



No. M.D.071/2020

20th May 2020

Subject: Notification of management's discussion and analysis for the year 2019

To: The President of The Stock Exchange of Thailand

With reference to Kang Yong Electric Public Company Limited's submission of financial statements for the year 2019 (ended March 31, 2020) duly reviewed by a certified public accountant, we would like to give clarification on the Company's operating results and financial position as follows:

Summary of financial information		Ended March 31	
		2020	2019
	(Unit)		
Total assets	Baht million	7,381	6,946
Total liabilities	Baht million	1,647	1,729
Shareholders' equity	Baht million	5,734	5,217
Revenues from sales and rendering of services	Baht million	7,703	7,960
Total revenues	Baht million	8,245	8,284
Costs of sales and rendering of services	Baht million	6,435	6,947
Gross profit	Baht million	1,268	1,013
Selling and administrative expenses	Baht million	1,139	1,167
Net profit	Baht million	621	180
Financial ratios			
Liquidity ratios			
Current ratio	time	4.58	3.78
Quick ratio	time	3.86	3.11
Cash flow liquidity ratio	time	0.56	0.25
Accounts receivable turnover ratio	time	6.32	6.10
Average collection period	day	58	60
Inventory turnover ratio	time	7.66	7.15
Average age of inventories	day	48	51
Accounts payable turnover ratio	time	7.71	7.83
Repayment period	day	47	47
Cash cycle	day	59	64
Profitability ratios			
Gross profit margin	%	16.46	12.73
Net profit to sales ratio	%	8.07	2.26
Return on equity	%	11.35	3.11
Efficiency ratios			
Return on total assets	%	8.67	2.39
Return on fixed assets	%	65.82	36.78
Assets turnover ratio	time	1.15	1.10
Financial policy ratios			
Debt to equity ratio	time	0.29	0.33
Dividend payout ratio	%	*	50.01

* In process of seeking approval from the Annual General Meeting of Shareholders 2020



Summary of operating results for FY2019 in comparison with FY2018:

Unit: Baht million	For the year ended March 31			
	2020	2019	Diff.	%
Revenues from sales and rendering of services	7,703.4	7,960.2	(256.8)	-3.2%
Costs of sales and rendering of services	6,435.4	6,946.5	(511.1)	-7.4%
Gross profit	1,268.0	1,013.7	254.3	25.1%
Selling expenses	418.4	440.4	(22.0)	-5.0%
Administrative expenses	720.9	727.0	(6.1)	-0.8%
Investment income and other income	541.9	323.9	218.0	67.3%
Profit before income tax	670.6	170.2	500.4	294.0%
(Tax income) expense	49.2	(9.9)	59.1	-597.0%
Net profit for the year	621.4	180.1	441.3	245.0%

Revenues from sales and services, by business segment

Unit: Baht million	For the year ended March 31			
	2020	2019	Diff.	%
Domestic market	2,977.1	3,101.7	(124.6)	-4.0%
Japan	3,331.0	3,129.7	201.3	6.4%
Others	1,395.3	1,728.8	(333.5)	-19.3%
Export market	4,726.3	4,858.5	(132.2)	-2.7%
Total	7,703.4	7,960.2	(256.8)	-3.2%

Other export markets include 20 countries, namely Taiwan, Hong Kong, Singapore, Malaysia, Myanmar, Cambodia, Laos, Vietnam, Indonesia, Australia, New Zealand, Pakistan, UAE, Jordan, Bahrain, Sri Lanka, Bangladesh, Brunei, Philippines, and Russia.

Revenues from sales and services

For the fiscal year 2019, the Company's revenues from sales and rendering services decreased by Baht 256.8 million or 3.2% from Baht 7,960.2 million in year 2018 to Baht 7,703.4 million in year 2019, divided into the following three major business groups as follow:

1. The domestic market, revenue from sales and rendering services decreased from Baht 3,101.7 million in year 2018 to Baht 2,977.1 million in year 2019 or decreased Baht 124.6 million or 4.0% mainly due to the sales of the refrigerator, electric fan and ventilating fan decreased.
2. Export to Japan market, revenue from sales increased from Baht 3,129.7 million in year 2018 to Baht 3,331.0 million in year 2019 or increased Baht 201.3 million or 6.4% due to the sales of new 3door refrigerator model increased.
3. Export to markets elsewhere, the sales decreased from Baht 1,728.8 million in year 2018 to Baht 1,395.3 million in year 2019 or decreased Baht 333.5 million or 19.3%. Due to sales of the



refrigerator and electric fan decreased. Besides, the fluctuation of the exchange rate of US dollar caused the sales decreased around Baht 54.8 million (included in Baht 333.5 million).

Investment income and other income

Investment income and other income for the fiscal year 2019 was Baht 541.9 million, an increase of Baht 218.0 million or 67.3% compared to the fiscal year 2018. Due to the dividend received increased Baht 220.0 million.

Cost of sales and expenses

Cost of sales and rendering services in the fiscal year 2019 accounted for 83.5% of revenues from sales and rendering services. The ratio decreased by 3.7% compared to the year 2018 due to revenues from sales of new model exporting to Japan market and revenues from sales of domestic water pump increased; moreover, the cost of materials and parts decreased.

Selling expenses and administrative expenses in the year 2019 accounted for 14.8% of revenues from sales and rendering services which increased 0.1% from year 2018. But when considering the value, it was found that the expenses decreased from the previous year as a result of

- Selling expenses decreased by Baht 22.0 million. In the year 2018, the Company had the amount of Baht 440.4 million to Baht 418.4 million in the year 2019. The reduction in expenses were due to logistic cost, royalty fee, sales and promotion cost decreased.
- Administrative expenses decreased by Baht 6.1 million from Baht 727.0 million in the year 2018 to Baht 720.9 million in the year 2019.

