



No. M.D. 109/2019

May 22, 2019

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 2018 (ended March 31, 2019) 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              |              | March 31 |       |
|---|--------------|----------|-------|
|   |              | (Unit)   | 2019  |
| Total assets                                  | Baht million | 6,946    | 8,136 |
| Total liabilities                             | Baht million | 1,729    | 1,761 |
| Shareholders' equity                          | Baht million | 5,216    | 6,375 |
| Revenues from sales and rendering of services | Baht million | 7,960    | 8,632 |
| Total revenues                                | Baht million | 8,284    | 9,215 |
| Costs of sales and rendering of services      | Baht million | 6,947    | 7,266 |
| Gross profit                                  | Baht million | 1,013    | 1,366 |
| Selling and administrative expenses           | Baht million | 1,167    | 1,154 |
| Net profit                                    | Baht million | 180      | 719   |
| <b>Financial ratios</b>                       |              |          |       |
| <i>Liquidity ratios</i>                       |              |          |       |
| Current ratio                                 | time         | 3.78     | 4.48  |
| Quick ratio                                   | time         | 3.11     | 3.71  |
| Cash flow liquidity ratio                     | time         | 0.25     | 0.15  |
| Accounts receivable turnover ratio            | time         | 6.10     | 6.42  |
| Average collection period                     | day          | 60       | 57    |
| Inventory turnover ratio                      | time         | 7.15     | 7.55  |
| Average age of inventories                    | day          | 51       | 48    |
| Accounts payable turnover ratio               | time         | 7.83     | 7.84  |
| Repayment period                              | day          | 47       | 47    |
| Cash cycle                                    | day          | 64       | 58    |
| <i>Profitability ratios</i>                   |              |          |       |
| Gross profit margin                           | %            | 12.73    | 15.83 |
| Net profit to sales ratio                     | %            | 2.26     | 8.33  |
| Return on equity                              | %            | 3.11     | 11.32 |
| <i>Efficiency ratios</i>                      |              |          |       |
| Return on total assets                        | %            | 2.39     | 8.75  |
| Return on fixed assets                        | %            | 36.78    | 75.20 |
| Assets turnover ratio                         | time         | 1.10     | 1.12  |
| <i>Financial policy ratios</i>                |              |          |       |
| Debt to equity ratio                          | time         | 0.33     | 0.28  |
| Dividend payout ratio                         | %            | *        | 50.01 |

\* In process of seeking approval from the Annual General Meeting of Shareholders 2019

**Summary of operating results for FY2018 in comparison with FY2017:**

| Unit: Baht million                            | For the year ended March 31 |         |         |         |
|---|-----------------------------|---------|---------|---------|
|   | 2019                        | 2018    | Diff.   | %       |
| Revenues from sales and rendering of services | 7,960.2                     | 8,631.7 | (671.5) | -7.8%   |
| Costs of sales and rendering of services      | 6,946.5                     | 7,265.7 | (319.2) | -4.4%   |
| Gross profit                                  | 1,013.7                     | 1,366.0 | (352.3) | -25.8%  |
| Selling expenses                              | 440.4                       | 416.8   | 23.6    | 5.7%    |
| Administrative expenses                       | 727.0                       | 736.7   | (9.7)   | -1.3%   |
| Investment income and other income            | 323.9                       | 559.2   | (235.3) | -42.1%  |
| Profit before income tax                      | 170.2                       | 771.7   | (601.5) | -77.9%  |
| (Tax income) expense                          | (9.9)                       | 52.4    | (62.3)  | -118.9% |
| Net profit for the year                       | 180.1                       | 719.3   | (539.2) | -75.0%  |

**Revenues from sales and services, by business segment**

| Unit: Baht million | For the year ended March 31 |         |         |        |
|--------------------|-----------------------------|---------|---------|--------|
|                    | 2019                        | 2018    | Diff.   | %      |
| Domestic market    | 3,101.7                     | 3,001.8 | 99.9    | 3.3%   |
| Japan              | 3,129.7                     | 3,825.2 | (695.5) | -18.2% |
| Others             | 1,728.8                     | 1,804.7 | (75.9)  | -4.2%  |
| Export market      | 4,858.5                     | 5,629.9 | (771.4) | -13.7% |
| Total              | 7,960.2                     | 8,631.7 | (671.5) | -7.8%  |

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 2018, the Company's revenues from sales and service decreased by Baht 671.5 million or 7.8% from Baht 8,631.7 million in 2017 to Baht 7,960.2 million in 2018, divided into the following three major business groups as follow:

1. The domestic market, sales increased from Baht 3,001.8 million in 2017 to Baht 3,101.7 million in 2018 or increased Baht 99.9 million or 3.3% mainly due to the sale of the water pump, electric fan and ventilating fan increased.
2. Export to Japan market, sales decreased from Baht 3,825.2 million in 2017 to Baht 3,129.7 million in 2018 or decreased Baht 695.5 million or 18.2%. The sales of 2 door and 3 door refrigerators have decline due to the high competition in the market. Moreover, the fluctuation of the exchange rate of Yen caused the sales revenue decreased Baht 139 million.



3. Export to markets elsewhere, sales decreased from Baht 1,804.7 million in 2017 to Baht 1,728.8 million in 2018 or decreased Baht 75.9 million or 4.2%. Due to sales of the refrigerator and ventilating fan in Vietnam market fell. However, sales of the electric fan in Vietnam market increased. Besides, the fluctuation of the exchange rate of US dollar caused the sales revenue decreased around Baht 36 million.

#### **Investment income and Other revenues**

Investment income and other revenues for the fiscal year 2018 was Baht 323.9 million, a decrease of Baht 235.3 million or 42.1% compared to the fiscal year 2017. Due to a reduction in the dividend received Baht 284.8 million.

