

Annual Report 2017

MASTERKOOOL

Master of Innovative Cooling

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Message from the Chairman

Assoc. Prof. Dr. Prakrit Tangtisanon



According to the Office of Industrial Economics, it is clear that Thailand's electrical appliance industry in 2017 was slowdown. The production of electrical appliance e.g. air conditioners, compressors, fans and etc. had decreased 3.06% compared to 2016 due to declining in the growth of domestic demand. Especially in cooling business, the industry was affected by climate change in 2017 was not too hot when compared to climate in 2016.

The performance of Masterkool International Public Company Limited during the year 2017 among limited market demand, therefore, we had faced a severe price competition situation throughout the year. As a result, the consolidated financial statement showed a net loss of 84.24 Million Baht.

For Masterkool, the future market looks attractive; when combining with our expertise in field technology, we strongly commit to develop our products with cooling efficiency and emotional connection design to enhance our competitive advantages for our sustainable growth under principles of good corporate governance.

On behalf of the Board of Directors, we would like to express our appreciation to our shareholders, customers, business partners, executives, and employees as well as all stakeholders for all your continued support and for the confidence that you have placed in Masterkool.



(Assoc. Prof. Dr. Prakrit Tangtisanon)
Chairman

Message from the CEO

Mr. Noppachai Veeraman



For the performance of the Company shown in the financial statements for 2017, Masterkool has analyzed and regularly reported to the shareholders of important information through the electronic company information disclosure of the Stock Exchange of Thailand. The factors that affect business in 2016 were demand factors affecting the demand of customers. For supply side, the impact was from new-coming competitors increased by 300-400% compared to 2016; penetrating market by low price strategy.

Management has analyzed all of the key factors that affect our operations in the year 2017, planned and prepared for next year's business operations by creating our competitive advantage, which is to develop our products to meet the needs of our customers, retail channel management improvement and promotion through online channels to support changes in market conditions and consumer buying behavior.

On behalf of the management and all employees, we would like to express our sincere thank you to the Board of Directors, dealers, suppliers and related parties for continued support.



(Mr. Noppachai Veeraman)
Chief Executive Officer

Mr. Sanpat Sapon



The Auditing Committee of Masterkool International PLC consists of 3 independent directors with qualifications and experience from various branches, as follows:

1. Mr.Sanpat Sapon
2. Assoc.Prof.Dr. Prakrit Tangtisanon
3. Mr.Mongkol Kasaemsun Na Ayudthaya

The Committee has performed its duties as stipulated in the charter of the Auditing Committee as assigned by the Board of Directors. In the year 2017, the Committee had 4 meetings, which discussed the key business matters with management, internal auditors, and other auditors regularly, and was reviewed by the Committee. The summary is following:

1. Financial Report Review: The Audit Committee meets only with the financial auditors and internal auditors quarterly without management attended the meetings. If there are any items where the Audit Committee has to rely on the details for consideration, the Committee may invite relevant executives to clarify, before commenting and presenting to the Board of Directors.

For financial report of the year 2017, the Audit Committee considered that the company's financial report was prepared in accordance with generally accepted auditing standards, with sufficient disclosure of material information in the notes to the financial statements.

2. Reviewing Transactions that May Lead to Conflict of Interests: The Audit Committee has reviewed the disclosure of information from transactions that may lead to conflict of interests, and they have been deemed to be adequate and in compliance with the rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission of Thailand.

3. Management Review and Risk Management: The Audit Committee has considered risk policies and programs, as well as the risk performance report, by meeting with the Risk Management Task Force to provide better guidelines and suggestions for improvement.

4. Review of Good Corporate Governance: The Audit Committee has directed and reviewed the operations in accordance with the Corporate Governance Policy, as well as business ethics requirements and defined work practices, to ensure compliance with good corporate governance principles to ensure that all stakeholders are respected.

5. Review of Internal Control System and Internal Auditing Oversight: The Audit Committee employed ACC-PLUS Consultant Co., Ltd., the third-party internal auditor, to be the company's internal auditor for the independence of the inspection work. Internal audit results were reported directly to the Audit Committee, and therefore continuous monitoring of internal auditing results is required

In the year 2017, the Audit Committee found no significant internal control deficiencies within the year.

6. Considering on Auditor and Audit Fee: The Audit Committee has considered SP Auditing Co., Ltd by expertise, based on knowledge, ability, qualifications, and experience, by the standard auditing of listed companies in the Stock Exchange of Thailand. Moreover, the auditing fee is in line with the size of the company's budget. It has proposed to the Board of Directors to consider the appointment of the auditor and the remuneration of the auditor at this Annual General Meeting of Shareholders.

Summary of Audit Committee Report

The Audit Committee has performed its duties and responsibilities as its charter approved by the Board of Directors with full knowledge, ability, prudence, caution, and sufficient independence to equally benefit all stakeholders.

The Auditing Committee is of the opinion that the company's financial report is accurate and consistent with generally accepted accounting standards. The company also manages the risk from internal control and proper internal auditing with compliance to the law, good corporate governance principles and to the requirements in business.



(Mr.Sanpat Sapon)

Chairman of the Audit Committee

Nomination and Remuneration Committee Report

Mr. Mongkol Kasaemsun Na Ayudthaya



The Nomination and Remuneration Committee has performed the duties assigned by the Board of Directors in the charter of the Nomination and Remuneration Committee.

In 2017, the Nomination and Remuneration Committee has one meeting to consider the importance in various topics, include the progress of the work in accordance with the scope of duties, and follow up on assigned responsibilities as follows:

1. Nomination of Persons to be Independent Directors and Company's Directors: The Nomination and Remuneration Committee is responsible for recruiting qualified persons according to the requirements of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. There are to be no prohibited characteristics as required by law, qualifications, experience, and knowledge that are beneficial to the business. The Committee then presents them at the Board of Directors and the shareholders' meeting for approval. The interested directors will not participate in the consideration and abstain from such issues.

To present persons to become the Company's Directors in the year 2018, the Nomination and Remuneration Committee assigned the Company Secretary to publish an announcement on the Company's website to invite the shareholders to nominate candidates to be elected as Directors. The offer period was from 2 October 2017 to 15 January 2018, in accordance with the principles of good corporate governance in respect to the rights of shareholders.

2. Review of Committee and Su-Committee Remuneration: The NRC considers remuneration packages for directors and sub-committees by reducing these remunerations to meet the the Company's performance. The Board of Directors has resolved as approval for proposing to the shareholders.

3. Review of Remuneration Structure for Executives and Employees: The NRC considered remuneration structure, together with top management and HR, to be consistent with the company's performance and motivational an essential in maintaining talented employees.

4. Organizational Structuring: The NRC has reviewed the organizational structure with senior executives and HR to achieve better management efficiency and business performance. The organization structure has found suitable for the business; therefore the Committee resolved the structure as effective structure for the further year.

5. Formation of the Company's and its Subsidiaries' Succession Plan: The Nomination and Remuneration Committee determined that the direction of the Board of Directors, the criteria for evaluation / assessment, and the main objective plan in collaboration with senior management and HR, prepared the organization's readiness in advance and ensured that there would be continuous business conduct.

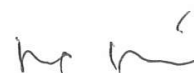
6. Designing Guidelines for Personnel Development Plan: The Nomination and Remuneration Committee reviewed the employee development plan with the Human Resources Department. In addition to the development of knowledge and skills, The company has planned to develop health personnel to drive the organization to sustainable growth.

In addition, the focus on the implementation of the happy workplace project aimed to propel the company towards a more sustainable growth.

Summary Report of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee has performed its duties as approved by the Board of Directors with careful transparency and impartiality, taking into account the maximum benefit of the Company and all relevant stakeholders.

In addition, the Nomination and Remuneration Committee encourages all directors to attend training or activities to increase their knowledge of the self-assessment of the Board of Directors and sub-committees which has been provided for both the group and individual. The reports are regularly made to the Board of Directors to further improve the operations.



(Mr. Mongkol Kasaemsun Na Ayudthaya)
Chairman of the NRC

Vision and Mission

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.



MASTERKOOL, an innovative organization who creates quality; for the happiness organization of Masterkool

Standards and Awards



ISO THAILAND



BEST PRODUCT 2002



BEST THAILAND
OWNED BRAND 2008



BAI PO BUSINESS AWARD 2009
SCB and SASIN Graduate Institute



Good Logistics Practice
Development Award 2013
Ministry of Industry



Thailand Trusted Quality 2014
Department of International
Trade Promotion



Innovation Awards 2015
Innovation and Technology
Assistance Program: ITAP



Total Innovation Management
Award 2016
National Innovation Agency

Board of Directors



Assoc. Prof. Dr. Prakrit Tangtisanon

Age: 75

Appointed on 8 November 2013

- Chairman of the Board
- Independent Director
- Audit Committee Member
- Nomination and Remuneration Committee Member

Educational Qualification :

- Honorary Doctorate Degree, Tokai University, Japan
- Master of Communication Engineering, Faculty of Engineering The University of Electro-Communications, Japan
- Bachelor of Communication Engineering Program, Faculty of Engineering Tokai University, Japan

Director Training :

- Certificate Course for Directors Certification Program (DCP 185/2014) Thai Institute of Directors (IOD)
- Certificate Course for Advanced Audit Committee Program (AAP 25/2017) Thai Institute of Directors (IOD)

Proportion of Shareholding in the Company : None

Last 5 Years of Experience:

- 2013-Present Chairman of the Board, Independent Director, Audit Committee Member and Nomination and Remuneration Committee Member Masterkool International Public Company Limited
- 2017-Present Chairman of the Board Independent Director Nova Organic Company Limited
- 2016-Present Director Bangkokthonburi University Council
- 2016-Present Vice President, Old Japan Student's Association, Kingdom of Thailand
- 2008 – 2012 Executive Director, Japan International Corporation Agency: JICA



Mr. Sanpat Sopon

Age: 64

Appointed on 8 November 2013

- Director
- Independent Director
- Chairman of the Audit Committee
- Nomination and Remuneration Committee Member

Educational Qualification :

- Master of Business and Administration, Western Michigan University, USA
- Bachelor of Law, Ramkhamhaeng University

Director Training :

- Certificate Course for Role of the Chairman Program (RCP 30/2013) Thai Institute of Directors (IOD)
- Certificate Course for The Executive Director Course (EDC 1/2012) Thai Institute of Directors (IOD)
- Certificate Course for Directors Certification Program (DCP 49/2004) Thai Institute of Directors (IOD)
- Certificate Course for Advanced Audit Committee Program (AAP 23/2016) Thai Institute of Directors (IOD)

Proportion of Shareholding in the Company : None

Last 5 Years of Experience:

- 2013-Present Director, Independent Director, Chairman of the Audit Committee and Nomination and Remuneration Committee Member, Masterkool International Public Company Limited
- 2017-Present Independent Director, Chairman of the Audit Committee Vintcom Technology Public Company Limited
- 2013 - 2017 Chairman of the Board, Independent Director Planet Communication Asia Public Company Limited
- 2010 – 2014 Expert Director, Software Industry Promotion Agency (Public Organization) (SIPA)

Board of Directors



Mr. Mongkol Kasaemsun

Na Ayudthaya

Age: 57

Appointed on 8 November 2013

- Director
- Independent Director
- Audit Committee Member
- Chairman of Nomination and Remuneration Committee

Educational Qualification :

- Master of General Management (Administrative Studies), Southeastern Oklahoma State University, USA
- Bachelor of Agricultural Engineering Program, Kasetsart University **Director**

Training :

- Certificate Course for Directors Accreditation Program (DAP 70/2008) Thai Institute of Directors (IOD)

Proportion of Shareholding in the Company : None

Last 5 Years of Experience:

- 2013-Present Director, Independent Director, Audit Committee Member Chairman of Nomination and Remuneration Committee Masterkool International Public Company Limited
- 2017-Present Chairman of the Board, Independent Director Innov Green Solutions Company Limited
- 2017-Present Independent Director, Chairman of the Audit Committee Nova Organic Company Limited
- 2017-Present Director, PPM Advisory Company Limited
- 2017-Present Director, Digital Focus Company Limited
- 2014 - Present Director of Private Teacher Aid Fund, Private Teacher Aid Fund, Ministry of Education
- 2012 – 2014 Advisor and Subcommittee Member, National Innovation Agency
- 2012 – 2012 President, Thai Social Enterprise Office



Mr. Kritsana Thaidumrong

Age: 55

Appointed on 8 November 2013

Director

Educational Qualification :

- Master of Business Administration Program, Thammasat University
- Bachelor of Engineering, Electric Power Engineering Program, King Mongkut's Institute of Technology Ladkrabang

Director Training :

- Certificate Course for Directors Certification Program (DCP 191/2014) Thai Institute of Directors (IOD)

Proportion of Shareholding in the Company : None

Last 5 Years of Experience:

- 2013-Present Director, Masterkool International Public Company Limited
- 2016-Present Director, Sitem Holding Company Limited
- 2015-Present Director, Carboncor (Thailand) Company Limited
- 2011-Present Director, Bangkok Tire Trading Company Limited
- 2008-Present Director, Bangkok Tire Refinery Company Limited
- 2007-Present Director, Folding Gate Company Limited
- 2006-Present Director, Metis Air Corporation Company Limited
- 1994-Present Director and Chairman of Executive Committee Site Preparation Management Company Limited

Board of Directors



Mr. Fung Meng Hoi

Age: 57

Appointed: 3 June 2002

Director

Educational Qualification :

- Bachelor of Business Administration Program, Ottawa University, USA

Director Training :

- Certificate Course for Director Certification Program (DCP 189/2014)
Thai Institute of Directors (IOD)

Proportion of Shareholding in the Company : 70,372,200 Shares, 14.66%

Last 5 Years of Experience:

- 2002-Present Director, Masterkool International Public Company Limited
- 2016-Present Director, Dionysus Asia Sdn Bhd, Malaysia
- 2016-Present Director, The Wine Poetry Sdn Bhd, Malaysia
- 2016-Present Director, Sensetech Properties Sdn Bhd, Malaysia
- 2003-Present Director, SenseTech Sdn Bhd, Malaysia



Mr. Noppachai Veeraman

Age: 54

Appointed: 3 June 2002

- Director
- Chairman of Executive Committee
- Managing Director

Educational Qualification :

- Bachelor of Electronics and Electrical Engineering Program
King Mongkut's Institute of Technology Ladkrabang

Director Training :

- Certificate Course for Directors Certification Program (DCP 185/2014)
Thai Institute of Directors (IOD)
- Certificate Course for Director Accreditation Program (DAP 82/2010)
Thai Institute of Directors (IOD)

Proportion of Shareholding in the Company : 122,956,259 Shares, 25.62%

Last 5 Years of Experience:

- 2002–Present Director, Chairman of Executive Committee and Managing Director, Masterkool International Public Company Limited
- 2011–Present Director, Managing Director
Innov Green Solutions Company Limited



Ms. Benjarat Hattacharnchai

Age: 44

Appointed: 12 May 2016

- Director
- Executive Director
- Assistant Managing Director of Finance & Accounting

Educational Qualification :

- Master of Business Administration, Executive Program
Kasetsart University
- Bachelor of Education, Business Education Program, Kasetsart University

Director Training :

- Certificate Course for Director Accreditation Program (DAP 84/2010)
Thai Institute of Directors (IOD)
- Certificate Course for Company Secretary Program (CSP 50/2013)
Thai Institute of Directors (IOD)
- Certificate Course for Effective Minute Taking (EMT 25/2013)
Thai Institute of Directors (IOD)
- Executive Financial Management Certificate Program Class 1
Chulalongkorn University

Proportion of Shareholding in the Company : 31,800 Shares, 0.01

Last 5 Years of Experience:

- 2016-Present Director, Executive Director
Assistant Managing Director of Finance & Accounting
Masterkool International Public Company Limited
- 2016-Present Director, Innov Green Solutions Company Limited
- 2009 - 2016 Vice President Finance & Supply Chain
Zemasch Corporation Company Limited



Miss Sunanta Wanwat

Age: 43

Appointed on 8 November 2013

- Director
- Assistant Managing Director, Innov Green Solutions Company Limited

Educational Qualification :

- Master of Electronic Commerce Program, Faculty of Business Administration, Sripratum University
- Bachelor's Degree, Marketing Program, Faculty of Business Administration, Payap University

Director Training :

- Certificate Course for Director Accreditation Program (DAP105/2013)
Thai Institute of Directors (IOD)

Proportion of Shareholding in the Company : 5,171,124 Shares, 1.08

Last 5 Years of Experience:

- 2013-Present Director, Masterkool International Public Company Limited
- 2017-Present Assistant Managing Director, Innov Green Solutions Company Limited
- 2011-Present Director and Executive Director, Innov Green Solutions Company Limited
- 2013-2016 Assistant Managing Director of Customer Service and Business, Masterkool International Public Company

Company Secretary



Miss Mallika Trakoolthai

Age: 50

Appointed on 8 November 2013

- Executive Director
- Company Secretary

Educational Qualification :

- Bachelor in English Program, Faculty of Humanities, Srinakharinwirot University

Training

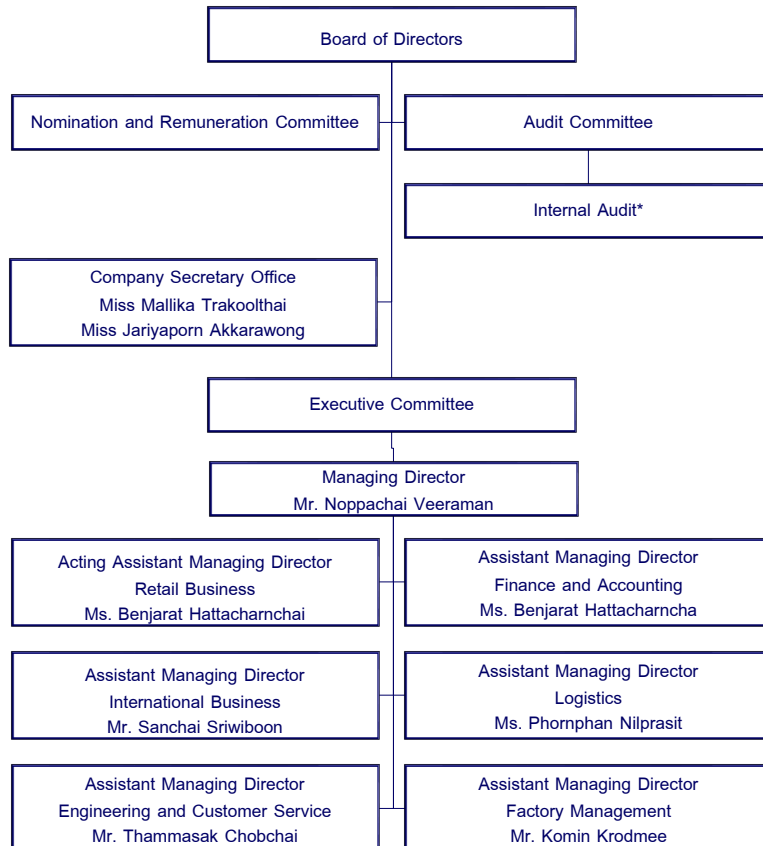
- Fundamental Practice for Corporate Secretaries Class 28, Thailand Listed Companies Association (TLCA)
- Fundamentals of Law for Corporate Secretaries Class 10, Thailand Listed Companies Association (TLCA)
- Management Development Program, Thailand Management Association
- Advances for Corporate Secretaries Class 1/2016, Thailand Listed Companies Association (TLCA)
- How to Develop a Risk Management Plan HRP, Class 12/2017 Thai Institute of Directors (IOD)

Proportion of Shareholding in the Company : 990,522 Shares, 0.21

Last 5 Years of Experience:

- 2013-Present Executive Director and Company Secretary
Masterkool International Public Company Limited
- 2010-2013 Director and Assistant MD of Organization Development
Masterkool International Public Company Limited

Organization Structure



Note: * The Company hires ACC-PLUS Consultant Company Limited to perform internal audit of the Company and its subsidiary. Miss Wanna Maluengnont (Managing Director of ACC-PLUS Consultant Company Limited) is a leader of internal audit team.

