

### 1. Policy and Business Overview

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

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

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

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

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

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

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

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

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

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

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

## Business Goal

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

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

## Business Strategies

### ● Marketing Strategy

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

### ● Product Strategy

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

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

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

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

### ● Distribution Strategy

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

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

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

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

## ● HR Strategy

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

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

## 1.2 Major changes and development

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

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

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

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

### 1.3 Shareholder Structure

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



### 1.4 Relationship with Major shareholders' Business Group

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

## 2. Business Operations

### Revenues Structure by Products

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

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

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

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

## 2.1 Product or Service Characteristics

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

### 2.1.1 Cooling and ventilation products

#### 2.1.1.1 Misting Fan

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

##### 2.1.1.1.1 High Pressure System

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



##### 2.1.1.1.2 Centrifugal Force

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



#### 2.1.1.2 Evaporative Air Cooling

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

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

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

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

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



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

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



### 2.1.1.3 Industrial Fan and Ventilation Fan

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



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



Propeller Fan



Axial Fan



Centrifugal Fan



Roof



House Fan

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

## 2.1.2 Ozone System Product

### 2.1.2.1 Ozone for Cooling Tower



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



#### 2.1.2.2 Ozone for Water Quality Improvement

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



#### 2.1.2.3 Cold Plasma for Air Quality Improvement

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



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

#### 2.1.3 Other Products

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



#### 2.1.4 Rental Services

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

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



#### 2.1.5 After-sales Services

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

## 2.2 Marketing and Competition

### 2.2.1 Business Strategy

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

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

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

#### 2.2.1.1 Marketing and Advertising Strategy

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

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

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

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



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

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

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

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

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

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

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

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

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

- Direct sales
- Moderntrade
- Local Dealers
- Overseas agents

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

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

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

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

## 2.2.2 Target Customers

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

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

## 2.2.3 Sales and Distribution Channels

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

### 2.2.3.1 Retail Channel

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

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

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

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

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

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

#### 2) BU: Dealer

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

#### 3) BU: Online

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

#### 4) BU: Event Direct

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

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

#### 2.2.3.2 Corporate Channel

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

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

#### 2.2.3.3 Export Channel

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

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

## 2.2.4 Industry and Competition

### 2.2.4.1 Industry Information

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

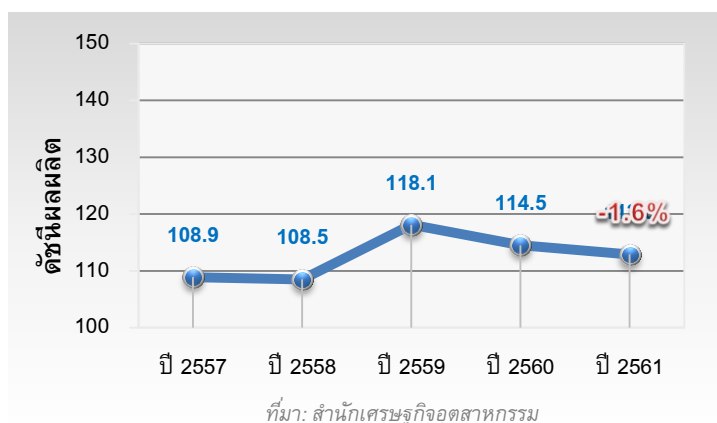
Main products and services of the company are a evaporative cooling fan and a miting fan which are new alternative to cooling and energy saving products; and there is no information of domestic market value. However, at present, most other brand suppliers are imported from abroad, especially from China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

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

ที่มา: รายงานสถิติ กรมศุลกากร

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

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



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

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

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



#### 2.2.4.2 Competitors

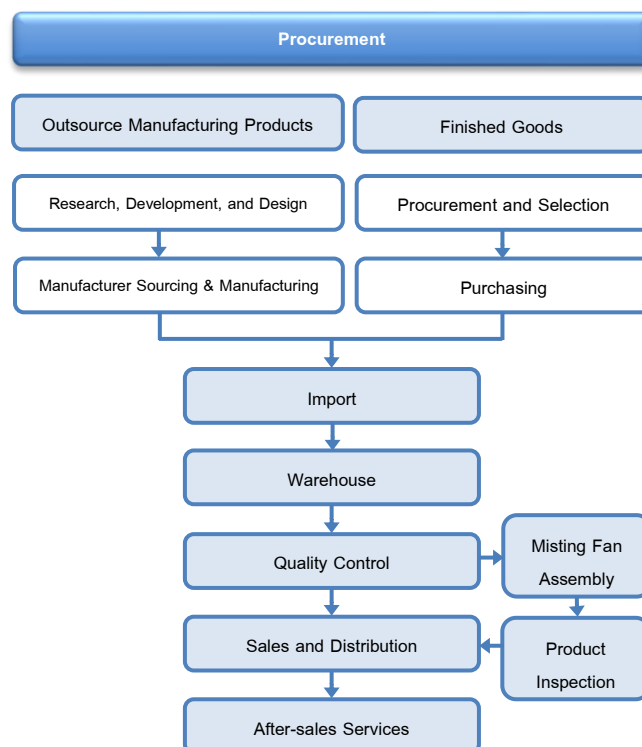
The entrepreneur who sells either misting fan or evaporative air cooling which is key product of the company can be considered as competitors. The number has decreased since late 2017 and the number in 2018 is not increased. Most competitors of the Company are small companies. Any competitors those have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

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

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

## 2.3 Procurement of Product and Service

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



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

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

#### 2.3.1.1 Procurement of Designed Product

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



1. Finished goods are i.e. mobile evaporative fan (Masterkool I-Kool) and ozone vegetable washer. After outsource manufacturers produce the Company's products by compliance with the Company's specification, the Company shall import them as ready products with packaging.  
  
