branches to cover the area and to open the opportunity to sell, but statistics from the company. It was found that some branches could not make sales as expected. Therefore, the guidelines have been adjusted and its 260 branches in 2018.

b) Weather

The growth of evaporative fan and misting fan market in Thailand subjects to hot weather. Especially in summer starting from February to June which is hottest, the Company has the highest sales. 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.

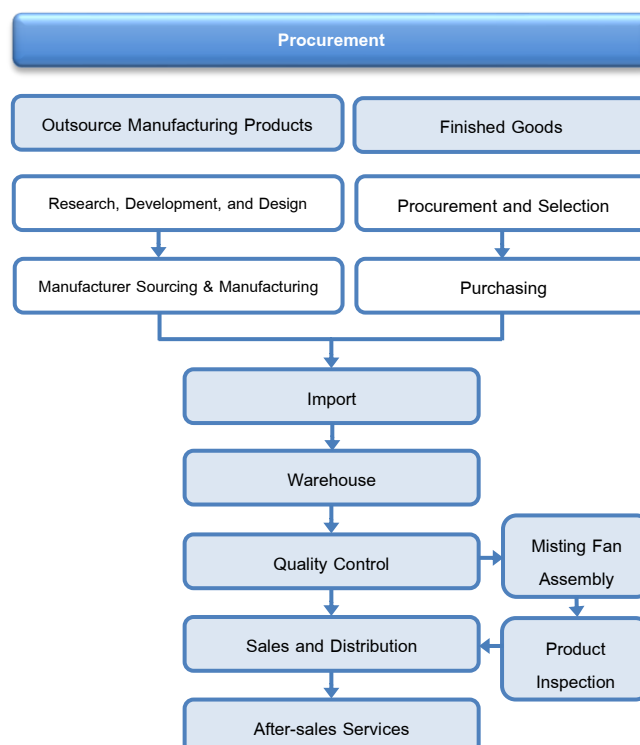


Source: Climate Chart, Thai Meteorological Department <https://www.tmd.go.th>

Temperature is related to cooling business; the hot weather provides the better opportunity to the cooling business.

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 'outsourcing' 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 'outsourcing'

- (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 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.

2.3.2 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 Environment Impact

None environment impact



3.1 Risk of Business Operations

3.1.1 Risk of a 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, 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 2017 plan for selling of non-seasonal products, the Company has delayed the plan to 2018 due to unfavorable retail market situation in 2017. 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

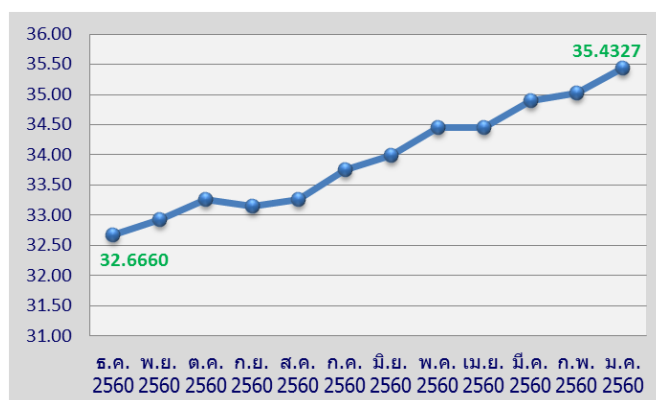
From the fourth quarter of the previous year to the first quarter of the current year, the company will prepare finished goods in our warehouses in order to accommodate for sales during the summer season. If damage to

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. At the end of 2017, the company had inventory of 230.14 Million Baht. 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.

3.2 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 2017, the export revenue of the Company was 105.55 Million Baht, or 19.07% of total sales and services. Currently the company has more than 40 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. For 2017, the Thai Baht has continuous inflation from 35.43 Baht/1 USD in January 2017 to 32.67 Baht/1 USD in December 2017 as shown below, the 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.