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

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

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

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

1.1 Vision, Mission, Goals and Business Strategies

Vision We are an authentic leader of modern cooling products and solutions for air-cooling, energy saving, environment care to meet all needs of customers and to gain recognition on international standards; aiming to contribute to our core sustainability mission by driving well-being for our employees with positive impact on their families, customers, and stakeholders.

Mission MASTERKOOL, an innovative organization who creates quality; for the happiness organization of Masterkool

Business Goals

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

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

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

Business Strategies

Marketing Strategy

The Company aims to make Masterkool a Top of Mind Brand by integrating through-the-line marketing, which encompasses both above the line advertising and continuing below the line public relations through corporate branding, which puts emphasis on being the leader in various fields, under the slogan “**Authentic Leader of Modern Cooling**” and product branding, which is characterized by the product's cold and energy saving qualities, as a new alternative product of cooling under the slogan “**Super Cool Super Save**” The company conducts a thorough survey of customer satisfaction after sales and service in order to continuously improve products and services.

Product Strategy

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

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

Distribution Strategy

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

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

HR Strategy

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

1.2 Major Changes and Development

2002-2010	Masterkool International Public Company Limited was established on 3 rd June 2002 by Mr. Noppachai Veeraman and friends, with an initial registered capital of 2,000,000 Baht divided into 200,000 ordinary shares with a par value of 10 Baht each, to operate misting fan production and distribution. The Company was the first to research and develop misting fans in order to solve the problem of extreme heat in places where air conditioning could not be installed. The Company increased its registered capital four times from 2,000,000 Baht to 44,000,000 Baht in 2009, divided into 4,400,000 ordinary shares with a par value of 10 Baht each, by offering shares to existing shareholders for the support of expanding the business. In the fourth capital increase, the Company offered 440,000 shares to K-SME at the price of 20 Baht per share (with par value of 10 Baht).
2008	The Company won the 2008 Prime Minister's Export Award (for Thai-Owned Brand)
2009	The Company and the three shareholders signed a joint venture agreement and an agreement between the shareholders and K-SME. In addition, the company began to import new cooling fans for domestic distribution.
2011	The company co-founded Innov-Green Solutions Co., Ltd. ("Ingreen") with unrelated parties, with a starting

	capital of 1,000,000 Baht, divided into 10,000 shares with a par value of 100 Baht. The Company holds 49.99 percent shares in the ozone product market.
2013	<p>The Company increased its registered capital from 44,400,000 Baht divided into 4,440,000 ordinary shares with a par value of 10 Baht each, to 70,000,000 Baht divided into 7,000,000 ordinary shares with a par value of 10 Baht each, offering and selling shares to existing shareholders, directors, executives and employees at par value of 10 Baht.</p> <p>The Company acquired Ingreen shares from its existing 5,000 non-related shareholders, with a par value of 100 Baht each at the book value. Ingreen owns a 99.98 percent in shares, which makes Ingreen a subsidiary of the company.</p>
2014	<p>The Extraordinary General Meeting of Shareholders No. 2/2011 held on 9th September 2014 approved the following resolutions:</p> <ol style="list-style-type: none"> 1) The transformation into a public company 2) Changing the par value from 10 Baht to 0.25 Baht per share 3) Increased registered capital from 70,000,000 Baht divided into 280,000,000 ordinary shares with a par value of 0.25 Baht each to 120,000,000 Baht divided into 480,000,000 ordinary shares with a par value of 0.25 Baht per share. <ul style="list-style-type: none"> • 80,000,000 new ordinary shares to be allocated to the existing shareholders in proportion to their shareholding • 120,000,000 new ordinary shares allotted to the public. <p>The Company increased its paid-up capital from 70,000,000 Baht divided into 280,000,000 ordinary shares with a par value of 0.25 Baht each to 90,000,000 Baht divided into 360,000,000 ordinary shares with a par value of 0.25 Baht each. These were allocated to the existing shareholders in proportion to the shareholding at a par value of 0.25 Baht.</p>
2015	On 23 rd September 2015, the Company was listed on the mai stock exchange and offered initial public offering (IPO) shares in the service industry with stock code KOOL
2016	The company introduced the innovative Koolbot air cooling appliance, with increased cooling capabilities
2017	The Board of Directors Meeting No. 1/2560 held on 23 rd February 2017 resolved to increase the registered capital of Innov-Green Solutions Co., Ltd. (subsidiary) from 1,000,000 Baht to 30,000,000 Baht.

1.3 Shareholder Structure as of 1 January 2018



1.4 Relationship with Major shareholders' Business Group

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

Revenues Structure by Products

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

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

^{2/} Other revenues include government subsidy, interest revenue, profit (loss) from exchange rate, and profit (loss) from sale of property

2.1 Product or Service Characteristics

The Company's products can be categorized into 2 types; with further services of rental and after-sales:-

2.1.1 Heat reduction and ventilation products**2.1.1.1 Misting Fan**

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

2.1.1.1.1 High Pressure system

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

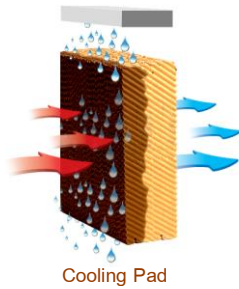
**2.1.1.1.2 Centrifugal Force**

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



2.1.1.2 Evaporative Air Cooling

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



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

The Evaporative Air Cooling are available in both mobile, floating wall-mounted and through-the-wall types under the trademark "MASTERKOOL" Mostly the Company's products are designed by our team, and manufactured for finished goods in China by the Company's partner-contractors. Those finished goods are imported into domestic and export abroad. By the models that designed by the Company, all products had been applied for the design patents with the Department of Intellectual Property, Ministry of Commerce. There are 3 types of evaporative air cooling: Mobile MASTERKOOL I-Kool ("MIK"), Wall-mounted MASTERKOOL U-Kool 03 (Mini), and 3) Through-the-wall MASTERKOOL U-Kool ("MUK") (Large Size) which designed for industrial applications The Evaporative Air Cooling mobile are ideal for retail customers, household appliances, stores, restaurants, hotels, etc.





2.1.1.3 Industrial Fan and Ventilation Fan

2.1.1.3.1 Industrial Fan

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



2.1.1.3.2 Ventilation Fan

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



Propeller Fan



Axial Fan



Centrifugal Fan



Roof Fan

2.1.2 Ozone System Product

The Company has the policy to let its subsidiary, Innovgreen Solution Company Limited, operate the business of rental service, supply, provide energy saving and environment conservative products, including service for ozone generator system used for energy saving and environment conservation, e.g. water treatment, sterilization system. As ozone will dissolve to oxygen after reaction with other substance, there is no residual chemical and ozone can prevent new generating dreg by holding Carbolic acid and Calcium in the water. Moreover, ozone can remove existing dreg in the system without using any chemical for dreg reduction and sterilization.

With the above qualification of ozone, the Company can apply ozone with cooling tower of air conditioner in large building and cloth washer of the hospital. This can effectively help in cost reduction of energy and chemical. At present,

the Company has revenue from sale, cost saving, and rental. The key customers are big department stores, hotels, hospital. In addition, the ozone system can be applied for other function, such as Chlorine and carcinogen reduction, water treatment and stylization, pipe water quality improvement by reducing inorganic compound in water which is one of carcinogen.



Ozone for Cooling Tower, ESPLANADE



Ozone System, PWA - Chachoengsao

In addition to large ozone system, the Company also adapts ozone application for utilizing in new appliances. The first one is an automatic ozone vegetable washer, which applies ozone technology for making fruit and vegetable fresh, clean, and free from germ and residual chemicals. It is designed by the Company, then outsource to other country for production. The Company has submitted application for design patent of automatic ozone vegetable washer with Department of Intellectual Property. Another one is shoe deodorizer that the Company had imported for sale. It can apply ozone for killing bacteria quickly, then can kill any bacteria in shoes effectively. Those products are sold under the trademark of “Ingreen” in modern trade and in the Company since August 2014 onward.



2.1.3 Event Rental

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



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

2.1.4 After-sale service

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

2.2 Marketing and Competition

2.2.1 Business Strategies

The Company sets its goal to be the leader of misting fan and evaporative fan manufacturing with the highest market share in Thailand, under the slogan of "Masterkool, the Real Leader in Modern Cool". Our product is an option that combines benefits of fan and air conditioner together. It can make cooler air than a fan and save electricity than an air conditioner, under the slogan of "High-Cool, Real-Save", for being No. 1 of eco air cooler manufacturer.

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

2.2.1.1 Marketing and Advertising Strategies

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

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

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

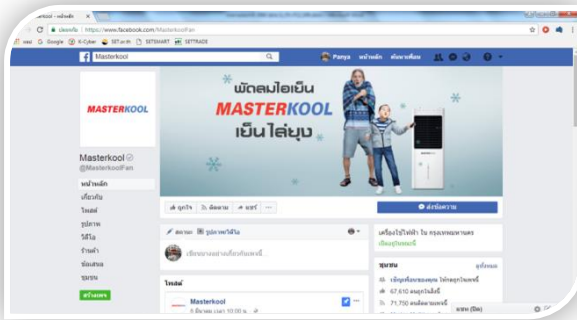
2.2.1.1.4 The Company makes public communication through social media:

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

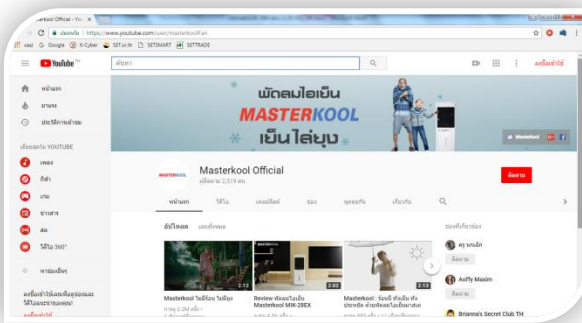
2.2.1.1.5 The Company has publication via booth and events, either local or international, continuously

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

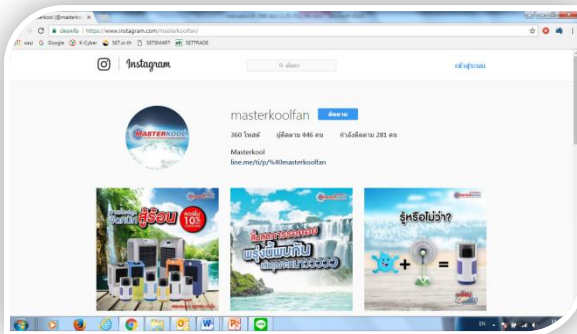
2.2.1.1.7 Launching sales promotion or commercial discount for customers



Facebook: MasterkoolFan



YouTube: MasterkoolFan



Instagram: MasterkoolFan



Line: MasterkoolFan

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

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

2.2.1.2 **Product Development and Product Selection Strategy**

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

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

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

2.2.1.3 **Pricing Strategy: Reasonable price**

The Company has pricing strategy to set the product price suitably with product quality and keep competitiveness. The Company positions its product as good quality and worthwhile for consumers, including provision of after-sale service, warranty, having repair and service centers nationwide. This makes the Company different from some small competitors those focuses on low price product with a few repair centers. In addition to quality and service, the Company also has pricing strategy that concerns its target group, i.e. home user and corporate user or warehouse. The Company may consider the price of products with high competition and sale in comparison with similar model of competitors. The Company believes that good quality and suitable pricing can be one factor that makes the Company and its brand is acceptable in both local and international market of evaporative fan.

2.2.1.4 **Sales and Distribution Management Strategy**

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

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

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

However, the business plan for 2018, which is expected to grow 25% from the year 2017, the expected proportion of core revenue, remains a viable retail channel through moderntradel stores accounting for 50% of total revenue. Key success factor of selling product through modern trade is the service of product consultant (PC), who provides product information directly to customers.

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

- Provide training before work so that they can have some knowledge and understand the products, then can offer and suggest suitable products for customers.

- Set appropriate goal and compensation for motivation
- Monitor sales' performance closely to support and help them solve some problem, including arrange monthly meeting for information exchange and build up good relationship
- Mobile Application Reporting on Sales Inventory at the point of sale to optimize inventory management and marketing planning.

2.2.1.5 After-sale and customer satisfaction strategy

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

2.2.2 Target Customers

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

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

2.2.3 Sales and Distribution Channels

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

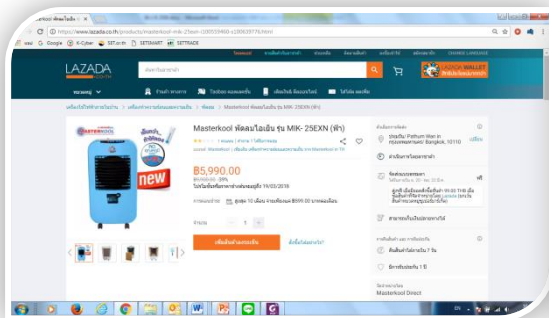
2.2.3.1 Moderntrade

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

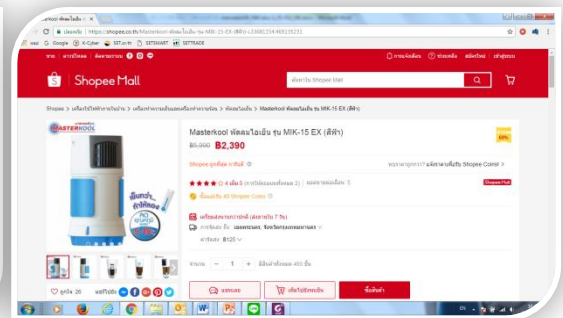
Moderntrade	2014	2015	2016	2017
	(branch)	(branch)	(branch)	(branch)
Home Pro	58	71	75	79
MAKRO	47	65	70	86
Mega Home	4	5	8	12
Thaiwatsadu	0	19	13	20
Global House	0	30	14	19
Big C Jumbo	3	10	0	0
Big C	0	0	0	108
Boonthavorn	0	4	0	0
The Mall	0	0	8	8
Power Buy	0	0	7	28
Tesco Lotus	0	0	43	164
Ban & Beyond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

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

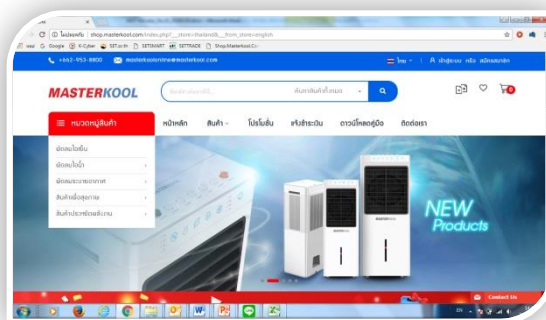
In addition, the Company plans to expand the online channels to promote sales and also an additional channel in 2018.