#### **Selling costs and expenses**

The cost of sales in the fiscal year 2018 accounted for 87.3% of sales and services. The ratio increased by 3.1% compared to the year 2017 due to the sales revenue from exporting to Japan market decreased and foreign exchange differences for exporting the products.

Selling and administrative expenses in the year 2018 accounted for 14.7% of sales and service income, an increase of 1.3% from a year earlier. As a result of

- Selling expenses increased by Baht 23.6 million. In the year 2017, the Company had the amount of Baht 416.8 million to Baht 440.4 million. Due to the after-sales service costs and the provision damage insurance costs related to the repair, replacement, and add-ons for installing ceiling fan products.
- Administrative expenses decreased by Baht 9.7 million. From Baht 736.7 million in the year 2017 to Baht 727.0 million in the year 2018.

#### **Profit**

In FY2018, the Company posted a gross profit margin of 12.7%, which was 3.1% lower than that in the previous year. With the above increases in selling and administrative expenses, decrease in other revenues and income tax is taken into account, the Company's net profit for FY2018 amounted to Baht 180.1 million, representing 2.3% of revenues from sales and services, and decreased 6 % from the previous year. As a result, yields on equity in FY2018 are projected to fall from 11.3 % in FY2017 to 3.1 % in FY2018.



## Summary of financial position

| Unit: Baht million                                | Mar 31, 2019   | Mar 31, 2018   | Diff.            | %             |
|---|----------------|----------------|------------------|---------------|
| Cash and cash equivalents                         | 790.0          | 609.3          | 180.7            | 29.7%         |
| Current investments                               | 2,100.0        | 3,300.0        | (1,200.0)        | -36.4%        |
| Trade accounts receivable and other receivables   | 1,378.2        | 1,352.0        | 26.2             | 1.9%          |
| Inventories                                       | 896.6          | 1,046.2        | (149.6)          | -14.3%        |
| Property, plant and equipment                     | 1,421.7        | 1,463.3        | (41.6)           | -2.8%         |
| Others  | 359.5          | 365.1          | (5.6)            | -1.5%         |
| <b>Total assets</b>                               | <b>6,946.0</b> | <b>8,135.9</b> | <b>(1,189.9)</b> | <b>-14.6%</b> |
| Trade accounts payable and other payables         | 1,360.0        | 1,394.9        | (34.9)           | -2.5%         |
| Others  | 368.6          | 365.7          | 2.9              | 0.8%          |
| <b>Total liabilities</b>                          | <b>1,728.6</b> | <b>1,760.6</b> | <b>(32.0)</b>    | <b>-1.8%</b>  |
| <b>Shareholders' equity</b>                       | <b>5,217.4</b> | <b>6,375.3</b> | <b>(1,157.9)</b> | <b>-18.2%</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>6,946.0</b> | <b>8,135.9</b> | <b>(1,189.9)</b> | <b>-14.6%</b> |

### Total assets

As of March 31, 2019, the Company recorded total assets of Baht 6,946.0 million, decline from the corresponding period of the previous year by Baht 1,189.9 million or 14.6%, with changes in essential asset items as follows:

- Cash and cash equivalents as of March 31, 2019, was Baht 790.0 million, increase from a year earlier by Baht 180.7 million or 29.7%.
- Current investments as of March 31, 2019, amounted to Baht 2,100 million, decrease by Baht 1,200 million or 36.4% which is withdrawing short-term deposits with financial institutions for a share repurchase project and the operations.
- Trade accounts receivable and other receivables as of March 31, 2019, totaled Baht 1,378.2 million, increase by Baht 26.2 million or 1.9 % from the same period of the preceding year, and coming mainly from accrued accounts not yet due. The Company had an average collection period of 60 days in 2018, a delay of 3 days from the previous year. With a close assessment of customers' financial status, the Company has faced no debt collection problem.
- Inventories as of March 31, 2019, amounted to Baht 896.6 million, decrease Baht 149.6 million or 14.3% from a year earlier. Due to the inventory management and the delivery period had more efficiency.
- Property, plant, and equipment as of March 31, 2019, amounted to Baht 1,421.7 million, decreasing by Baht 41.6 million or 2.8%. In 2018, the Company invested Baht 310.1 million in machinery, equipment, and molds. Its return on fixed assets was 36.78%.



### Total liabilities

As of March 31, 2019, the Company had total liabilities of Baht 1,728.6 million, decrease Baht 32.0 million or 1.8% from March 31, 2018. Trade and other payables amounted to Baht 1,360.0 million, reduce Baht 34.9 million or 2.5% due primarily to purchases of parts and raw materials and procurement of machinery and equipment for production. The average repayment period for trade accounts payable the same as the year 2017 at 47 days.

Cash cycle was six days delayed from 58 days in 2017 to 64 days in 2018, hence efficient cash management. The Company still had plentiful liquidity, with its current ratio from 4.48 times in 2017 to 3.78 times in 2018. The quick ratio from 3.71 times in 2017 to 3.11 times in 2018. The Company thus maintained a robust financial position.

### Shareholders' equity

As of March 31, 2019, the Company recorded shareholders' equity of Baht 5,217.4 million, decrease by Baht 1,157.9 million or 18.2% from 2017, due to various changes as follow:

- Shareholders' equity increased from its comprehensive income for 2019 of Baht 172.2 million.
- In August 2018, the Company paid dividends to its shareholders in the total amount of Baht 359.7 million at 16.35 baht per share, according to the shareholders' meeting as of 25 July 2018, the resolution approved.
- In October 2018, the Company operated a stock repurchase project in the case of financial management in the amount of 2.2 million shares, amounting to Baht 970.4 million.

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