4.1 Fixed Assets

As at 31 December 2017, the Company and its subsidiaries have fixed assets used for business purposes; which details shown below:-

Type of Assets	Type of Ownership	Obligation	Net Book Value
			As at 31 December 2017
Land and buildings used for the Company's factory 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	4.09
Leasehold Improvements	Owner	-	3.35
Machinery and Equipments	Owner	-	40.02
Renting-out assets	Owner	-	5.10
Furnitures, fixtures and equipments	Owner	-	3.47
Vihecles	Owner	Some vihecles under hire purchase contracts	6.93
Assets under construction	Owner		0.31
Total			63.27

4.1.1 Trademark

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

Trademark	Registration	Product	Protection Period
	Kor 184112	Misting Fans, Evaporative Air Coolers, Industrial Fans and Ventilation Fans	28 March 2002-27 March 2022*
	Kor 394331	Misting Fans, Evaporative Air Coolers, Industrial Fans and Ventilation Fans	16 August 2012-15 August 2022*
	Requisition No. 160119166	Misting Fans, Evaporative Air Coolers, Industrial Fans and Ventilation Fans	Requisition Date 19.12.2016
	Requisition No. 170142674	Misting Fans, Evaporative Air Coolers, Industrial Fans and Ventilation Fans	Requisition Date 7.12.2017
	Kor 311567	Industrial Fans	16 January 2009-15 January 2019*
	Kor 311568	High Pressure Misting Fans	16 January 2009-15 January 2019*
	Kor 311569	Centrifugal Forced Misting Fans	16 January 2009-15 January 2019*

Trademark	Registration	Product	Protection Period
	Kor 311570	High Pressure Misting Fans	16 January 2009- 15 January 2019*
	Requisition No. 170104420	Other Equipments and Appliances	Requisition Date 9.2.2017
	161113104	Static Pressure Industrial Fans	9 June 2015- 8 June 2025*

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

Reference: DIP, Ministry of Commerce

4.1.2 Patent / Petty Patent

The Company has received patents and petty patents from DIP, Ministry of Commerce for the following inventions:-

Registration No.	Patent / Petty Patent	Type	Patented Inventions	Protection Period
1502003063	58711	Design Patent	Air-cooling (07EC)	7 September 2015 to 6 September 2025
1502001601	58708	Design Patent	Fan	18 May 2015 to 17 May 2025
1502001256	60158	Design Patent	Air-cooling	23 April 2015 to 22 April 2025
1502001255	60159	Design Patent	Air-cooling	23 April 2015 to 22 April 2025
1402001972	53590	Design Patent	Air-cooling (25EXN)	24 July 2014 to 23 July 2024
1402000402	53589	Design Patent	Ozone Vegetable Washer	4 March 2014 to 3 March 2024
1302003212	52159	Design Patent	Water purifier	12 November 2013 to 11 November 2023
1302002543	51776	Design Patent	Air-cooling (U-Kool)	12 September 2013 to 11 September 2023
1302002542	51775	Design Patent	Air-cooling (70EX)	12 September 2013 to 11 September 2023
1302002541	51774	Design Patent	Air-cooling (35EX)	12 September 2013 to 11 September 2023
1302002540	51773	Design Patent	Air-cooling (20EX)	12 September 2013 to 11 September 2023
1002002474	42234	Design Patent	Pump Control	9 September 2010 to 8 September 2023

Registration No.	Patent / Petty Patent	Type	Patented Inventions	Protection Period
0803001262	5664	Petty Patent	High Pressure Centrifugal Force Misting Fan (Centrifugal Disc Spinneret)	20 October 2008 to 19 October 2014*
1303000460	12401	Petty Patent	Air-con Efficiency Booster	30 April 2013 to 29 April 2019
1403001530	9763	Petty Patent	Condensing Temperature Controller for Large Air-Conditioner	20 November 2014 to 19 November 2020
1403001531	10833	Petty Patent	High Pressure Centrifugal Force Misting Fan	20 November 2014 to 19 November 2020

* Petty patent can be renewed twice, 2 years each time. It is now in the second renewal period which coverage period until 19 October 2018 (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 2017:-

Location	Monthly Fee	Area	Period
<u>Contract for warehouse on Vibhavadi-rangsit with parking lots</u> 259/14 Vibhavadi-rangsit 70 (Patcharapa), Talad Bangken, Laksi, Bangkok	50,000 Baht	135 Sq.wah	1 January 2016 to 31 December 2018
<u>Contract for showroom and office</u> Three commercial buildings at 12/16-17, 12/20 Thesabansongkro Road, Ladyao, Chatuchak, Bangkok	95,700 Baht	3 commercial buildings	1 January 2017 to 31 December 2019
<u>Contract for warehouse in Patumthani</u> 39 Moo 6 Phaholyothin Road, Klong Nueng, Klong Luang, Patumthani	480,000 Baht	6,480 Sqm.	1 October 2016 to 30 September 2019
<u>Contract for service office</u> 22 Soi 2 Thesabanrangsan Nua Road, Ladyao, Chatuchak, Bangkok	7,000 Baht	98 Sq.wah	16 November 2017 to 15 November 2020
<u>Contract for event rental business office</u> 795 Pracharat 1, Bangsue, Bangsue District, Bangkok	57,894.74 Baht	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	80,000,000 Baht
Protection period	14 October 2017 to 14 October 2018
Protection	<ol style="list-style-type: none"> 1. Wind storm 15,000,000 Baht 2. Earthquake or volcanic eruption 15,000,000 Baht 3. Water hazard (Flood is excluded) 80,000,000 Baht 4. Explosion 80,000,000 Baht