Website - Lazada



Website - Shopee



Website - Shop.Masterkool.Com

2.2.3.2 Direct Sales

The Company also sells all products to any customers through its shop locating in front of the Company's building at 12/16-17 and 12/20, Thesabansongkro Rd., Ladyao, Chatuchak, Bangkok and through salesman. Most customers are organization, such as customers who have outdoor activities, factory, warehouse, hotel, hospital, school, government office. In 2017, the Company had direct sale at 35.40% of sale and service revenue

2.2.4 Industry and Competition

2.2.4.1 Industry Information

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

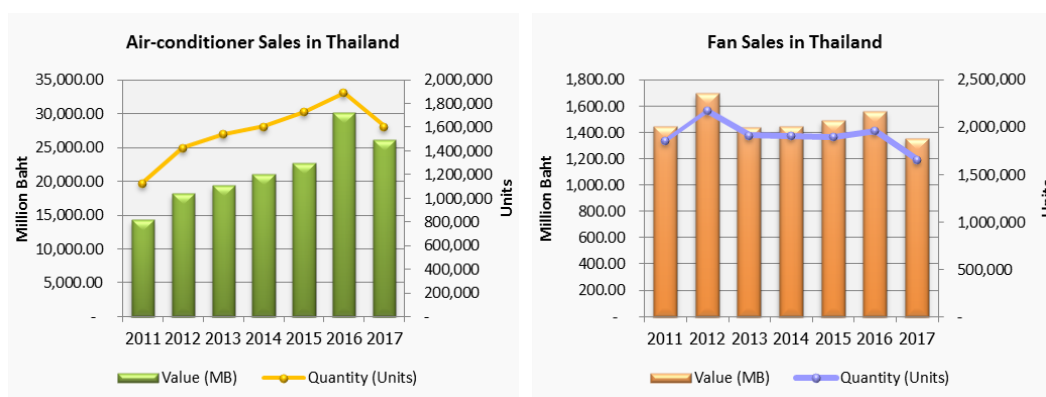
(Million Bath)

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

Source: Customs department

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

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



Source: The Office of Industrial Economics

2.2.4.2 Competitors

The entrepreneur who sells either misting fan or evaporative air cooling which is key product of the company can be considered as competitors. The Company has many competitors because low investment, high growth rate, and high gross profit especially, in the year 2016 evaporative air cooling which is more popular, as a result, in the year 2017, new entrepreneurs have increased by 300%. Most competitors of the Company are small companies. Any competitors those have similar level of revenue to the Company always focus on variety kind of electrical appliances without strong intention in market penetration of evaporative air cooling or misting fan.

These competitors will use competitive pricing strategies in the market. There are no design costs, product research and development, after sales service as a trading business. However, the Company's products have strong advantage in quality and have ozone system for sterilization, including moisture control system then can reduce temperature suddenly when using them. Moreover, "MASTERKOOL" brand is outstanding and acceptable in the market in term of quality cooler with long-term sale of misting fan. Another group of competitor is the manufacture and distributor of fan who penetrated the market with their existing brand which was known in the market of fan. Anyhow, only few models of their products were launched. Ultimately, there is not any competitor who has world class brand and sell products in the same category as the Company.

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

2.2.4.3 Industrial Trend and Future Competition

Evaporative fan, which is key product of the Company, is deemed as optional products between general fan, which cannot help reduce ambient temperature during great hot weather, and air conditioner, which make cool weather in a building in exchange with huge amount of electricity charge and high product price. Evaporative air cooling adapts new innovation to meet consumer need in such issue by providing cool with less electricity charge, comparing to air conditioner. It does not use hazardous chemicals those can harm environment. In addition, evaporative air cooling is a new product that has just been presented to consumers, thus it has more opportunity to grow up in the future.

The management considers that the market of evaporative air cooling likely to grow up continuously with its new innovation that can meet consumer demand, provide cooler weather than general fan, and saver than air conditioner. Meanwhile, misting fan is less popular than evaporative air cooling and may be replaced by evaporative air cooling which has better features. However, some place match with using misting fan rather than evaporate air cooling, such as outdoor activity, beer garden, and sport field. Most customers are organizations, such as hotel, school, restaurant, factory, animal farms.

Key impact of evaporative air cooling and misting fan sale

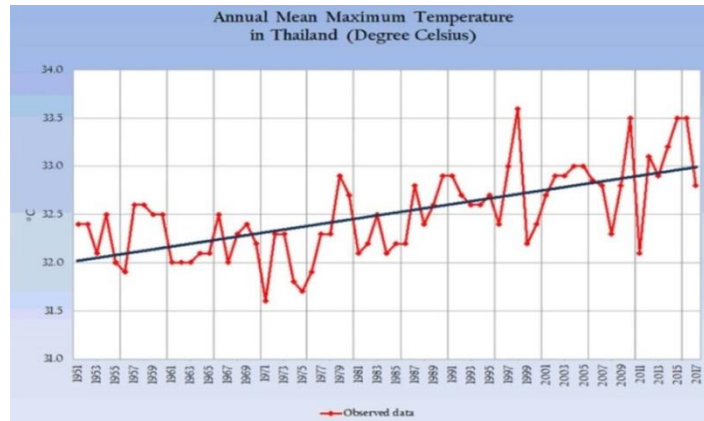
a) Distribution channels in modertrade

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

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

b) Weather

The growth of evaporative fan and misting fan market in Thailand subjects to hot weather. Especially in summer starting from February to June which is hottest, the Company has the highest sales. In addition, from information of Thai Meteorological Department, it is showing that average temperature of Thailand tends to increase along for more than 10 years.

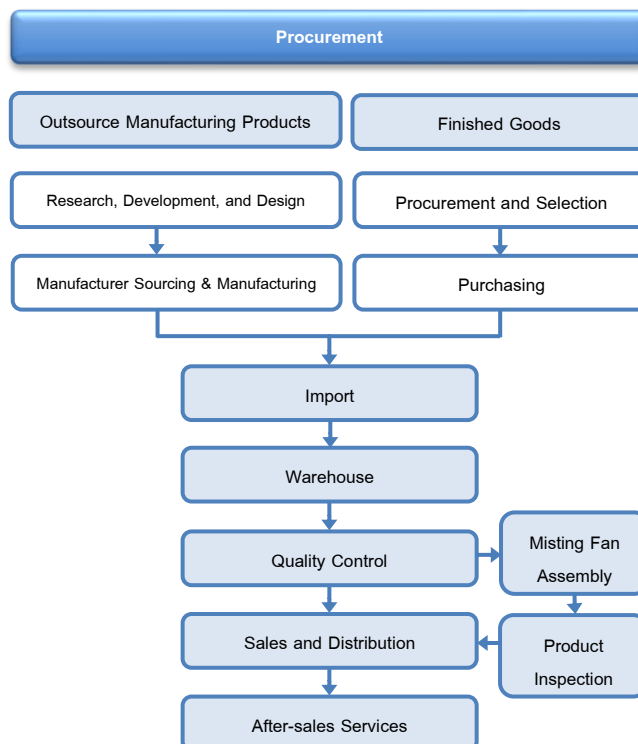


Source: Climate Chart, Thai Meteorological Department <https://www.tmd.go.th>

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

2.3 Procurement of Product and Service

2.3.1 The Company has the following procedures for product procurement:-



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

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

2.3.1.1 Procurement of Designed Product

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

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

In addition, the Company makes agreement to have its '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 Environment Impact

None environment impact

3.1 Risk of Business Operations

3.1.1 Risk of a price war

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

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

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

3.1.2 Risk of income fluctuations

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

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

With reference to the 2017 plan for selling of non-seasonal products, the Company has delayed the plan to 2018 due to unfavorable retail market situation in 2017. As well as, the Company has planned to increase in the proportion of export sales revenue by expansion of the market in the countries in the Southern Hemisphere.

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

3.1.3 Risk of counterfeited products

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

3.1.4 Risk of inventory damage

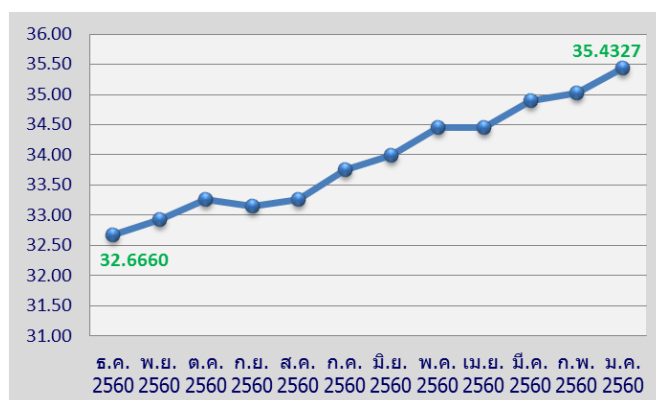
From the fourth quarter of the previous year to the first quarter of the current year, the company will prepare finished goods in our warehouses in order to accommodate for sales during the summer season. If damage to

the product occurs, such as through fire, earthquakes, or other natural disasters; the company must recognize losses of such damage in term of recognition in accounting; including a lost selling opportunity. At the end of 2017, the company had inventory of 230.14 Million Baht. Therefore, the Company deposits the finished goods by separating to two warehouses, namely warehouse in Phanatnikhom and warehouse in Pathumthani, in order to reduce the impact of risk from the aforementioned disasters. In addition, the company has insured inventories to reduce the risk of damage to the goods.

3.2 Financial risk on currency rate fluctuations

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

Nevertheless, the Company earns a portion of its sales in US Dollars from exporting / overseas distributors. In 2017, the export revenue of the Company was 105.55 Million Baht, or 19.07% of total sales and services. Currently the company has more than 40 international agents worldwide. Since the Company has both income and expenses in US Dollars, therefore the Company can manage the risk by the natural hedge policy which reduces the effect of the exchange rate volatility at a certain level. For 2017, the Thai Baht has continuous inflation from 35.43 Baht/1 USD in January 2017 to 32.67 Baht/1 USD in December 2017 as shown below, the graph of historical Thai Baht exchange rate plotted against the US Dollar, The Bank of Thailand.



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

4.1 Fixed Assets

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

Type of Assets	Type of Ownership	Obligation	Net Book Value
			As at 31 December 2017
Land and buildings used for the Company's factory which located in Phanatnikhom, Nawanghin sub-district, Phanatnikhom District, Chonburi with total area of 6 Rai and 1 Ngan (which equals to 10,000 sqm.)	Owner	Mortgage collateral for loan totaling 252 Million Baht	4.09
Leasehold Improvements	Owner	-	3.35
Machinery and Equipments	Owner	-	40.02
Renting-out assets	Owner	-	5.10
Furnitures, fixtures and equipments	Owner	-	3.47
Vihecles	Owner	Some vihecles under hire purchase contracts	6.93
Assets under construction	Owner		0.31
Total			63.27

4.1.1 Trademark

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

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

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

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

Reference: DIP, Ministry of Commerce

4.1.2 Patent / Petty Patent

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

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

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

* Petty patent can be renewed twice, 2 years each time. It is now in the second renewal period which coverage period until 19 October 2018 (Reference: DIP, Ministry of Commerce)

4.1.3 Important contract in business

4.1.3.1 Rental contracts of office and warehouse as at 31 December 2017:-

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

4.1.3.2 Key insurance policy

Insurer	Bangkok Insurance PLC
The assured	Masterkool International PLC
Insured property	Warehouse
Location of property	Warehouse, 39 Moo 6 Phaholyothin Road, Klong Nueng, Klong Luang, Patumthani 12120
Protection limit	80,000,000 Baht
Protection period	14 October 2017 to 14 October 2018
Protection	<ol style="list-style-type: none"> 1. Wind storm 15,000,000 Baht 2. Earthquake or volcanic eruption 15,000,000 Baht 3. Water hazard (Flood is excluded) 80,000,000 Baht 4. Explosion 80,000,000 Baht

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

4.1.3.3 Four production contracts with a Manufacturer

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

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

4.1.3.4 Vendor contract with Moderntrade

The Company has entered into 8 vendor agreements with eight moderntrade stores and planned to open more than 260 booths in 2018. For big moderntrade stores, mostly are consignment agreements of evaporative air coolers, misting fans, and industrial fans; include ozone vegetable washer and ozone deodorizer. The summary is as follows:-

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

4.1.3.5 Local Dealer Appointment Contract

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

Contractual Party	<ol style="list-style-type: none"> 1. Dealer* (“the Contractual Party”) 2. Masterkool International Public Company Limited (“the Company”)
Contractual Duration	Until the contract will be cancelled by any party.
Contractual Cancellation	<ol style="list-style-type: none"> 1. In case that the dealer defaults the contract or does not comply with dealership rule, the Company is entitled to cancel the Contract. 2. Any party is entitled to cancel the dealership according to the Contract upon the requirement of written notification for prior-acknowledgement of the other party for at least 30 days in advance.
Credit Term	Number of days as mutually agreed
Conclusion of Contractual Essence	<ol style="list-style-type: none"> 1. The Contractual Party is the local dealer of the Company’s products in Thailand only. 2. The Contractual Party uses MASTERKOOL trademark with the product, integral part, spare part and equipment particularly for the Company’s product only. 3. If the Party defaults the payment or delays payment, the Contractual Party agrees to pay fine to the Company for 2% per month of debt value exceeding defined value. 4. If the Contractual Party defaults the Contract, causing the Company damaged, the Company is entitled to suddenly cancel the Contract whereas the Contractual Party is entitled to pay all outstanding product prices without discount and has duty to pay interest, fine or damage occurred to the Company.

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

4.1.3.6 Product Transportation Hiring Contract

Contractual Party	<ol style="list-style-type: none"> 1. The local product transport contractor who is not the individual related to the Company (“the Contractual Party”) 2. Masterkool International Public Company Limited (“the Company”)
Contractual Duration	As mutually agreed with each Contractual Party.
Contractual Cancellation	When any party violates the Contract or cancels the Contract in advance in defined duration.
Price and Payment Condition	It depends on weight and distance as mutually agreed by each Contractual Party.
Conclusion of Contractual Essence	<ol style="list-style-type: none"> 1. The Contractual Party shall be responsible for damage or loss of product during transportation as mutually agreed, or the party shall arrange insurance for product damage or loss whereas the Company is the beneficiary. 2. The Contractual Party shall deliver products in local final area zones in the duration mutually agreed with each Contractual Party. 3. Transport cost is increased according to increase in diesel oil price to be line with mutual agreement of each Contractual Party.

4.2 Policy of Investment in its Subsidiaries and Associates

The company has mechanism to supervise subsidiary and affiliation directly and indirectly as well as measures to follow up management of the subsidiary and affiliation to maintain benefit of investment of the company and be able to manage and take responsibility of operation of subsidiary as a part of the company by emphasizing on investment in business that supports and makes benefit for the company by considering returns and other benefits the company expects to receive from investment. It is to support and promote business of corporations. However, the company has specified policy of investment in subsidiary and affiliation approved by the Board of Directors’ meeting 1/2018 arranged on 27 February 2018 with following details.

The Company has a policy to consider investing in subsidiaries, and associates by focusing on supporting business and benefits of the company; whereas considering on the return and other benefits of the company such as expected return on

investment, were made. The Company considers the appropriate proportion of investment and expected return on investment for the benefit of the shareholders of the Company.

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

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

Legal Dispute



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

6.1 General Information as at 31 December 2017**6.1.1 The Company's Information**

Company Name	Masterkool International Public Company Limited
Type of Business	Supply and distribution of Air Cooler, Mist Fan and Industrial Fan Products under "MASTERKOOL" and "Cooltop" Brands, and provision of rental services for use of such products in event organizing and designing and installing heat extracting system inside the plant and warehouse, as well as designing and installing ozone system for energy saving and environmental conservation. The Company distributes products through modern retail shops, foreign dealers and local dealers, and directly distributes and provides services through the Company.
Office Location	12/16-17 and 12/20 Thessabansongkrao Road, Latyao Sub-district, Chatuchak District, Bangkok 10900
Company Registration	No. 22, 2 Alley, Thetsaban Rangsan Nuea, Latyao Sub-district, Chatuchak District, Bangkok 10900
Company Registration	0107557000365
Registered Capital	THB 120,000,000
Paid-Up Capital	THB 120,000,000
	Consisting of 480,000,000 ordinary shares at par value of 0.25 Baht per share
Telephone	(66) 2953 8800 Facsimile: (66) 2589 8586
Website	www.masterkool.com

References

Share Registrar	Thailand Securities Depository Company Limited Stock Exchange of Thailand Building 93 Ratchadaphisek Road, Khlong Toei District, Bangkok 10110 Telephone (66) 2009 9000, Facsimile (66) 2009 9991
Auditor	Miss Susan Eiamvanicha CPA License No. 4306 SP Audit Company Limited 503/31 KSL Tower, 18FL (A), Sri-Ayudthaya Rd, Phayathai, Ratchathewi, Bangkok Tel (66) 2642 6172-4 Fax (66) 2642 6253

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

Company Name	Innov Green Solutions Company Limited
Type of Business	Design, installation and provision of service relating to environmental conservation and energy saving system such as application of ozone system with air-conditioner, washing machine, vegetable washer and shoe deodorizer, etc.
Office Location	No. 22, Thetsabanerangsan Nua, Latyao Sub-district, Chatuchak District, Bangkok
Company Registration	0105554064743
Registered Capital	THB 30,000,000
Paid-Up Capital	THB 30,000,000 Consisting of 300,000 ordinary shares at par value of 100 Baht per share
Proportion of the Company's Shareholding	99.98 Percent
Telephone	(66) 2953 8800
Facsimile	(66) 2591 9849

7.1 Registered and Paid-up capital

As of 31 December 2017, the Company has registered capital of Baht 120 million, paid-up capital of Baht 120 million, comprising of 480 million ordinary shares.

7.2 Shareholders

10 Major Shareholders as at 20 March 2018

Shareholders	Nr. Of Shares	%
1. Mr. Noppachai Veeraman	122,969,578	25.62%
2. Mr.Fung Meng Hoi	70,372,200	14.66%
3. K-SME Venture Capital Co., Ltd.	27,672,072	5.77%
4. Mr. Komin Krodmee	20,196,582	4.21%
5. Mr. Thaweechat Julangkul	7,003,800	1.46%
6. Ms. Sunanta Wanwat	5,171,124	1.08%
7. Mr. Araya Suriharn	4,034,000	0.84%
8. Ms. Khanthong Udommahantisuk	3,800,000	0.79%
9. Mr. Sanchai Sriwiboon	3,712,984	0.77%
10. Ms. Chollakarn Jittakul	3,682,900	0.77%
11. Other shareholders	211,384,760	44.04%
Total	480,000,000	100%

7.3 Dividen Policy

The dividend payment policy of the Company and its subsidiaries has set by not less than 40% of net profit after tax of separate financial statement and deduction of legal reserve and other deposits.