Profit

In the fiscal year 2019, the Company posted a gross profit margin of 16.5%, which was 3.7% increased compared to the previous year. After considering the reduction of the selling expenses, the reduction of administrative expenses, the increase in investment income, other income, and income tax therefore, the net profit for the year 2019 was Baht 621.3 million or 8.1% of revenues from sales and rendering services which increased by 5.8% from the year 2018 which had 2.3%. Resulting in the rate of the net profit per share has increased from 8.56 baht per share in the year 2018 to 31.38 baht per share in the year 2019. The return on equity in the year 2019 has increased from 3.11% in the year 2018 to 11.35% in the year 2019.



Summary of financial position

Unit: Baht million	For the year ended March 31			
	2020	2019	Diff.	%
Cash and cash equivalents	964.6	790.0	174.6	22.1%
Current investments	2,330.0	2,100.0	230.0	11.0%
Trade accounts receivable and other receivables	1,350.6	1,378.2	(27.6)	-2.0%
Inventories	784.7	896.6	(111.9)	-12.5%
Property, plant and equipment	1,536.0	1,421.7	114.3	8.0%
Others	415.2	359.5	55.7	15.5%
Total assets	7,381.1	6,946.0	435.1	6.3%
Trade accounts payable and other payables	1,144.7	1,360.0	(215.3)	-15.8%
Others	502.3	368.6	133.7	36.3%
Total liabilities	1,647.0	1,728.6	(81.6)	-4.7%
Shareholders' equity	5,734.1	5,217.4	516.7	9.9%
Total liabilities and shareholders' equity	7,381.1	6,946.0	435.1	6.3%

Total assets

As of March 31, 2020, the Company recorded total assets of Baht 7,381.1 million, increased Baht 435.1 million or 6.3% from the corresponding period of the previous year, with changes in essential asset items as follows:

- Cash and cash equivalents as of March 31, 2020, was Baht 964.6 million, increase from a year earlier by Baht 174.6 million or 22.1%.
- Current investments as of March 31, 2020, amounted to Baht 2,330 million, increase by Baht 230 million or 11.0% which was an increase in a short-term deposits with financial institutions.
- Trade accounts receivable and other receivables as of March 31, 2020, totaled Baht 1,350.6 million, decreased by Baht 27.6 million or 2.0 % from the same period of the preceding year. Mostly due to decrease in trade accounts receivable Baht 201.9 million and dividend receivables increased Baht 171.4 million.
- Inventories as of March 31, 2020, amounted to Baht 784.7 million, decrease Baht 111.9 million or 12.5% from a year earlier. Due to the inventory management and the delivery period had more efficiency.
- Property, plant, and equipment as of March 31, 2020, amounted to Baht 1,536.0 million, increase by Baht 114.3 million or 8.0% from the previous year. The Company invested Baht 467.9 million in machinery, equipment, and molds. Its return on fixed assets was 65.82% considered as a good ratio.

Total liabilities

As of March 31, 2020, the Company had total liabilities of Baht 1,647.0 million, decrease Baht 81.6 million or 4.7% from March 31, 2019. Trade and other payables amounted to Baht 1,144.7 million, reduce Baht 215.3 million or 15.8%. Due primarily to purchases of parts and raw materials and royalty fee decreased.



Non-current liabilities for employee benefits increased by 80.3 million baht. Mainly due to the amendment of the Labor Protection Act, effective from April 5, 2019, which requires employers to pay additional compensation if the employee has worked for 20 years or more, the employee is entitled to compensation not less than the final rate of 400 days.

Cash cycle was five days faster from 64 days in year 2018 to 59 days in year 2019, resulting from more efficient inventory management. With high liquidity ratio from 3.78 times in year 2018 to 4.58 times in year 2019, while having quick ratio at 3.11 times in year 2018 to 3.86 times in year 2019, as can be seen that the Company still has excellent financial stability.

Shareholders' equity

As of March 31, 2020, the Company recorded shareholders' equity of Baht 5,734.1 million, increase by Baht 516.7 million or 9.9% from last year, due to various changes as follow:

- Shareholders' equity increased from its comprehensive income for year 2019 of Baht 606.8 million.
- Shareholders' equity decreased from dividend payment in August 2019, the Company paid dividends to its shareholders in the total amount of Baht 90.1 million at 4.55 baht per share, according to the shareholders' meeting as of July 25, 2019, the resolution approved.
- In September 2019, the Company had written off treasury stock and reduced ordinary stock. According to the Board of Directors' meeting held on August 8, 2019, the Board of Directors had approved the Company to dispose of 2.2 million treasury shares, with the period from August 27, 2019, until September 9, 2019. However, after the expiration of selling the treasury shares, the Company cannot sell treasury shares. As a result, the Company has 2.2 million treasury shares which have not been sold. The Company had reduced the registered capital and reduced the paid-up capital from Baht 220 million to Baht 198 million by eliminating the treasury shares that have not been sold in the amount of 2.2 million shares, with a par value of 10 baht per share, totaling Baht 22 million, including the disposal of treasury shares and reserve for treasury shares which were shown in shareholders' equity amount.

To sum up, the Company has maintained a robust capital structure and a significantly low financial risk level. This is for your information.

Yours sincerely,

(Mr. Takenori Adachi)

President