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"> 1. Showroom and Office, 12/16-17 and 12/20 Thesabansongkroa Road, Ladyao, Chatuchak, Bangkok 2. Assembly Factory, 184 Moo 10 Nawanghin sub-district, Phanutnikhom, Chonburi 20240 3. Warehouse 1, Service office, 2 Thesabanrangsang Nua Road, Ladyao, Chatuchak, Bangkok 4. Warehouse 2, 259/14 Moo 4 Soi Vibhavadi-rangsit 70, Talad Bangken, Laksi, Bangkok
Protection limit	93,405,800 Baht
Protection period	5 January 2018 – 5 January 2019
Protection	<ol style="list-style-type: none"> 1. Disaster from fire and lightning 2. Disaster from Explosion, storm, water hazard 3. Aerial disaster 4. Disaster from earthquake, volcanic eruption, seismic sea wave from underwater landslide, tsunami 5. Disaster from hail or smoke 6. Disaster from collision of vehicles 7. Threat of strikes, riots, malicious acts Or accidental external factors 8. Damage from robbery, which appeared evidence 9. Disaster to electrical appliances Electrical injury

4.1.3.3 Four production contracts with a Manufacturer

Contractual Party	<ol style="list-style-type: none"> 1. A manufacturer who is not a related person ("the Contractual Party") 2. Masterkool International PLC ("the Company")
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"> 1. In case any failure by a party to perform any of its obligations under the contract 2. In case the party cannot deliver goods or cannot pay the payment in agreed time
Credit Term	Number of days agreed upon in each delivery
Conclusion of Contractual Essence	<ol style="list-style-type: none"> 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. 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. 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. 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.^{/1} 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^{/1} 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.^{/1}

Remark: 1. Additional agreement on product quality effective from 15 August 2015 to 14 August 2018

4.1.3.4 Vendor contract with Moderntrade

The Company has entered into 8 vendor agreements with eight moderntrade stores and planned to open more than 260 booths in 2018. 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	1. Moderntrade stores who are not related persons ("the Contractual Party") 2. Masterkool International PLC ("the Company")
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">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.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.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.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.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.6. The Company shall not provide any assets, privileges, reward or commission or other benefits to employees or the representative of the Contractual Party.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.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.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.

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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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.

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

4.1.3.6 Product Transportation Hiring Contract

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.

4.2 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 1/2018 arranged on 27 February 2018 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.

Legal Dispute



As at 31 December 2017, the Company had none of legal dispute of which the lawsuit might significantly and negatively affect the Company's business operation.

6.1 General Information as at 31 December 2017**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	12/16-17 and 12/20 Thessabansongkroa Road, Latyao Sub-district, Chatuchak District, Bangkok 10900
Company Registration	No. 22, 2 Alley, Thetsaban Rangsan Nuea, Latyao Sub-district, Chatuchak District, Bangkok 10900
Company Registration	0107557000365
Registered Capital	THB 120,000,000
Paid-Up Capital	THB 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

References

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	Miss Susan Eiamvanicha CPA License No. 4306 SP Audit Company Limited 503/31 KSL Tower, 18FL (A), Sri-Ayudthaya Rd, Phayathai, Ratchathewi, Bangkok Tel (66) 2642 6172-4 Fax (66) 2642 6253

6.1.2 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 system such as application of ozone system with air-conditioner, washing machine, vegetable washer and shoe deodorizer, etc.
Office Location	No. 22, Thetsabanerangsan Nua, Latyao Sub-district, Chatuchak District, Bangkok
Company Registration	0105554064743
Registered Capital	THB 30,000,000
Paid-Up Capital	THB 30,000,000 Consisting of 300,000 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) 2591 9849