However, the Company and its subsidiaries may consider paying the dividend less than the above rate or not to pay the dividend, subjecting to economy, performance, financial status, and liquidity of the Company and its subsidiaries, including their necessity in utilization of working capital for business operation and expansion

However, resolution of the Board of Directors on approval of the dividend payment must be presented to a shareholders meeting for consideration of approval such dividend payment; except on interim dividend payment. The Board of Directors is authorized to approve the interim dividend payment, and then report to the next general meeting of shareholders.

8.1 The Board of Directors and Subcommittee

Management structure of the company consists of 4 committees: the Board of Directors, the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee. The details of each committee are as follows:

8.1.1 The Board of Directors

As of 1 January 2018, there are 8 members from total 9 members of the Board of Directors comprises of the following names:

Name	Position	Number of meeting attended/ Total numbers of meeting in 2017
1. Assoc. Prof. Dr. Prakrit Tangtisanon	Chairman, independent director and member of the Audit Committee, and member of the Nomination and Remuneration Committee	7/7
2. Mr. Sanpat Sophon	Director, Independent director and Chairman of the Audit Committee, and member of the Nomination and Remuneration Committee	5/7
3. Mr. Mongkol Kasaemsun Na Ayudthaya	Director, Independent director and member of the Audit Committee, and Chairman of the Nomination and Remuneration Committee	7/7
4. Mr. Kritsana Thaidumrong	Director	7/7
5. Mr. Fung Meng Hoi	Director	5/7
6. Mr. Noppachai Veeraman	Director and Managing Director	7/7
7. Ms. Sunanta Wanwat	Director	7/7
8. Ms. Benjarat Hattachanchai	Director	7/7

The 9th Director was Mr. Kittisak Sriprasert, who resigned from the Board of Directors on November 13, 2017. Since the consideration of the person to replace in this position under Section 75 of the Public Limited Act 1992, the Board found that there is no person suitable for the organization at this time; so the Board has made the seat reserved for further consideration.

Among the Board of Directors, four have been appointed as authorized directors, namely, Mr. Noppachai Veeraman, Mr. Fung Meng Hoi, Ms. Sunanta Wanwat, and Ms. Benjarat Hattachanchai. Any two of the authorized directors are authorized to sign jointly on behalf of the Company.

In addition, Ms. Mallika Trakoolthai, the Executive Director, had been appointed as the Company secretary since 21 October 2013 according to the resolution of the Board of Directors' Meeting No. 6/2013 held on 21 October 2013.

8.1.2 Audit Committee

Independent directors had been appointed as members of the Audit Committee who have complete qualifications according to the Notification of the Capital Market Supervisory Board No. TorJor. 28/2008 Re: Approval for Issuance and Offering for Sale of Shares dated 15th December 2008 (include any revision).

As of 1 January 2018, the Audit Committee comprises of the following names:

Name	Position	Number of meeting attended/ Total numbers of meeting in 2017
1. Mr. Sanpat Sapon	Chairman	3/4
2. Assoc.Prof. Prakrit Tangtisanon	Member	4/4
3. Mr. Mongkol Kasaemsun Na Ayudthaya	Member	4/4

Member of the Audit Committee who has full understanding of, and experience in, accounting or finance, for reviewing the reliability of the financial statements is Mr. Mongkol Kasaemsun Na Ayudthaya. The secretary of the Audit Committee is Miss Jariyaporn Akkarawong.

8.1.3 The Nomination and Remuneration Committee

As of 1 January 2018, the Nomination and Remuneration Committee comprises of the following names:

Name	Position	Number of meeting attended/ Total numbers of meeting in 2017
1. Mr. Mongkol Kasaemsun Na Ayudthaya	Chairman	1/1
2. Assoc.Prof. Prakrit Tangtisanon	Member	1/1
3. Mr. Sanpat Sapon	Member	1/1

Note: Ms. Yada Lahfaroengron, the Secretary to the Nomination and Remuneration Committee

In accordance with the Code of Conduct and the Charter of the Nomination and Remuneration Committee, the Nomination and Remuneration Committee Meeting should be held twice a year. In the year 2017, the Nomination and Remuneration Committee held only one meeting to be in line with the business situation. Anyhow, the Committee regularly monitors the progress of its work on a regular basis.

8.1.4 Executive Committee

As of 1 January 2018, the Executive Committee comprises of the following names:

Name	Position	Number of meeting attended/Total numbers of meeting in 2017
1. Mr. Noppachai Veeraman	Chairman of the Executive Board	9/9
2. Ms. Benjarat Hattachanchai	Executive Director	8/9
3. Ms. Phornphan Nilprasit	Executive Director	7/9
4. Mr. Komin Krodmee	Executive Director	9/9
5. Ms. Mallika Trakoolthai	Executive Director	9/9
6. Mr. Sanchai Sriwiboon	Executive Director	6/9
7. Mr. Thammasak Chobchai	Executive Director	9/9

Note: Ms. Mallika Trakoolthai, the Secretary to the Executive Committee

Ms. Sunanta Wanwat, Executive Director of Innove Green Solutions Co., Ltd., a subsidiary had attended the meeting with the Executive Board of the Company. Number of meeting attendance was 8, from 9 meetings in 2017.

8.2 Management

As of 1 January 2018, the Management comprises of the following names:

รายชื่อ	ตำแหน่ง
1. Mr. Noppachai Veeraman	Managing Director
2. Ms. Benjarat Hattachanchai	Assistant Managing Director – Finance & Accounting (CFO)

3.	Ms. Phornphan Nilprasit	Assistant Managing Director - Logistics
4.	Mr. Komin Krodmee	Assistant Managing Director - Factory Management
5.	Ms. Mallika Trakoolthai	Executive Director and Company Secretary
6.	Mr. Sanchai Sriwiboon	Assistant Managing Director - International Business
7.	Mr. Thammasak Chobchai	Assistant Managing Director - Engineering and Customer Service

Note: Ms. Sunanta Wanwat has been appointed as the Executive Director of Innove Green Solutions Co., Ltd., a subsidiary, since 1 January 2017

8.3 Company Secretary

The Board of Directors' meeting No.6/2013 had the resolution to appoint Miss Mallika Trakoolthai to be the Company secretary starting from October 21, 2013. The scope of work, authority, and responsibilities according to section 89/15 and section 89/16 of Securities and Exchange Act (Volume 4) B.E. 2551 (A.D. 2008), which was effective since 31st August 2008. The Company secretary has the following legal roles

- 1) Preparing and maintaining the following documents
 - a) Director profile
 - b) Notice and minutes of the board meeting, annual report, notice and minutes of shareholders meeting
 - c) notice and minutes of shareholders meeting
- 2) Maintaining directors and management's report on conflict of interest, and submit the report according to section 89/14 to the president and chairman of the Audit Committee within 7 working days after receipt of the report.
- 3) Performing other duties as required by the Capital Market Supervisory Board

In case the Company secretary resign or fail to perform the duty, the Board shall appoint new secretary within 90 days from the date of resignation or failure to perform the duty. However, the Board is entitled to assign one of directors to perform the work during such period.

In addition, the Company secretary also has the other responsibilities upon the Company's assignment as follows:

- 1) Arranging the Board of Directors' meeting and shareholders' meeting
- 2) Coordinate with other departments in the Company to make them comply with the resolutions of the Board of Directors' meeting and shareholders' meeting
- 3) Coordinate with the government section such as the Securities and Exchange Commission (SEC), the Stock Exchange of Thailand (SET), and control for completion and accuracy of information disclosure and report submitted to the government section and public according to law.
- 4) Providing orientation to new appointed director
- 5) Performing other duties as assigned by the Board.

Miss Mallika Trakoolthai has passed the training course for the Company secretary (Class of 28) and the course of fundamental law for registered company (class of 10) from Thai Listed Companies Association. In the year 2017, the training course which attended was shown below:

- Course: How to Develop a Risk Management Plan HRP, Class 12/2017 TLCA

(Details were shown in page number 10)

8.4 Remuneration for the Board and Management

The annual general meeting of shareholders' 2017 held on 20 April 2017, had the resolution to approve remuneration for independent directors and the non-executive directors, by considering based on roles and responsibilities to supervise and control the Company's operation. The consideration has been made in comparison to the industry, experience, duty, scope of role and responsibility, including benefits expected to be received from each directors as per the following details

8.4.1 Remuneration for the Board

	Attendance fee for chairman	Attendance fee for member
Board of Directors	40,000 Baht/Meeting	30,000 Baht/Meeting
Independent director as member of Audit Committee	40,000 Baht/Meeting	30,000 Baht/Meeting
Nomination and Remuneration Committee	40,000 Baht/Meeting	30,000 Baht/Meeting

Remuneration for the board comprises meeting attendance fee, which is subjected to number of meeting attended. However, subject to the rule of remuneration consideration, members of the board and/or any subcommittee, the Company's director and/or member of sub committee who are the Company's executives or employees shall not receive the remuneration for the board and/or member of subcommittee. In 2016, the Company paid remuneration for the board and member in subcommittee as follows

Name	The Directors' Remuneration of 2017 (Baht)				Total
	The Board	Audit Committee	Nomination and Remuneration Committee	Independent Director and NED	
1. Assoc. Prof. Dr. Prakit Tangtisanon	280,000	120,000	30,000	40,000	470,000
2. Mr. Sanpat Sapon	150,000	120,000	30,000	30,000	330,000
3. Mr. Mongkol Kasaemsun Na Ayudthaya	210,000	120,000	40,000	30,000	400,000
4. Mr. Kittisak Sriprasert ¹⁾	180,000	-	-	-	180,000
5. Mr. Kritsana Thaidumrong	210,000	-	-	-	210,000
6. Mr. Fung Meng Hoi	150,000	-	-	-	150,000
7. Mr. Noppachai Veeraman ²⁾	-	-	-	-	-
8. Ms. Benjarat Hattachanchai ²⁾	-	-	-	-	-
9. Ms. Sunanta Wanwat ²⁾	-	-	-	-	-
Total	1,180,000	360,000	100,000	100,000	1,740,000

Notes: ¹⁾ Mr. Kittisak Sriprasert has resigned from Director and Independent Director on 13 November 2017

²⁾ Members who are the Company's executives or employees those shall not receive remuneration for the board and member of sub committee are Mr. Noppachai Veeraman, Ms. Sunanta Wanwat, and Ms. Benjarat Hattachanchai

8.4.2 Remuneration of the Executive Committee and Management

The extraordinary shareholders' meeting No. 2/2014, dated September 9, 2014 had the resolution to approve remuneration of the Executive Committee in term of attendance fee, which will be paid at Baht 30,000 per meeting for the chairman and Baht 20,000 per meeting for the member.

However, members of the Executive Committee who are the Company's executives or employees shall not receive the remuneration of the Executive Committee. Currently, the members of the Executive Committee are the Company's executives.

In addition, the Company has the remuneration of executives in term of salaries, bonuses, position allowance, allowance, social security contributions. In 2017, the amount of remuneration paid to the Executive Committee and Executives are as follows

	2017
Numbers of Directors and Executives (persons)	8
Total remuneration (Baht)	13,466,563

Note: Mr. Sittiporn Lortrakool, the resigned AMD-Retail Business, was included.

8.4.3 Other Compensation

Provident Fund: The Company provides provident fund for the executives by making contributions of 3% and let the executives deposit at 3% of salary. In 2017, the Company made the contributions of Baht 245,340 to the provident fund for 8 Managerial persons.

Employee Joint Investment Program: The Company contributed for Management Level in the investment program for accumulative buying of the Company's shares on periodic basis by the employees of the Company in 2017 tota; 227,985 Baht for 8 Managerial persons.

8.5 Employee

The Company strives on human resource management and development to retain employees who have skill, capability, and experience for enhancement competitiveness of the Company.

As of 31 December 2017, the Company and its subsidiary have 262 employees. The compensation, e.g. salary, overtime, commission, bonus, position fee, allowance, intelligent allowance, social security contribution, provident fund deposit, EJIP contribution and other allowance, are around Baht 64,052,018.50 Baht. Number of employees in each section comprise of:

	As of 31 December 2017 (Persons)
Management	8
Retail Business	31
International Business	4
Finance and Accounting	19
Logistics	33
Factory Management	28
Engineering and Customer Services	60
Human Resources	11
Event Rental Business	21
Quality Assurance	9
Others ¹⁾	12
Innov Green Solutions (Subsidiary)	13
Total	262

Note: ¹⁾ Others: Company Secretary Office, Managing Director Office, MIS Department, R&D Department and Purchasing Department

The Company and its subsidiary have no labor dispute and devote to develop skill, knowledge, capability, and competency of employees at all level. The details of employee development plan are as follows:-

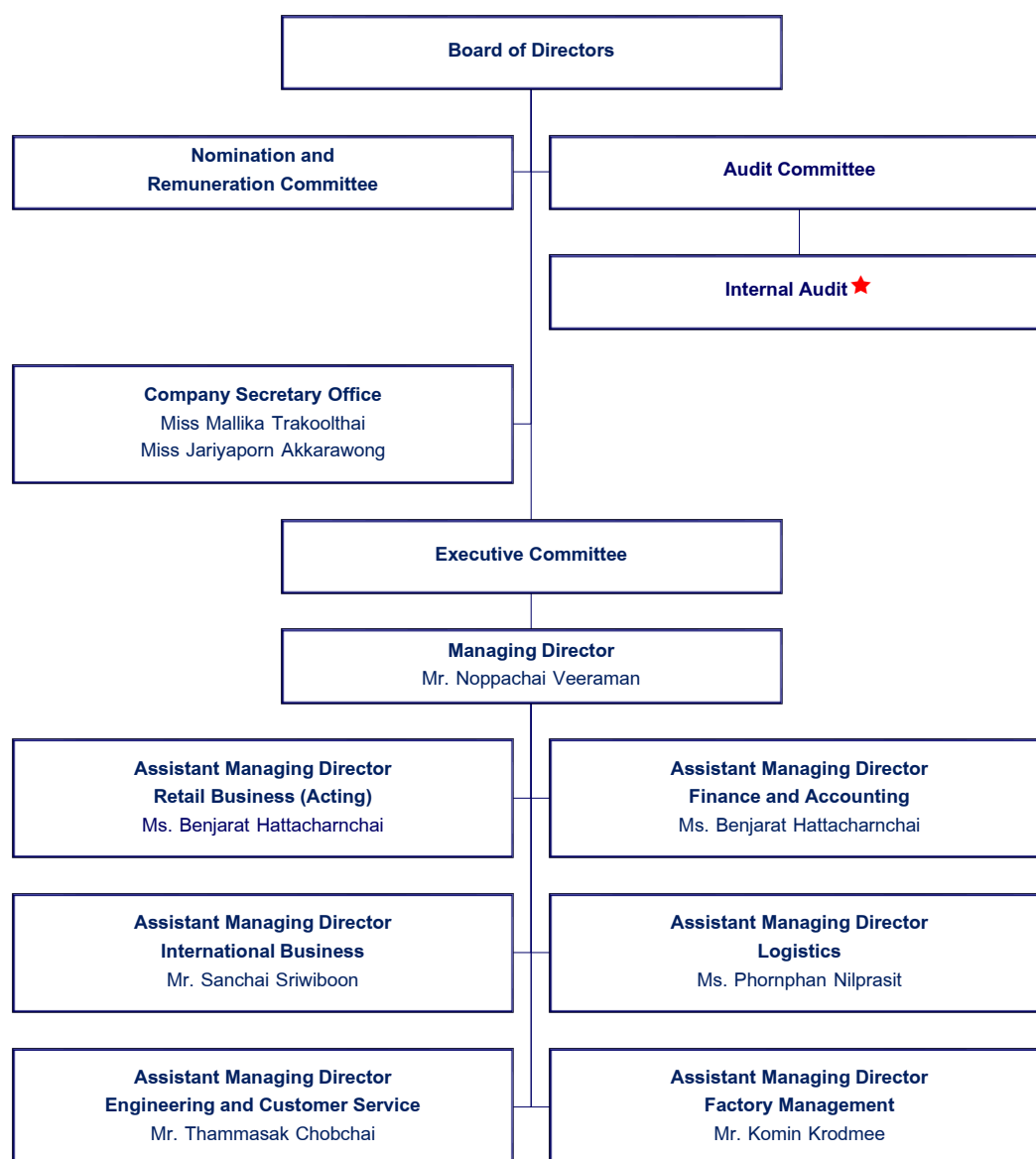
- Continuously develop the board and executives, i.e the Board of Directors, the Audit Committee, Management, and the Company/Corporate Secretary, to increase their work capability by enhancing and supporting them in term of education, training, seminar, and domestic and international field study.

- Prepare training road map for each position to recruit right person with good career path, including ready for replacement, including succession plan for the Executives.
- Build up employee awareness for working based on code of conduct and good governance by admiration and support good person.
- Enhance employee's development by mean of coaching and on the job training.

Enhance employee to engage in organization culture, ownership attitude, hold team work concept, provide good service, and bring satisfaction to either inside or outside customers.

8.6 Organization Structure

As of 1 January 2018



★ The Company hires ACC-PLUS Consultant Company Limited to perform internal audit of the Company and its subsidiary. Miss Wanna Maluengnont (Managing Director of ACC-PLUS Consultant Company Limited) is head of internal audit team

9.1 Corporate Governance Policy

The Board of Directors approved policy of corporate governance which is in line with “the Code of Best Practices for Directors of Listed Company” stipulated by Stock Exchange of Thailand. The principle consists of the following 5 chapters as follows:-

Chapter 1: The Right of Shareholders

The company gives precedence to basic rights of shareholders such as rights to trade and transfer their own shares, rights of receiving profit dividend of the company, right of receiving information of the company sufficiently, rights of shareholder’s meeting, giving opinions, appointing or removing committee, appointing auditor and matters affecting the company like dividend allocation, specification or amendment of regulation and memorandum of association etc. without any actions that violate or deprive rights of the shareholders as well as promotes shareholder to use their rights.