In addition, the Company makes agreement to have its '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.

#### **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 Work in Process**

-None-

#### **2.5 Environment Impact**

- None environment impact -

### **3. Risk Factors**

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

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

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

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

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

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

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

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

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

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

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

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

### 3.1.4 Risk of inventory damage

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

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

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

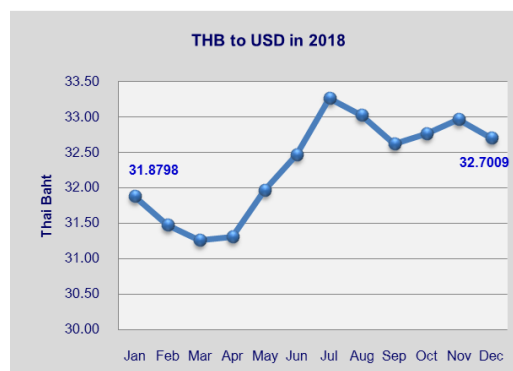
Moreover, the Company also prepares plan to support manufacturing discontinuity from such major manufacturing contractor through employment of other manufacturer for replacement, having the same nature of product manufacturing capability. The Company then believed that the impact from dependency of major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

## 3.2 Risk on Investment of securities holders

### 3.2.1 Financial risk on currency rate fluctuations

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

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



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

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

#### 4. Property for Business Purpose







##### 4.1 Fix Assets

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

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

##### 4.1.1 Trademarks

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

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

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

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

#### 4.1.2 Patent / Petty Patent

##### 4.1.2.1 Patent

Registration No.	Patent	Type	Patented Inventions	Protection Period
1702003279	67460	Design Patent	Air-cooling (14EX)	24 August 2017 To 23 August 2027
1702000098	67459	Design Patent	Air-cooling (55EX)	24 August 2017 To 23 August 2027
1702003278	67458	Design Patent	Air-cooling (28EX)	24 August 2017 To 23 August 2027
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
1302002542	51775	Design Patent	Air-cooling (70EX)	12 September 2013 To 11 September 2023
1302002543	51776	Design Patent	Air-cooling (U-Kool)	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 2020



#### 4.1.2.2 Petty Patent

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

Reference: DIP, Ministry of Commerce

#### 4.1.3 Important contract in business

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

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

##### 4.1.3.2 Key Insurance Policy

Insurer	Bangkok Insurance PLC
The assured	Masterkool International PLC
Insured property	Warehouse
Location of property	Warehouse, 39 Moo 6 Phaholyothin Road, Klong Nueng, Klong Luang, Patumthani 12120
Protection limit	50,000,000 Thb
Protection period	14 October 2018 to 14 October 2019
Protection	1. Wind storm 15,000,000 Thb 2. Earthquake or volcanic eruption 15,000,000 Thb 3. Water hazard (Flood is excluded) 50,000,000 Thb 4. Explosion 50,000,000 Thb

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

#### 4.1.3.3 Four production contracts with a Manufacturer

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

#### 4.1.3.4 Vendor contract with Moderntrade

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

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

#### 4.1.3.5 Local Dealer Appointment Contract

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

Contractual Party	<ol style="list-style-type: none"> <li>1. Dealer* ("the Contractual Party")</li> <li>2. Masterkool International Public Company Limited ("the Company")</li> </ol>
Contractual Duration	Until the contract will be cancelled by any party.
Contractual Cancellation	<ol style="list-style-type: none"> <li>1. In case that the dealer defaults the contract or does not comply with dealership rule, the Company is entitled to cancel the Contract.</li> <li>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.</li> </ol>
Credit Term	Number of days as mutually agreed
Conclusion of Contractual Essence	<ol style="list-style-type: none"> <li>1. The Contractual Party is the local dealer of the Company's products in Thailand only.</li> <li>2. The Contractual Party uses MASTERKOOL trademark with the product, integral part, spare part and equipment particularly for the Company's product only.</li> <li>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.</li> <li>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.</li> </ol>

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

#### 4.1.3.5 Product Transportation Hiring Contract

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

## 4.2 Policy of Investment in its Subsidiaries and Associates

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

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

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

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

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

## **5. Legal Dispute**

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

## 6. General Information and Other Key Information

### 6.1 General Information as at 31 December 2018

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

#### References

Share Registrar	Thailand Securities Depository Company Limited Stock Exchange of Thailand Building 93 Ratchadaphisek Road, Khlong Toei District, Bangkok 10110 Telephone (66) 2009 9000, Facsimile (66) 2009 9991
Auditor	Ms.Chuenta Chommern C.P.A. (Thailand) No. 7570 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



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

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