

## Part 3 Important Financial Information

### 13. Important Financial Information

#### 13.1 Statements of Financial Position

Masterkool International Public Company Limited and Subsidiary

Statements of Financial Position

As at December 31, 2018

(Unit : Baht)

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

## 13.2 Statement of Comprehensive Income

### Masterkool International Public Company Limited and Subsidiary

#### Statements of Comprehensive Income

For the year ended December 31, 2018

(Unit : Baht)

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

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

Masterkool International Public Company Limited and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2018

(Unit : Baht)

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

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

Masterkool International Public Company Limited and Subsidiary

Separate Statements of Changes in Shareholders' Equity

For the year ended December 31, 2018

(Unit : Baht)

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

### 13.5 Statement of Cash Flows

Masterkool International Public Company Limited and Subsidiary

#### Statements of Cash Flows

For the year ended December 31, 2018

(Unit : Baht)

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

### 13.5 Financial Ratio

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

## 14. Management's Discussion and Analysis

26 Februar 2019

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

Attention: The President of the Stock Exchange of Thailand

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

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

Million Baht

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

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

### Business Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Million Baht

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

**Retail Market**

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

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

**Corporate Market**

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

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

**Export Market**

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

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

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

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

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

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

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

### **Financial Status**

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

Million Baht

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



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

### **Assets**

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

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

### **Liabilities**

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

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

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

#### **Shareholders' Equity**

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

**Table 4: Financial Ratio**

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

#### **Liquidity Ratio**

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

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

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

#### **Financial Policy Ratio**

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

(Mr. Noppachai Veeraman)  
Managing Director

## Board Responsibilities for Financial Reports

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

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

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

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

*- Signature of Mr. Sanpat Sopon -*

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

*- Signature of Mr. Noppachai Veeraman -*

(Mr. Noppachai Veeraman)  
CEO / Managing Director