Apart from basic rights, the company has a policy for operations that promote and facilitate using rights of shareholders as follows

- 1) Providing annual general meeting by it is arranged within 4 months from the end date of each accounting year by providing information, date, time, place and agendas along with delivery of the supporting documents of each agenda to shareholders in advance for at least 7 days and publish in newspaper to appoint date and time of meeting for 3 consecutive days before the meeting starts 3 days prior. It is specified that each agenda requires comments of the committee and complete minutes so that the shareholders can audit it.
- 2) The company will publish information supporting agenda to shareholders in advance on website of the company including inform rights and regulations in meeting as well as procedures of voting of shareholders in meeting to give a chance for shareholders to study information before the meeting.
- 3) In case the shareholders cannot attend the meeting, the company gives a chance for them to give a proxy to independent committee or any person to attend the meeting as the substitute to support using rights of shareholders to vote by using power of attorney delivered by the committee together with the invitation to meeting i.e. proxy (form B) which is the specific proxy form and proxy (form C) which is the proxy form for the foreign investor appointing the custodian in Thailand.
- 4) Before the meeting, shareholders can send opinions, suggestions and inquiries in advance through E-mail: comsec@masterkool.com

For meeting, the company will allocate proper time to promote shareholders to give opinions or suggestions including inquiries in each agenda relevant to the company.

Chapter 2: Equal Treatment to Shareholders

The company has a policy to treat every shareholder equally to monitor and give opinions about operation of the company by independent committee is responsible for taking care of minor shareholders and that they can give suggestion, opinions, or complaint to independent committee. The independent committee will consider for appropriate operation. For instance, if it is complaining, the independent committee will verify fact and find proper treatment.

The company’s committee has specified a measure to prevent using internal data for undesirable purpose of the relevant people including committee, executives, officers and employees of the association related to data (including to spouse and immature children of those people) not to use internal data that has not been published to trade, transfer and accept transfer securities of the company for 30 day during the period before presenting tranche financial statement to SEC or before such data is publicized and the punishment has been stipulated for disclosing data of the company or using company’s information for personal benefit according to the policy of Internal Data Utilization Prevention along with giving knowledge to committees and board of directors of

the company about reporting security possession to Office of Security and Exchange Commission (SEC Office) as section 59 of Securities and Exchange Act B.E. 2535 (including amended version).

Chapter 3: Roles of Stakeholders

The company has recognized rights of all stakeholders relevant to the company including internal stakeholder such as shareholder, employees and board of directors of the company or external stakeholders including opponent, trade partner, community and society etc. The company has deeply realized that supporting and listening to opinion as well as building good relationship with all shareholders would be beneficial to business operation and development of the company with growth and expansion in the future. The company provided rights of all groups to be treated fairly and equally along with complying with regulations of law and rules as follows.

- Shareholder: The company emphasized on being a good representative of shareholders to operate business for satisfaction of shareholders by being aware of long-term value growth of the company along with having good control system and internal audit system that can disclose information transparently, correctly and completely enough for decision to invest
- Employee: The Company will support potential development of human resource for ultimate benefit as the company realized that employees are a part of major resources essential to develop the organization. The company then treats every employee fairly and equally without discrimination along with providing proper returns and welfares. In addition, the Company has done the employee survey on the workplace health, and develop in various matters by "The Happy Workplace" initiative project which guided and supported by Thai Health Promotion Foundation for sustainability of well-being for Masterkool's employees.
- Trade Partner: The Company will treat all trade partners with integrity by holding principles of trade agreement, terms, and promise given to trade partner for good business relationship and benefit to all parties.
- Opponent: The Company will treat opponents/competitors with ethics of good competition by avoiding dishonest competition to destroy the opponent.
- Customer: The Company is determined to provide good service and give satisfaction to customers by providing quality product and service with honest and fair trade with customers. In addition, The Company provides channels for receiving complaints from customers through central agency that is the Company/Corporate Secretary.๓๕
- Community: The Company gives precedence to taking care of environment of nearby community, location of & Society the office with campaigns to save energy as well as operating business that is not contrary to custom and tradition or causing damages to company. Besides, the company also has a policy to hire local labors nearby the factory of the company in Panasnikom, Chonburi Province

Chapter 4: Disclosure of Data and Transparency

The company realizes importance of correct data disclosure with that is complete, punctual and transparent including financial report and general report according to principles of data and information disclosure of SEC Office and Stock Exchange of Thailand as well as any other matters data affecting security cost of the company that had effect on decision process of company's stakeholders. The company will propagate information and data of the company to shareholders, investors and public through channels and media of Stock Exchange of Thailand including website of the company, newspaper so that shareholders can access data equally.

The company assigns the Company/Corporate Secretary, or a person authorized by the CEO to be responsible for essential data and information disclosure and communicating with investors, shareholders, as well as analysts and the relevant persons.

For convenience of contact, the prior mentioned persons are invited to contact the Company at the phone number: 0 2953 8800 or facsimile: 0 2589 8586 or E-mail: comsec@masterkool.com

Chapter 5: Responsibility of the Board of Directors

a) Structure of the Board of Directors

The Board of Directors of the Company has 9 persons which consist of the executive directors, the non-executive directors and three (3) independent directors or at least one-third (1/3) of the Board to balance in voting and considering matters along with auditing management for utmost benefit of the company.

The term of office of the members of the Board shall be three (3) years, and with no more than three (3) consecutive terms (total of 9 years from the date of appointment). After completing a nine-year term, in case of the board members shall serve staggered terms, the Board of Directors shall carefully consider any reasonable means before proposing for shareholders' voting on election of members of the Board for staggered terms.

Since Mr. Kittisak Sriprasert has resigned from the position of Director during the year 2017, the Board has reserved the seat for further consideration.

Directors can hold position in other listed companies; but not more than 5 companies. Besides, directors shall not be partner or executive or employee or consultant who receive regular salary or hold more than one (1) percent of total voting shares of any company that operates the same business and is a significant business competitor to the Company's or its subsidiary

In addition, the Company appointed subcommittee i.e. the Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee as well as clearly specifying scope of duty and responsibility of operation for such subcommittee.

The Risk Management Task Force, consisting of the Executives of the Company and its subsidiary, had been set up and chaired by the CEO. The task force was established to support works of the Audit Committee and the Board of Directors, regarding to risk management that could affect the business.

b) Roles and Responsibilities of the Board of Directors

The Board of Directors has duty to consider and approve on important matters related to operation of the Company such as vision and mission, strategy, risk, initiative plan and budget; along with provides supervisory on management to meet the target under regulations, laws and business ethics for benefit of the Company and all relevant.

(1) Corporate Governance Policy

The Company has set a written policy on corporate governance which has been approved by the Board of Directors and used as guideline for directors, executives and employees in implementing such policy to their operations.

(2) Business Ethics

The Company has set a written business ethics for operating its business transparently, correctly and fairly and publishes to directors, executives and employees to operate their duties in compliance with such policy strictly.

(3) Conflict of Interest

The Company has stipulated a policy on conflict of interest with principle that any decisions to operate business activities shall be made for utmost benefit of the Company and they should avoid any actions that cause conflict of interest by defining that the relevant or those who are involved in considered transaction

shall inform the company about relation or connection in such transaction and they shall not participate in considering judgment and has no authority to approve that transaction.

Audit committee will propose to the Board of Directors the report of related-party transactions and transactions with conflict of interest persons or juristic persons that have been properly and circumspectly determined. The Company complies with principles of cross-transaction of SEC Office and Stock Exchange of Thailand strictly in term of defining price and terms with people who possibly have conflict of interest seemingly like transaction with outsiders and submit the report within specific time stipulated by SEC Office and Stock Exchange of Thailand and there shall be disclosing financial budget, annual report an annual list form (Form 56-1).

(4) Internal Audit

The Company gives precedence to providing good internal control system by issuing working manuals and procedures in writing by dividing duty and responsibility along with authority table for operation and approval of the Board of Director, Subcommittee and Executives

The Board of Director has assigned the Audit Committee to be responsible for verifying internal control process to ensure propriety and effectiveness of the Company's internal control; including operations, financial report, and compliance with rule, regulation, policy and corporate governance.

The Company established the Internal Audit Unit and procured the outsource IA, as the head of internal audit, to evaluate and inspect internal control system of the Company and report the result of such inspection directly to the Audit Committee.

The Board of Directors stipulated policy of corporate governance; along with the business ethics and the Code of Conduct as well as other policies. The mentioned policies shall be regularly reviewed on the year basis

c) Meeting of the Board of Directors

The Company will arrange the meeting of company's committee at least in every quarter and may arrange additional meeting if necessary by specifying clear agenda in advance including agenda to monitor performance regularly. The Secretary of the Board of Directors' meeting will provide agendas and deliver documents to the Board's members at least 7 days before the meeting starts so that the directors have enough time to consider and study information along with recording minutes and submitting reports to the committee individually as well as storing the minutes of committee's meeting certified by the committee systematically and they are prepared to be audited or inspected by the company's committee or the relevant people.

d) Remuneration of the Directors

The company has specified returns for committee clearly and it will be propagated in annual list form. Such return shall be approved by annual general meeting. However, the company has defined principles and returns of committee and executive depending on knowledge expertise and experience along with duty and responsibility by comparing with the company in same industry to retain the skillful and experienced people to work with the company for long time.

e) Development of the Directors and Executives

The Company supports all directors and executives to develop their knowledge and capacity to continually improve their works by encouraging the directors and executives to participate in trainings. In case of replacement of directors or executives, the Company will provide documents and information beneficial to their duties as well as attending curriculum seminars that are advantageous to such newcomers.

In addition, the Board of Directors who oversees the organization is committed to continue on applying good corporate governance principles for listed companies of the year 2017 to their oversight of the Company to ensure creating sustainable value for the Company; and is reliable for shareholders, all involved parties, and meeting the aspirations of the business, shareholders, investors and society.

9.2 The Board of Directors and Subcommittee

The Management Structure of the Company includes the Board of Directors, Executive, and three Subcommittees i.e. the Audit Committee, Nomination and Remuneration Committee, and the Executive Committee.

The Board of Directors, the Audit Committee and the Executives of the Company are completely qualified and have no prohibited characteristics according to section 68 of Public Company Limited Act B.E. 2535 and have no traits showing that they lack of qualification to be trustable in management with public as shareholders as in section 89/3 and section 89/6 of Securities and Exchange Act B.E. 2535 and Notice of Securities and Exchange Commission.

The Board of Directors has specified in the Articles of Association of the Company and the Corporate Governance Policy that the term of office of the directors shall be three (3) years with one-third (1/3) of the directors or the nearest number of one-third of the directors shall retire from office each year. The directors to retire by rotation at every annual general meeting shall be those who have the longest term in office since their last appointment. The directors who retire can be re-elected for one more term of office.

The Audit Committee and the Nomination and Remuneration Committee hold the term of office for three (3) years, while the Executive Committee holds the term of office according to the term of service as an executive director. In case the member of the Executive Committee is the Non-Executive Director, the term of office is three (3) years, unless the Board of Directors otherwise resolved.

9.2.1 The Board of Director and Roles & Responsibilities

The Board of Directors consists of 9 directors, including executive directors, non-executive directors and non-executive directors who are qualified as the independent directors, in numbers of at least three independent directors or one-third of the total number of directors, in order to balance the voting and to review the management's performance to maximize the benefits to the Company

Since Mr. Kittisak Sriprasert has resigned from the position of Director during the year 2017, the Board has reserved the seat for further consideration. At present, there are 8 Directors.

Roles and Responsibilities of the Board of Directors

- 1) Supervising the Company and conduct in undertaking their duties complying to laws, the Company's objectives and the Company Articles of Association; also follow the resolutions of the shareholders with integrity and being aware of benefit of the Company and Accountability to Shareholders.
- 2) Setting corporate policies, objectives and directions of the company, also monitoring and supervising of the Executives' to conduct their duties in compliance to policies and regulations of the Company with effectiveness and efficiency for the Maximize Economic Value and Shareholders' Wealth
- 3) Controlling and supervising management department to practice with all stakeholders with ethnics and equality.
- 4) Considering and defining annual budgetary plan and revising annual budgetary plan to be suitable and corresponding to policy and trend of operation including inspecting and controlling management department to use budget according to annual budgetary plan.
- 5) Following up operations of the company to meet targets regularly and realizing compliance with law and regulations in agreement related to the company by determining management department to report

overall operation along with material matters of the company to company's committee in every quarterly meeting so that the operations of the company are conducted efficiently.

- 6) Operating for the company to have accounting system, financial report, Internal Control, and Internal Audit that are efficient and reliable.
- 7) Playing a great role to operate risk management by providing guidelines and measures to manage risk suitably and sufficiently including monitoring such operation regularly.
- 8) Considering and approving and/or giving opinions to be proposed in the shareholder's meeting to consider approving significant transaction along with related-person transaction according to principles, terms and legal methods and regulations
- 9) Providing annual report of the Company and/or Company's committee to be in accordance with law and regulations and reporting to shareholders regularly and completely regarding to current condition of business and trends of operation in the future positively and negatively with supporting reasons.
- 10) Considering and appointing managing director and defining scope of duty and responsibility of the managing director.
- 11) Considering and specifying annual remuneration structure of the company and principles of remuneration payment of committees, executives and employees by recognizing proper factors such as performance, position, scope of duty and responsibility, quality, knowledge, capability and suitable return rate in same industry.
- 12) Considering amount of remuneration of the committee according to principles of return payment stipulated by company's committee to be proposed in shareholder's meeting for considering approval.
- 13) Considering procuring people with knowledge, capacity and experience along with qualification by applicable law and regulations to be proposed in shareholder's meeting for considering appointment as committee.
- 14) Defining policy, target, strategy and trend of operation of the subsidiary as well as considering appointment of people with knowledge, capability and experience relevant to the operations of subsidiary as the committee of subsidiary by proportion of holding shares of the company in subsidiary.
- 15) The committee may authorize a committee or many people or even anybody to operate substituting for the committee or may authorize those people to have power as agreed by the committee and within approved duration. The committee may provoke, terminate, change or amend such power of attorney when seeing appropriate. Nevertheless, such proxy shall be conducted in writing or recorded as resolution in the minutes of committee's meeting with clear scope of that authority and duty of the proxy. However, the proxy shall not have power to approve lists that such people or people with conflict of interest have stakes or may have conflict of any other interests with the company unless, it is approval following the policy and principles in shareholder's meeting or the company's committee has approved.
- 16) Having any other duties and responsibilities stipulated by law and regulations of the company and resolution of shareholder's meeting.
- 17) Considering and approving essential operations of the company for ultimate benefit of the company except following authority that can be conducted when being agreed by the committee's meeting with majority vote of the committees who attend the meeting and have rights to vote and from at least 3/4 of all votes in shareholder's meeting of shareholders who attend the meeting and have rights to vote:
 - 17.1 Selling or transferring business of the company, wholly or partially.
 - 17.2 Purchasing or accepting transfer business of other companies or private companies belonging to the company.
 - 17.3 Making, amending or terminating an agreement related to business lease of the company, wholly or partially, assigning any persons to manage business of the company or consolidating with other people with purpose of profit and loss share.
 - 17.4 Amending Memorandum of Association or regulations.
 - 17.5 Adding or reducing capital including debenture issue.

17.6 Merger or Company Termination.

17.7 Any activities stipulated under the legal provision associated with securities and exchange and/or Regulations of Stock Exchange of Thailand shall be agreed by committee's meeting and shareholder's meeting with at least ¾ votes of all shareholders who attend the meeting and have right to vote such as cross-transaction and obtainment or distribution of asset etc.

Nevertheless, any operations that the committee or the proxy or stakeholders may have conflict of interest with the company, those people have no right to vote in such matter.

The company's committee has appointed committees with knowledge and expertise to be sub-committee to practice in studying and screening material matters that require close supervision and give opinions to company's committee consisting of audit committee, management committee and Recruitment and return specification committee with following scope of duty and responsibility.

9.2.2 Audit Committee and Roles & Responsibilities

Audit committee is set up to Support Company's committee to supervise and inspect financial report, internal audit, and internal control, risk management including good corporate governance so that the operations and data disclosure of the company are conducted transparently and reliably. The audit committee consists of skillful and experienced independent committee that can dedicate time for operation at least 3 people and an audit committee has knowledge and experience in finance and accounting. The audit committees will select a committee as the audit committee chairman. Who will position as the audit committee chairman shall be considered by qualification circumspectly as the audit committee chairman will be a person that gives confidence in effectiveness of the audit committee.

The period of position as audit committee is equal to the company's committee and it will due positioning in annual general meeting along with due of positioning as company's committee. When they leave position, they can be reelected for another term of office

Roles & Responsibilities of the Audit Committee

- (1) Verifying that the company has procedures to make and disclose data in financial report of the company correctly and completely that it is reliable, punctual and sufficient. The project to coordinate with outsourcing auditors and the executives that are responsible for making both annual and quarterly financial report, the audit committee may suggest the auditor to verify or check any list that are necessary and essential during auditing of the company.
- (2) Auditing that the company has suitable and effective Internal Control system and Internal Audit system and considering independence of internal audit institute along with approving the appointment, transferring, denoting or dismissing the leader of internal audit institute or any other institutes responsible for internal audit.
- (3) Verifying that the company has complied with law associated with Securities and Exchange, regulations of Stock Exchange of Thailand and law related to business of the company.
- (4) Considering, selecting and appointing people with independence to act as the auditor of the company and proposing returns of those people by being aware of reliability and sufficiency of resources and audit wok of the auditor office and experience of personnel assigned to audit including performance in previous year and considering denoting the auditor including participating in meeting of auditor without management department for at least once a year.
- (5) Considering and disclosing data related to cross-transaction that may have conflict of interest completely and correctly to be corresponding to law and regulations of Stock Exchange of Thailand. Nevertheless, it is to ensure that such transaction is necessary, reasonable and brings maximum benefit for the company.
- (6) Making a report of audit committee and propagating it in annual report of the company. Such report shall be signed by audit committee chairman and shall consist of following data

- a) Opinions about correctness, completeness, and reliability of data disclosure in financial report of the company
 - b) Opinions about sufficiency of internal control system of the company
 - c) Opinions about compliance with law associated with Securities and Exchange, regulation of Stock Exchange of Thailand or law involved in business of the company
 - d) Opinions about suitability of the auditor
 - e) Opinions about transaction with conflict of Interest
 - f) Number of audit committee's meeting and attendance of each audit committee
 - g) Opinion or Notice that the audit committee received from performance according to the Charter
 - h) Any other lists that the shareholders and investors should know within scope of duty and responsibility assigned by the company's committee
- (7) Any operations assigned by the company's committee with agreement of audit committee such as reviewing policy of financial and risk management, reviewing compliance with business ethics of the executives and reviewing together with executives about essential reports that will be publicized as the law stipulates such as Report and analysis of management department etc.
- (8) Having power to audit and investigate as necessary matters that may significantly affect financial statement and overall operation of the company such as:-
- a) Transaction with Conflict of Interest
 - b) Doubt or assumption that there may be corruption or abnormality or defect in internal controls system
 - c) The doubts that there may be violating law associated with Securities and Exchange, regulations of Stock Exchange of Thailand or laws relevant to business of the company
- (9) Having power to seek for opinions free from professional consultants when seeing that it is necessary to consider expense of the company so that the operation under duty and responsibility is achieved.
- (10) Reporting the result of auditing and investigation to company's committee to revise within time approved by the audit committee. However, if the audit committee finds that there is negligence to operate revision without reasonable support, any audit committee may report such occurrence to SEC and Stock Exchange of Thailand.

Nevertheless, the authority of audit committee does not include power that the audit committee or the proxy from the audit committee can vote and give opinions for the list that the audit committee or the proxy or those with conflict of interest as definition in notice of Security and Exchange Commission has stakes or has conflict of interest with the company and/or its subsidiary.

9.2.3 Nomination and Remuneration Committee and Roles & Responsibilities

The Board of Directors has appointed the Nomination & Remuneration Committee by selecting from some company's committee and/or the expert. The Nomination & Remuneration Committee shall consist of 3 but not over 5 committees. Nevertheless, the independent committee acts as the Nomination & Remuneration Committee chairman

Roles & Responsibilities of the Nomination and Remuneration Committee

- 1) Recruiting, selecting and proposing a person to take position as independent committee, committee chairman, and company's committee to present to company's meeting and/or shareholders to consider approving in case of the vacant position due to the due or other cases.
- 2) Recruiting, selecting and proposing a person to act as the managing director, chief executive office, and secretary of the company in case of the vacant position to present to company's meeting for further approval including specifying principles to inherit the position of chief executive officer
- 3) Considering and screening organization structure which suitable and supporting to business operation prior to propose to the Board of Directors for consideration of approval.
- 4) Proposing policy of remuneration and other benefits for directors, managing director and top executives

to be suitable for duty and responsibility corresponding to overall operation of the company and market condition.

- 5) Considering annual bonus and salary adjustment for executives and employees based on the Company's performance.
- 6) Considering and screening salary structure and principles of allowance payment
- 7) Check qualification of people who are nominated to be company's committee to be in accordance with applicable law and regulations.
- 8) In case of nomination of the retiring director, the committee should present the retiring director's performance and contribution along with the attendance record of the Board of Directors 'meetings and shareholders' meetings for consideration by the shareholders.

9.2.4 Executive Committee and Roles & Responsibilities

Executive Board appointed by the Board of Directors; and the Chairman of the Executive Committee is the Managing Director. The Committee is responsible on managing the business on behalf of the Board in accordance with the direction, policy and goals set by the Board of Directors

Roles & Responsibilities of the Executive Committee

- 1) considering and screening business plan and annual budgetary plan to present to company' committee
- 2) Specifying policy of finance and investment of the company and defining trend of investment policy to be corresponding to policy of the company and approving principles of investment including proposal of investment according to regulations of the company
- 3) Considering and operating material matters relevant to operation of the company
- 4) Considering and screening and giving suggestion all work types proposed to company's committee
- 5) Considering and appointing committee of the affiliated company or joint venture by proportion of shareholding or according to agreement between shareholders of the affiliated company or joint venture (if any)
- 6) Supervising and monitoring result of management of the company to correspond the policy, operation plan and annual budget stipulated by the company's committee and approving as well as reporting to company's committee regularly.
- 7) Considering risk management policy of the company to present to audit committee
 - (A) Identifying and evaluating risk to cover Strategic Risks, Operational Risks, Financial Risks and Legal Risks
 - (B) Considering and reviewing guidelines and tools to manage risk effectively and suitable for risk size and quality of the transactions operated by the company
 - (C) Monitoring result of risk evaluation in both normal condition and Stress Testing
 - (D) Evaluating possible risks from new product or risks that happen for new transaction as well as specifying guidelines to prevent possible risks
- 8) Considering and screening matters that the managing director proposes to management committee to consider approving or agreeing
- 9) Approving matters of finance and asset of the company under scope of approval authority
- 10) Assigning or suggesting the managing director to determine or practice any transaction agreed by the management committee
- 11) Appointing the work team to consider any matters agreed by the management committee
- 12) Considering and proposing matters agreed by management committee or determining approval or agreement
- 13) Considering any matters or doing any duties assigned by the company's committee.

The approval authority of the Executive Committee must not be authorization of approval on any concerns on conflict of interest or related-party transaction of the Company and/or its subsidiary.

The Executive Committee holds the term of office according to the term of service as an executive director. In case the member of the Executive Committee is the Non-Executive Director, the term of office is three (3) years, unless the Board of Directors otherwise resolved

9.2.5 Executive and Roles & Responsibilities of Managing Director

Roles & Responsibilities of the Managing Director

- 1) Managing, supervising, and approving on operations related to the normal/general management of the Company.
- 2) Considering of approval the appointment, dismissal and transfer of senior management levels i.e. deputy managing director, assistant managing director, or equivalent position in accordance with the approved organizational structure; including their salary, compensation, or other benefits
- 3) Administrating the Company following the policy and target as well as business plan and strategic plan stipulated by the Board of Directors, or the Executive Committee.
- 4) Authorizing or assigning a person or do particular task within scope complied with approval authority (authority table) or regulations or even commands stipulated by the Board of Directors.
- 5) Holding of supervisory power of issuing commands, regulations, notices, memorandum, and etc to keep good practices which corresponding to policies, the Company's benefits, and maintain work disciplines in the Company.
- 6) Holding of authorization to representing the Company in relating to the business to public or the third party for the benefits of the Company.
- 7) Approving the appointment of consultants which necessary for operation of the Company.
- 8) Performing other duties as assigned by the Executive Committee and / or the Board of Directors.

Nevertheless, the power of managing director along with authorizing other people approved by the managing director does not include power or authorizing to approve transaction that he or the relevant may have conflict of interest contrary to benefit of the company or subsidiary or even transactions that are not under normal operation of the company or subsidiary. To approve such transaction, it shall be proposed in the company's meeting and/or shareholder's meeting of the company to consider and approve according to regulations of the company or applicable law.

9.2.6 Authorization Levels and Monetary Limits

The Board of Directors Meeting No. 1/2018 held on 27 February 2018 resolved on approval of the **Authority Table** for specifying the authority of the Board of Directors, the Executive Committee, the Managing Director, and the Executives which can be summarized as follows:

The Authority Table specified on delegation of authority and approval of monetary limits at the Managing Director level, the Executive Committee, and the Board of Directors:

- 1) In case requiring of the authorization of upper levels of the Management, i.e. the Executive Committee, the Board of Directors, then delegated or assigned persons shall collect all concerned documents and propose to the Executive Committee and/or the Board of Directors for consideration of approval.
- 2) In case requiring of the authorization of lower levels of the Managing Director, i.e. the Assistant Managing Director and the lower levels authorized in the Authority Table, then delegated or assigned persons shall collect all concerned documents and propose to the Managing Director for consideration of approval. This Authority Table shall be review every 2 years; or when appropriate.

For the budget of the company, it shall be presented to the Board of Directors for consideration of approval. If any transaction is deemed the related-party transaction or deemed as the acquisition or disposition of assets of the Company or its subsidiary, the Board of Directors and Management of the Companies are responsible for compliance with the relevant regulations of the SEC and the Stock Exchange of Thailand. In addition, the related persons which may have conflicts of interest, or any other benefits which deemed conflict of interest of the company or its subsidiary shall not vote such matters.

9.3 Recruitment, Nomination and Appointment of the Directors, Subcommittee, and Top Executive

To recruit a person as the directors, subcommittee and top executive of the Company is conducted by the Nomination and Remuneration Committee who responsible on recruiting and selecting persons to take such positions and nominate qualified persons to the Board of Directors and/or the Shareholder's meeting (depending on each). For selection of lower levels of the Managing Director positions, the selection is in the scope of roles and responsibilities of the Managing Director as the top executives of the Company.

However, persons who are appointed to act as the directors and executives shall have suitable qualification according to section 68 of Public Company Limited Act B.E. 2535 (including amended versions) and Securities and Exchange Act, Notice of Capital Market Supervisory Board as well as other relevant laws; besides proficiency and work experiences are counted.

In addition, directors can hold position in other listed companies; but not more than 5 companies. Besides, directors shall not be partner or executive or employee or consultant who receive regular salary or hold more than one (1) percent of total voting shares of any company that operates the same business and is a significant business competitor to the Company's or its subsidiary.

9.3.1 Recruitment of the Directors

The Board of Directors has the order of precedence to recruiting and appointing the directors that have expertise and experience to supervise benefit of the company and shareholders.

The Nomination and Remuneration Committee granted the minority shareholders to propose an agenda of annual general meeting and director nominee in advance. The director nominee shall have following qualifications:-

- a) Not having any prohibited characteristics under regulations of applicable law and notices such as Public Company Limited Act B.E. 2535, Notice of Capital Market Supervisory Board, Notice of Securities and Exchange Commission and Regulation of the company relevant to qualification of company's committee, etc.
- b) Having integrity, morality, initiative, excellence, responsibility, justice, independence, and providing equitable shareholder opportunities.
- c) Having educational background and work profile that is beneficial to the Company's business.
- d) Passing training related to corporate governance and high level of policy-making
- e) Having commitment to equal treatment of shareholders' interests
- f) Dedicating time and ability to enhance the business development of the Company.

The Board of Directors shall consist of independent committees at least 1/3 of the Board of Directors; and not less than 3 persons with qualifications stipulated by Notice of Stock Exchange of Thailand, and Notice of Capital Market Supervisory Board.

The Board of Directors shall consider and screen a qualified person to be appointed as the director including directors who represent of shareholders or independent directors by considering on skill and experience to strengthen the Board of Directors' structure; reviewing when appropriate.

Election of the Directors

The election of the directors in the shareholders' meeting follows principles and procedures as below:-

- a) Each shareholder has his/her votes equal to amount of shares by one-share per one-vote.
- b) Voting a nominee individually and shareholders shall make all votes they have to select the nominated as the director one by one. The election can be for one or many nominee but the votes cannot be shared.
- c) The persons who have the highest votes by order are elected as the director equal to numbers of directors to be selected in that time. In case an elected person in the next order has same vote beyond the amount of committee, the president will make another vote for final judgment.

In case the position of director is vacant due to any other reasons apart from retirement by rotation, the Board of Directors shall consider appointing a qualified person and he shall not have prohibited characteristics to be the director in next board of directors' meeting unless the period of retired director is less than 2 months. The director that

replaces will be in position within left period. Nevertheless, the resolution to appoint a person as the committee shall require at least three-quarters (3/4) votes of all board members left.

In annual general meeting, one-third (1/3) of the directors or the nearest number of one-third of the directors shall retire from office each year. The directors to retire by rotation at every annual general meeting shall be those who have the longest term in office since their last appointment. The directors who retire can be re-elected for one more term of office.

9.3.2 Recruitment of Independent Directors and Audit Committee

The company has a policy to specify qualification and recruitment of independent directors and audit committee in accordance with Notice of Capital Market Supervisory Board at T.J. 28/2008 associated with permission to offer newly issued share dated on 15 December 2008 (including amended version).

Nevertheless, the independent directors shall be at least 1/3 of all Board's members and not less than 3 persons while the audit committee consists of at least 3 independent directors with qualification stipulated by law, notice of Stock Exchange of Thailand and Notice of Capital Market Supervisory Board as follows:-

Qualification of Independent Directors

- a) Holding share not over 1% of all shares with right to vote of the company, headquarter, subsidiary, joint venture, major shareholder or authority of the company. However, it includes shareholding of the relevant of such independent directors.
- b) Not or used to be a committee participating in administration, employee, staff that the consultant with regular salary or the authority of company, holding company, subsidiary or joint venture, joint venture or authority of the company unless retirement from such quality for 2 years before submitting forms to Office of Securities and Exchange Commission. Such incompatibility does not include the case that independent committee used to be bureaucrat or government's advisor that is the major shareholder or authority of the company.
- c) Not being a person with consanguinity or relation by law such as parents, spouse, sibling and child along with spouse of other committee' children, executive, major shareholder, authority or a person proposed to be directors or regulator of the company or subsidiary.
- d) Not having or used to have business connection with the company, holding company, subsidiary, joint venture, major shareholder, or regulator of the company that interrupts free discretion along with not being or used to be a shareholder or the regulator of those who have business connection with the company, holding company, subsidiary, joint venture, major shareholder, or regulator of the company unless retirement for not less than 2 years before submitting form to Office of Securities and Exchange Commission. Such business connection includes normal trade transaction to lease or rent out real estate, asset-related list or service or financial support by guaranteeing or loaning asset as settlement guarantee including similar behaviors resulting the company or signatory have liability to settle to another party from 3% of net tangible asset of the company or at least 20 million Baht. However, calculating such liability shall follow methods of value calculation of involved transaction according to notice of capital market supervisory board associated with involved transaction permitted to consider such liability including liability during a year before having business connection with the same person
- e) Not being or used to be an auditor of the company, holding company, subsidiary, joint venture, major shareholder or regulator of the company and not being implicit shareholder, regulator or partners of auditing office in which the auditor of the company, holding company, subsidiary, major shareholder or regulator belongs to unless retirement from such characteristic not less than 2 years before submitting form to the Office of Securities and Exchange Commission
- f) Not being or used to be any professional service providers including legal consulting service or financial consultant with service charge more than 2 million Baht per year from the company, holding company, subsidiary, joint venture, major shareholder, or the regulator of the company and not being an implicit shareholder, regulator or partner of such professional service providers unless retirement from such quality not less than 2 years before submitting form to the Office of securities and Exchange Commission
- g) Not being a committee appointed to be representative of the company's committee, major shareholder or shareholders related to major shareholders.

- h) Not running business with same condition and it is implicit opponent to the company or subsidiary and not being an implicit partner in partnership or a committee taking part in administration, employee, staff, and consultant with regular salary or holding share over 1% of all shares with voting rights of other companies that run the same business with implicit competition to the company or subsidiary.
- i) Not having any other qualities that interrupt free comment about operation of the company

After appointed as the independent directors with qualification from a) to i), the independent directors shall be assigned by the Board to make decision for operations of the company, holding company, subsidiary, affiliation, subsidiary in same level, major shareholder or authorized person of the company with Collective Decision.

In case a person appointed by the company to be the independent directors that has or used to have business relation or professional service more than value specified in d) or f), the company can be extended limit of prohibitions to have business relation or professional service in case the company has provided opinions of the company's committee showing that it has been considered following section 89/7 of Securities and Exchange Act B.E. 2535 (including amended version) that such appointment has no effect on operations and comments that the independent directors provides following data disclosure in invitation letter to Shareholder's meeting for agenda considering independent committee appointment

- (A) Business relation or professional service that makes such person disqualified as stipulated in principles
- (B) Reason and necessity to appoint such person as the independent directors
- (C) Opinion of company's committee to propose appointing such person as the independent directors

For benefit according to (E) and (F), the word "partner" is defined as a person assigned by auditing office or a professional service provider to be the signor in auditing report or professional service report (case by case) on behalf of that juristic person.

Qualification of Audit Committee

- (A) Appointed by the committee or shareholder's meeting of the company as the audit committee
- (B) Independent Committee with quality of independent committee that
 1. Not being a committee assigned by the committee to make decision for operation of the company, holding company, subsidiary, affiliation, subsidiary in same level, major shareholder or authorized person of the company and
 2. Not being the committee of holding company, subsidiary, or subsidiary in same level that is the authorized company
- (C) Having duty as same as stipulated in Notice of Stock Exchange of Thailand associated with quality and scope of operation of audit committee
- (D) Having sufficient knowledge and experience to act as the audit committee; however, there must be at least an audit committee with proficiency and experience to verify credibility of financial budget

Appointment of Independent Directors/ Audit Committee

Recruitment and Return Specification Committee selects a qualified person to propose to Company's committee or shareholders to appoint the independent committee/ audit committee (case by case). The audit committee shall be the independent committee appointed from the completely qualified people as in the law, regulations, Notice of Stock Exchange of Thailand and Notice of Capital Market Supervisory Board. There must be at least 1/3 of all committees that are independent committee and 3 audit committees. The independent committee/ audit committee has period of positioning equal to the company's committee. When the due comes, they can be reelected to take that position again. However, at least an audit committee shall have proficiency and experience in finance and accounting.

9.3.3 Recruitment of Executive Committee

The Board of Directors appoints the executive committee by selecting from those who have knowledge and experience and understanding about business quality, normal operation of the business and management of the company. The component of executive committee consists of the management team with a managing director as the executive committee chairman

9.3.4 Recruitment of Nomination and Remuneration Committee

The Board of Directors appoints the Nomination and Remuneration Committee by selecting from some of the Board's members and/or experts with amount of not less 3 people but not over 5 people. Nevertheless, the independent director is the Nomination and Remuneration Committee chairman.

9.3.5 Recruitment of Executive

The Board of Directors appoints a managing director by the Nomination and Remuneration Committee selects those who are qualified to take such positions by considering from knowledge, experience, and proficiency of management to present to the Board of Directors for further appointment.

9.4 Subsidiary and Affiliation's Operation Supervision

The company has mechanism to supervise subsidiary and affiliation directly and indirectly as well as measures to follow up management of the subsidiary and affiliation to maintain benefit of investment of the company and be able to manage and take responsibility of operation of subsidiary as a part of the company by emphasizing on investment in business that supports and makes benefit for the company by considering returns and other benefits the company expects to receive from investment. It is to support and promote business of corporations. However, the company has specified policy of investment in subsidiary and affiliation approved by the Board of Directors' meeting 1/2018 arranged on 27 February 2018 with following details:

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

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

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

9.5 Control of Internal Data Usage

The company and subsidiary realize and give precedence to operation according to Good Corporate Governance) and Check and Balance to strengthen confidence of shareholders and every relevant institute for continual operation by being aware of long-term value growth of the company. The committee and executives of the company agree to specify internal data usage control measure so that the company has transparent operation according to good corporate governance approved by the company's meeting 1/2018 arranged on 27 February 2018 that can be summarized as follows:

1. Committee, executives and employees shall keep secret/ internal data of the company and subsidiary and shall not disclose such data or gain personal benefit or other's interest from it no matter it is direct or indirect or receive returns or not.
2. The company provides knowledge for the committee and executives of the company to realize duty of reporting securities holding of themselves, spouse, and immature children according to section 59 of Securities and Exchange Act B.E. 2535 including amended version ("Securities Act") and Notice of Securities and Exchange Commission at SJ.

12/2009 dealing with Making and disclosing Security Holding Report of the committee, executives and auditor and punishment according to Section 275 of Securities and Exchange Act B..E. 2535

3. The company specifies that the committee and executives shall report changing of security holding of the company to Securities and Exchange Commission according to section 59 of Securities Act and Notice of Securities and Exchange Commission at SJ. 12/2009 associated with making and disclosing Security Holding Report of Committees, executives and auditors and delivers the duplicate of this report to the company on the exact same date that this report is submitted to Securities and Exchange Commission
4. The company and Subsidiary specifies not allowing committee, executives or practitioners of the company and the subsidiary to perceive internal data and disclose to outsiders or irrelevant people and they should abstain from trading shares of the company within a month before the company publicizes financial statement or essential information.
5. The committees, executives and employees of the company and the subsidiary shall not trade, transfer or accept transfer securities of the company by using internal data of the company' subsidiary and/or do any other transactions using internal data of the company or subsidiary that may result in damages to the company directly or indirectly. This specification includes the spouse and immature children of the committee, executives and employees of the company and subsidiary. Those who infringe such regulation will be deemed as severe offence and the company has defined penalty for people who gain benefit from using or revealing internal data that defames the company and the company will liaison with relevant supervisory institute for further legal action.

9.6 Audit Fee & Non-Audit Fee

9.6.1 Audit Fee

The company and subsidiary pays remuneration for annual auditing and interim reviewing of financial statements to SP Audit Co., Ltd which is the auditing office of the company and subsidiary for accounting years ended on 31 December 2017 for 1,720,000 Baht; excluding BOI requirement audit of 50,000 Baht.

The Annual Shareholders' Meeting 2017 held on 20 April 2017 had a resolution to appoint the following CPA of SP Audit as the auditors of the company and subsidiary for interim reviewing and annual auditing of financial statements for accounting year ended on 31 December 2017:

List of Auditor:	1. Ms.Susan Eiamvanicha	C.P.A. (Thailand) No. 4306 or
	2. Mr.Suchart Panitcharoen	C.P.A. (Thailand) No. 4475 or
	3. Ms.Chuenta Chommern	C.P.A. (Thailand) No. 7570 or
	4. Ms.Wandee Eiamvanicha	C.P.A. (Thailand) No. 8210 or
	5. Mr.Kiatissak Vanithanont	C.P.A. (Thailand) No. 9922

Any one of the aforementioned auditors is to audit and certify the financial statements of the company and its subsidiaries for the period ended 31 December 2018 and review of quarterly financial statements of the company and subsidiaries; including BOI requirement audit.

9.6.2 Non-audit Fee

The company hired SP Audit to review and audit the financial data of the company and its subsidiary as mutually agreed for year ended on 31 December 2017 with IT audit and total traveling expense of 78,386 Baht.

9.7 Compliance with Principle of Good Corporate Governance in Other Terms

The Board of Directors directs the Company to comply with the regulations of the Stock Exchange of Thailand in granting the rights to minority shareholder to propose the agenda in advance. In 2017, the Company has invited the minority shareholders to propose the agenda for the meeting and the nomination of the qualified candidates to be considered as directors of the Company. The information is published on the Company's website from 2 October 2017 to 15 January 2018, and distributed through the SET Portal.

10.1 Overview Policy

The Company has concept of moral and transparent business operation concept with emphasis on responsibility toward society and all groups of stakeholders according to good corporate governance as well as policy and practical guideline toward different groups of stakeholders so as to ensure that the Company can build stability and sustainability in business operation and confidence to all parties of stakeholders. However, the Company operates with social responsibly focus as follows:

1) Fair Business Operation

- The Company determines policy and practical guideline to all groups of customers. The fair and clear condition under laws is notified and the precedence is given to customer satisfaction together with fair business operation.
- The Company equally and fairly treats its business partners and creditors through strict compliance with commercial condition and/or commercial agreement.
- The Company fairly treats the competitor companies without violation of business ethics as well as non-execution in the way of criticism, malevolence or defamation of the competitor companies.

2) Anti-Corruption

- The Company's policy is to define responsibility, practical guideline, and requirement in proper operation for prevention of anti-corruptions with all of the Company's business activities and for proper and circumspect consideration and practice on decision making and business operation that may have anti-corruption risk.
- The Company's anti-corruption policy covers the prohibition of the Company's directors, executives and employees to execute or accept all forms of corruption both of direct or indirect. It also covers the businesses in all countries and all relevant agencies with regular verification on compliance with anti-corruption policy as well as review of practical guideline and operating requirement to be consistent with the change of business, rule, regulation and legal provision.
- The Audit Committee has set guidelines for auditing the internal control system by the third-party auditors to be able to conduct a thorough audit on the key issues of neutrality and independence.

3) Respect on Human Rights

- The Company gives precedence and respects human right through promotion and protection of liberty and rights as well as fair and equitable treatment without the policy of discrimination on individuals who are divergent in races, females, children and disabled.
- The Company employs the disabled to work for the Company as equitable treatment, enabling to create jobs and revenues to such disabled.

4) Fair Employee Treatment

- Human resources are regarded as the cog in propelling the Company's business to achieve the targets. The Company therefore devotes to the employee's quality of life through good working environment, fair human resource management system, encouragement of personnel development to be progressive according to appropriateness in every functional line. The Company cares for the quality of life of employees; therefore the Company has assessed the workplace health in 2016 and implemented the happy workplace project according to the guidelines for the happy organization by joining the Thai Health promotion Foundation.

5) Responsibility to Customers

- The customer satisfaction is regarded as one of the Company's main strategies in stepping into being "The Real Leader for Modern Cool" according to the Company's slogan. However, apart from maximum sales volume value in Thailand, the Company also emphasizes on customer responsibility.
- The Company has been certified for international standard of ISO 9001:2015 quality system management as the seal on well care in the Company's product and service quality. Moreover, the Company also has the assurance

of the Company's product and service quality so that the customers are assured that they will get quality products and services from the Company with customer responsibility.

- The Company provides customers on direct complaint about products and services of the employees to the Company via telephone no. 02-953-8800 and 02-015-5920. In addition, the customers can directly contact to Customer Relations Management Unit via mobile phone nr. 081-422-4454. Besides, the customers may contact the independent unit i.e. the corporate secretary office via email: comsec@masterkool.com
- The Company has clear discount and selling pricing policy for each group of customers. Moreover, the Company also controls selling price with its dealers in every distribution channel to be in proper level.

6) Environment Care

- The Company realizes on the significance of environmental care in order not to cause pollution problems that may affect life quality of human and ecosystem. The Company then does not perform any acts that affect damage toward natural resources and environmental condition.

7) Co-Development for Community and Society

- The Company promotes the use of business process for benefit on quality of life development, helps build economy and strength to community and society, supports the employment in the community, implants employee conscious in environmental and social responsibility, and regularly seeks for opportunity in support of social and community activities.

8) Availability of Innovation and Propagation of Innovation Derived from Operation with Responsibility on Society, Environment and Stakeholders

- The Company continuously dedicates resources in research and development in order to invent environmentally friendly products and services, and helps in energy saving. The Company's evaporative air cooler product is one of the proofs for such dedications with energy saving capability of air cooler when compared with air-conditioner; moreover, the Company also accepts to completely advise energy saving

10.2 Operation and Reporting Preparation

Social responsibility according to aforesaid policy and practical guideline is the part of the Company's business operations that have been continuously practiced from fair treatment to business partner, quality product manufacture and service provision based on Management Quality of ISO 9001:2015, clear selling pricing for customer, fair appraisal of employee performance until participation in community development through employment to people in community. Apart from compliance with policy and ongoing practical guideline, the Company also regularly reports social responsibility activities at the Company's website <http://www.masterkool.com>

10.3 Operation of Business Affecting Social Responsibility

The Company has no activities that affect the social responsibility.

10.4 CSR in Process and CSR after Process

10.4.1 CSR in Process

In the year 2017, CSR in the process became clearer after joining the health promotion program of the Thai Health Promotion Foundation. The ability to share to community or society, as well as sustainability of business comes from employees of the Company; therefore the Company's direction is to create employment engagement.

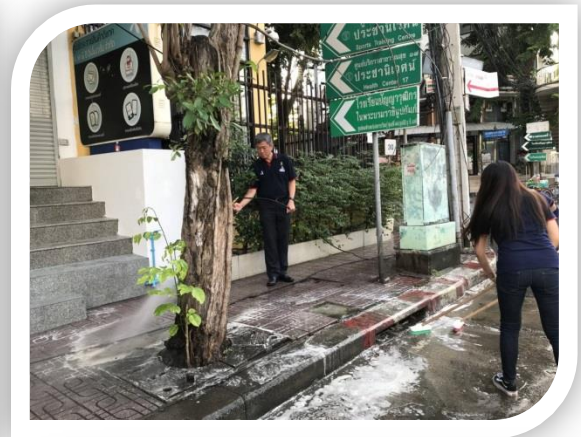
In addition to the general welfares to the employees, the Company recognizes the importance of employees as a direct stakeholder in the business and creates the concept of corporate responsibility with happily working for sustainable growth of the Company.

The Company provides opportunities for each working unit to organize their activities to lead to employee's happiness both direct and indirect to their work.

10.4.2 CSR after Process

The Company regularly arranges environmental and social benefit activities. The company's products were delivered for charity to various agencies such as temples, foundations, schools and hospitals, etc.

In 2017, after one year of His Majesty King Bhumibol's passing, the Management and volunteer employees had joined hands for cleaning up public areas; Thesabansongkroa Road, Chatuchak, Bangkok.



10.5 Prevention of corruption involvement

The Company's policy is to define responsibility, practical guideline, and requirement in proper operation for prevention of anti-corruptions with all of the Company's business activities and for proper and circumspect consideration and practice on decision making and business operation that may have anti-corruption risk.

The Company's anti-corruption policy covers the prohibition of the Company's directors, executives and employees to execute or accept all forms of corruption both of direct or indirect. It also covers the businesses in all countries and all relevant agencies with regular verification on compliance with anti-corruption policy as well as review of practical guideline and operating requirement to be consistent with the change of business, rule, regulation and legal provision.

The Audit Committee has set guidelines for auditing the internal control system by the third-party auditors; for being able to conduct a thorough audit on the key issues of neutrality and independence

In addition, the Company has assessed the business risk quarterly; and assigned to the Risk Management Task Force chaired by the Chairman of the Executive Committee, and the company secretary, as a central agency for co-ordinating, follows up on the performance of operation units to eliminate or reduce the risks.

11.1 Opinion of the Board of Directors on Internal Control System

The Company and its subsidiary have the order of precedence to good internal control system management for supporting effective operations of the Company and its subsidiary under internal control system that is adequate, effective and extensive to all areas in order to be in line with the relevant laws and rules for the listed companies in the Stock Exchange. The Board of Directors always arranges the adequate and effective check and balance mechanism for protection and well-management of the properties of the Company and its subsidiary under authorization level of approval and specifies roles and responsibility of the executives and staff by check and balance mechanism with written work procedures. The independent internal audit work unit is available. The Company has hired Acc-Plus Consultant Company Limited ("Acc-Plus Co., Ltd.") to perform auditing work of all units of the Company and its subsidiary; and directly report to the Audit Committee.

Moreover, the Company and its subsidiary also arranges proper and sufficiently circumspect Internal Control System and Internal Audit System for protecting assets of the Company and its subsidiary from improper use as well as prevention of fraud that may take place in the Company and its subsidiary under clear and accountable work process in consistency with the guideline of the Stock Exchange of Thailand.

In the Board of Directors' Meeting No. 1/2018 on 27 February 2018, the Board of Directors which included the Audit Committee considered adequacy of internal control system of the Company and its subsidiary based on Assessment Form of the Office of SEC in accompany with further inquiries for additional information from the management and related officers. The internal control system of the Company and its subsidiary in all 5 areas has been assessed based on Guideline of COSO (Committee of Sponsoring Organizations of the Treadway Commission) as follows.

- 1) Control Environment
- 2) Risk Management
- 3) Control Activities
- 4) Information & Communication
- 5) Monitoring Activities

The Board of Directors commented that the Company and its subsidiary have proper and adequate internal control system according to existing control environment. Moreover, the Company has also arranged the sufficient personnel for effective system operation and has also proper internal control system in the issue of monitoring and controlling the operations of the Company and its subsidiary to enable to sufficiently protect the properties of the Company and its subsidiary from the unauthorized or wrongful use of their directors or executives; including related-party transaction and transaction who may have conflict of interest. In conclusion, the Audit Committee and the Board of Directors have had aligned comments

11.2 Observations of Internal Auditor and Financial Auditor

11.2.1 Observations of IA

In 2017, the internal auditor entered to audit and monitor internal control system and system compliance covering all of the systems of the Company and its subsidiaries, consisting of: 1) sales, marketing and after-sales service system, 2) cash receipt system, 3) payment system, 4) production system, 5) product and cost management system, 6) fixed asset system, and 7) payroll and human resource management system. The risks were also simultaneously assessed.

From the audit of aforesaid work process, the observations of Internal Audit Unit regarding work process have been as follows

1) Sales, marketing and after-sales service process

To ensure the consideration of customer credit of the Company's subsidiary is clear and concise, the Company has adopted the criteria and conditions for the consideration of the Company and applied to its subsidiary by setting up as a working procedure of the subsidiary. .

2) Cash receipt process (Inflow)

-None-

3) Payment process (Outflow)

- None -

4) Production process

- None -

5) Product and Cost Management

The Company has improved the process of tracking and managing the products sold or the promotion through the modern trade channels to collect all necessary information quickly, accurately and sufficiently for decision making on the appropriate inventory level. In addition, there are plans to release slow-moving products which remaining in warehouse.

6) Fixed asset management

-None-

7) Payroll and Human Resource Management

The Company's subsidiary has different business model from the Company; therefore the individual development program was separately set up. Anyhow, training programs on basic or general issues will share resources in each training session.

11.2.2 Observations of External Audit

For the financial statements for the year end of 31 December 2017, the auditor has reported to the Audit Committee Meeting No. 1/2018 held on 27 February 2018, appeared in the Auditor's Report in the Annual Financial Statements.

11.3 Head of Internal Audit

Miss Wanna Maluengnont, the Managing Director of Acc-Plus Consultants Co., Lt.d has been appointed as the head of internal audit of the Company.

11.4 Audit Committee's Report

Appeared in page 3

12.1 Nature of Relationship of Related Party Transaction

Related party transactions in 2016 and 2017 are as below.

Person who may have conflict of interest	Relationship	RPT Type	(Thousand Baht)		Necessity and Reasonability
			2016	2017	
1. Site Preparation Management Company ("Site Prep Co., Ltd.")	Mr. Kritsana Thaidumrong, the Director and Major Shareholder in Site Prep Co., Ltd. and the Company's director	The Company sold products and services to Site Prep. - Revenue - AR (Beginning) - AR (Ending)	32.60 - -	14.25 - 15.25	The Company has sold products and installation services of air cooler system to Site Prep Co., Ltd. under price and condition indifferent from other customers AC's Comment: Normal business under price and condition indifferent from other customers
2. Actdee Company Limited ("Actdee Co., Ltd.")	Mr. Thanapat Thaidumrong and Mr. Thammathat Thaidamrong, the Director and Major Shareholders in Actdee Co., Ltd. Mr. Thanapat Thaidamrong and Mr. Thammathat Thaidamrong are the close relatives of Mr. Kritsana Thaidumrong who is the Company's Director	The Company sold the Company's products and services to Actdee Co., Ltd. - Revenue - Promotion expenses - AR (Beginning) - AR (Ending)	12,821.27 - 3,972.56 884.31	9,620.89 - 884.31 2,783.30	The Company has sold products of air cooler system to Actdee Co., Ltd. under price and condition indifferent from other dealers AC's Comment: Normal business under price and condition indifferent from other customers

As of 31 December 2017, the Company has been granted for credits from 4 financial institutions for total loan limit of approximately Baht 493.20 Million. Some of this loan limit has been guaranteed by the director, executive and relevant person with below details.

Person who may have conflict of interest	Relationship	RPT Type	(Million Baht)		Necessity and Reasonability
			2016	2017	
1. Mr. Noppachai Veeraman	Managing Director, Chairman of the Exec. Board, and Major Shareholder	Co-Guarantors of Company's loan below: - Short-term loan - Overdraft loan - Letter of Guarantee	- - -	- - -	In September 2017, Adjustment of loan limited on LC/TR of TMB from 32.40 to 70 Million Baht. AC's Comment: Acknowledged and Agreed as business necessity
2. Mr. Fung Meng Hoi	Director, and Major Shareholder	-			-
3. Miss Varin Veeraman	Close relative of Mr. Noppachai Veeraman				
4. Miss Veena Veeraman					
5. Mr. Noppachai Veeraman	Managing Director, Chairman of the Exec. Board, and Major Shareholder	Co-Guarantors of Company's loan below: - Short-term loan - Overdraft loan	32.4 13.6	- -	AC's Comment: Acknowledged and Agreed as business necessity
6. Mr. Fung Meng Hoi	Director, and Major Shareholder	-			
7. Mr. Nuntawat Khan-em	Deputy Managing Director, CFO	Co-Guarantors of Company's loan below: - Short-term loan - Overdraft loan	32.4 3.6	- -	
8. Ms. Sunanta Wanwat	Assistant Managing Director, Shareholder	Co-Guarantors of Company's loan below: - Short-term loan - Overdraft loan	32.4 3.6	- -	
9. Ms. Phornphan Nilprasit	Assistant Managing	Co-Guarantors of Company's loan below: - Short-term loan - Overdraft loan	32.4 3.6	- -	
10. Mr. Noppachai Veeraman	Managing Director, Chairman of the Exec. Board, and Major Shareholder	Co-Guarantors of Company's loan below: - Short-term loan - Overdraft loan - Letter of Guarantee	250.00 27.50 5.00	- - -	AC's Comment: Acknowledged and Agreed as business necessity

12.2 Measure and Procedure of Approving on Related Party Transaction

The Company has set up measures to enter into related party transactions with people who may have conflicts. The Audit Committee is required to give an opinion on the necessity of entering into the transaction with reasonableness and the price suitability of the item; based on the conditions in the normal course of the market. This can be compared to the price charged to third parties. In the event that the Audit Committee is unqualified in considering potential inter-transactions, the Company will provide persons with special expertise such as auditor, financial advisor. Property appraiser law Office Independent experts, independent of the company. And a person who has no conflict of interest as a facilitator of such connected transaction to be used for the decision of the Audit Committee; for the Audit Committee to present to the Board meeting and / or shareholders as depending on each case.

In addition, the Company has imposed measures not to the management and / or stakeholders can participate in approving directly or indirectly their own interests. Also, the Board of Directors is responsible for the Company to comply with the laws governing securities and stock exchange and regulations, announcements, orders or requirements of the Capital Market Supervisory Board and the Stock Exchange of Thailand; including compliance with the disclosure requirements of connected transactions, and acquiring or disposing of important assets of the Company or its subsidiary, moreover, comply with the accounting standards set by the Federation of Accounting Professions and the Certified Public Accountants of Thailand. The disclosure of related party transactions is included in the notes to financial statements that have been audited or reviewed by the Company's auditor.

12.3 Policy and Trend of Future Related Party Transaction

The Company will continue to do such transactions in the future with ACTDEE Co. Ltd, a major dealer of the Company, and relatives of the directors are major shareholders in such companies. By entering into the related transaction, it will be according to the ordinary course of business. There is a clear policy on entering into inter-company transactions i.e. the normal price and terms of business; likely to a transaction with an unrelated party by entering into an interim transaction in the future. It is necessary for the business operations and benefits of the Company

The Audit Committee will review the compliance with the rules and give an opinion on the reasonableness of transactions occurring quarterly.

For related party transactions between the Company or its subsidiaries and the person who may have conflict of interest that are not in line with normal commercial condition, the Company shall assign the Audit Committee to be the person who advises the necessity, Reasonability and appropriateness of price of connected transactions occurred to be in line with market price. The price occurred with outsiders is compared. However, if the Audit Committee is unskilled in consideration on related party transactions that may occur, the Company shall bring the person who possesses knowledge and special skill such as auditor and asset estimator, etc. that is independent from the Company and is the person who has no conflict of interest to enter for consideration and giving opinion about such related party transactions in order to be used as support on decision making of the Audit Committee.

Nevertheless, according to related party transactions that may cause conflict of interest possibly occurred in the future, the Company has prescribed the measure on prohibition of the participative ability of the executive, director or stakeholder in approval of the transaction with self-interest both direct and indirect. However, the Board of Directors shall enter to control the Company to perform in accordance with the law of Securities and Stock Exchange, regulation, proclamation, order or requirement of the Board of the Stock Exchange of Thailand and Capital Market Supervisory Board as well as the compliance with criteria about disclosure of information of connected transactions and acquisition or disposal of the Company's and its subsidiaries' assets according to the Proclamation of the Board of the Stock Exchange of Thailand and the Proclamation of Capital Market Supervisory Board and/or related agencies as well as compliance with the accounting standard required by Federation of Accounting Professions and Certified Public Accountant of Thailand.

13.1 Statements of Financial Position

(Unit : Baht)

	Notes	Consolidated			Separate financial statement		
		December 31, 2017	December 31, 2016	January 1, 2016	December 31, 2017	December 31, 2016	January 1, 2016
			Reclassification	Reclassification		Reclassification	Reclassification
<u>Assets</u>							
Current assets							
Cash and cash equivalents		10,866,863.62	47,440,839.74	53,884,430.94	7,873,775.74	46,754,433.00	53,716,082.36
Short-term investments	6	122,760.35	55,571,264.84	50,243,245.51	122,760.35	55,571,264.84	50,243,245.51
Trade and other receivables - related parties	5.1, 7	2,783,295.44	884,313.70	3,972,555.64	21,848,399.76	3,691,683.47	4,565,888.03
Trade and other receivables - third parties	8	123,156,207.60	144,279,147.58	93,457,154.27	84,303,651.14	138,945,241.23	91,431,273.89
Current portion of receivables of finance lease	9	16,980,684.76	8,257,377.79	530,110.36	498,809.21	440,030.25	530,110.36
Inventories	10	230,135,975.99	183,624,020.38	230,920,151.70	229,670,600.39	184,761,984.62	231,753,872.59
Short-term loan to related party	5.1	-	-	-	7,000,000.00	25,279,887.50	8,779,887.50
Total current assets		384,045,787.76	440,056,964.03	433,007,648.42	351,317,996.59	455,444,524.91	441,020,360.24
Non-current assets							
Deposits at financial institutions pledged as collateral	11	71,702,955.77	50,029,913.34	48,242,991.67	70,702,955.77	49,029,913.34	47,230,121.67
Receivables of finance lease	9	2,831,831.35	8,950,907.25	963,156.45	111,879.92	523,126.23	963,156.45
Investment in subsidiary	12	-	-	-	30,255,410.25	1,261,210.25	1,261,210.25
Property, plant and equipment	13	58,318,787.37	49,692,448.75	54,281,042.91	48,700,282.35	45,602,393.63	48,669,511.23
Intangible assets	14	6,674,899.46	6,043,943.07	3,200,958.08	4,915,542.90	4,827,586.41	3,191,564.70
Deferred tax assets	15	7,558,301.38	7,695,624.75	5,437,201.75	6,181,673.18	7,148,086.60	5,437,201.75
Account Receivables Revenue Department		3,902,480.25	-	-	3,902,480.25	-	-
Other non-current assets		6,982,919.23	5,582,178.30	1,899,594.00	6,141,215.10	4,548,571.83	1,899,594.00
Total non-current assets		157,972,174.81	127,995,015.46	114,024,944.86	170,911,439.72	112,940,888.29	108,652,360.05
Total assets		542,017,962.57	568,051,979.49	547,032,593.28	522,229,436.31	568,385,413.20	549,672,720.29
<u>Liabilities and Shareholders' Equity</u>							
Current Liabilities							
Bank overdraft and Short-term loan from financial institutions	16	171,028,833.25	2,185,243.02	84,894,899.17	171,028,833.25	2,185,243.02	84,894,899.17
Trade and other payables - related parties	5.1	-	-	-	238,408.28	18,320.00	18,320.00
Trade and other payables - third parties	17	73,883,997.65	154,735,281.95	127,680,222.41	56,327,297.18	147,781,367.61	126,294,185.98
Provision for warranty	18	5,467,711.61	4,412,578.92	3,034,669.56	3,565,711.61	4,412,578.92	3,034,669.56
Current portion of long-term loan from financial institutions	19	24,692.40	102,201.83	426,194.42	24,692.40	102,201.83	426,194.42
Current portion of finance lease liabilities	20	2,674,539.30	1,867,633.03	985,406.23	2,674,539.30	1,867,633.03	985,406.23
Revenue Department payable		616,685.03	29,590.77	33,380.61	439,261.85	26,335.77	33,380.61
Income tax payable		-	10,478,976.48	-	-	10,478,976.48	-
Total current liabilities		253,696,459.24	173,811,506.00	217,054,772.40	234,298,743.87	166,872,656.66	215,687,055.97
Non - Current Liabilities							
Long-term loan from financial institutions	19	-	25,030.26	239,973.31	-	25,030.26	239,973.31
Finance lease liabilities	20	2,714,982.08	3,066,349.33	1,898,850.27	2,714,982.08	3,066,349.33	1,898,850.27
Employee benefit obligations	21	6,581,978.14	1,889,945.28	1,575,033.52	5,734,125.99	1,873,260.72	1,570,972.04
Total non - current Liabilities		9,296,960.22	4,981,324.87	3,713,857.10	8,449,108.07	4,964,640.31	3,709,795.62
Total liabilities		262,993,419.46	178,792,830.87	220,768,629.50	242,747,851.94	171,837,296.97	219,396,851.59
Shareholders' Equity							
Share capital							
Authorised 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
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		8,256,778.85	3,743,166.50	3,743,166.50	8,256,778.85	3,743,166.50	3,743,166.50
Unappropriated		(35,326,505.40)	79,421,712.46	16,426,527.62	(34,869,464.14)	86,710,680.07	20,438,432.54
Total Shareholders' Equity		279,024,543.11	389,259,148.62	326,263,963.78	279,481,584.37	396,548,116.23	330,275,868.70
Total Liabilities and Shareholders' Equity		542,017,962.57	568,051,979.49	547,032,593.28	522,229,436.31	568,385,413.20	549,672,720.29

13.2 Statement of Comprehensive Income

(Unit : Baht)					
	Notes	Consolidated		Separate financial statement	
		2017	2016	2017	2016
			Reclassification		Reclassification
Revenues					
Revenues from sales		458,120,390.78	853,175,039.13	436,187,027.27	831,568,831.69
Revenues from services		80,341,344.30	28,258,564.93	59,549,750.88	26,479,717.44
Other income		14,890,385.86	7,558,036.53	12,292,887.45	8,001,368.37
Total revenues		553,352,120.94	888,991,640.59	508,029,665.60	866,049,917.50
Expenses					
Costs of sales		350,544,951.03	562,670,397.00	346,334,483.43	544,595,395.58
Costs of services		50,829,936.63	7,838,136.35	31,138,330.80	6,530,655.49
Selling expenses		153,492,375.61	139,311,431.94	146,506,907.81	139,229,727.73
Administrative expenses		76,480,589.53	70,485,672.19	69,159,471.06	63,237,221.22
Finance cost		5,646,250.22	1,687,574.27	5,646,250.35	1,633,887.52
Total expenses		636,994,103.02	781,993,211.75	598,785,443.45	755,226,887.54
Profit (loss) before income tax expense		(83,641,982.08)	106,998,428.84	(90,755,777.85)	110,823,029.96
Income tax expense	24	(594,118.62)	(20,003,244.00)	(966,413.42)	(20,550,782.43)
Profit (loss) for the year		(84,236,100.70)	86,995,184.84	(91,722,191.27)	90,272,247.53
Other comprehensive income					
Items must not be classified into profit or loss in the future					
Actuarial losses		(4,206,504.81)	-	(3,552,340.59)	-
Other comprehensive loss for the year		(4,206,504.81)	-	(3,552,340.59)	-
Total comprehensive income (loss) for the year		(88,442,605.51)	86,995,184.84	(95,274,531.86)	90,272,247.53
Basic earnings (loss) per share					
Basic earnings (loss) per share		(0.18)	0.18	(0.20)	0.19
Number of share (Unit : share)	25	480,000,000	480,000,000	480,000,000	480,000,000

Notes to financial statements are an integral part of these financial statements.

13.3 Consolidated Statements of Changes in Shareholders' Equity

(Unit : Baht)

	Notes	Issued and paid-up share capital	Premium on ordinary share	Surplus on share-based payment transactions	Retained earnings (deficits)		Total
					Legal reserve	Unappropriated	
Balance as at January 1, 2016		120,000,000.00	183,030,332.93	3,063,936.73	3,743,166.50	16,426,527.62	326,263,963.78
Change in equity for the year							
Dividend payment		-	-	-	-	(24,000,000.00)	(24,000,000.00)
Total comprehensive income for the year		-	-	-	-	86,995,184.84	86,995,184.84
Balance as at December 31, 2016		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		-	-	-	4,513,612.35	(4,513,612.35)	-
Dividend payment		-	-	-	-	(21,792,000.00)	(21,792,000.00)
Actuarial losses		-	-	-	-	(4,206,504.81)	(4,206,504.81)
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

Notes to financial statements are an integral part of these financial statements.

13.4 Separate Statements of Changes in Shareholders' Equity

(Unit : Baht)

	Notes	Issued and paid-up share capital	Premium on ordinary share	Surplus on share-based payment transactions	Retained earnings (deficits)		Total
					Legal reseve	Unappropriated	
Balance as at January 1, 2016		120,000,000.00	183,030,332.93	3,063,936.73	3,743,166.50	20,438,432.54	330,275,868.70
Change in equity for the year							
Dividend payment		-	-	-	-	(24,000,000.00)	(24,000,000.00)
Total comprehensive income for the year		-	-	-	-	90,272,247.53	90,272,247.53
Balance as at December 31, 2016		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 reseve		-	-	-	4,513,612.35	(4,513,612.35)	-
Dividend payment		-	-	-	-	(21,792,000.00)	(21,792,000.00)
Actuarial losses		-	-	-	-	(3,552,340.59)	(3,552,340.59)
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

Notes to financial statements are an integral part of these financial statements.

13.5 Statement of Cash Flows

(Unit : Baht)

	Notes	Consolidated		Separate financial statement	
		2017	2016	2017	2016
			Reclassification		Reclassification
Cash flows from operating activities					
Profit (loss) before income tax expense		(83,641,982.08)	106,998,428.84	(90,755,777.85)	110,823,029.96
Adjustments to reconcile profit (loss) before income tax expense for cash provided by (used in) operating activities					
Depreciation and amortization		17,089,007.88	12,484,061.69	16,260,321.41	12,224,951.27
Doubtful debt		2,397,298.28	781,934.34	2,299,515.78	781,934.34
Impairment loss on assets		10,581,845.98	3,590,040.81	8,965,941.60	358,232.05
Unrealised gain from exchange rates		(1,908,232.50)	(836,391.29)	(1,960,995.06)	(836,391.57)
Loss from write-off of property, plant and equipment		65,474.26	403,119.60	65,474.26	403,119.60
Gain from disposal of property, plant and equipment		(93,066.43)	(405,574.83)	(93,066.43)	(405,574.83)
Unrealised (gain) loss from short-term investment		1,142.56	(170,518.74)	1,142.56	(170,518.74)
Loss from obsolete inventories		20,110,371.40	4,586,435.87	20,103,558.09	4,586,435.87
Employee benefit obligations		321,987.00	314,911.76	308,524.68	302,288.68
Provision for warranty (Reversal)		1,055,132.69	1,377,909.36	(846,867.31)	1,377,909.36
Interest income		(3,145,429.58)	(792,668.82)	(1,356,154.06)	(792,666.81)
Interest expenses		5,646,250.22	1,687,574.27	5,646,250.35	1,633,887.52
Profit (loss) from operating activities before changes in operating assets and liabilities		(31,520,200.32)	130,019,262.86	(41,362,131.98)	130,286,636.70
(Increase) decrease in trade and other receivables - related parties		(1,898,981.74)	3,088,241.94	(19,883,008.41)	874,204.56
(Increase) decrease in trade and other receivables - third parties		18,706,458.08	(57,569,357.87)	52,318,800.58	(51,218,038.74)
(Increase) decrease in receivables of finance lease		(2,604,231.07)	(15,620,524.29)	352,467.35	624,604.27
(Increase) decrease in inventories		(67,140,008.14)	42,709,695.45	(65,466,854.99)	42,405,452.10
Increase in other non-current assets		(5,303,221.18)	(27,200.00)	(4,751,127.76)	(27,200.00)
Increase in trade and other payables - related parties		-	-	220,088.28	-
Increase (decrease) in trade and other payables - third parties		(82,333,342.52)	28,510,822.97	(90,695,307.79)	22,294,545.06
Increase (decrease) in revenue department payable		587,094.26	(3,789.84)	412,926.08	(7,044.84)
Cash provided (generated) from operation		(171,506,432.63)	131,107,151.22	(168,854,148.64)	145,233,159.11
Cash received from interest		2,894,873.97	470,428.22	2,835,980.68	480,858.70
Cash paid for income tax		(10,772,230.68)	(9,696,350.81)	(11,222,972.70)	(9,696,350.81)
Net cash provided by (used in) operating activities		(179,383,789.34)	121,881,228.63	(177,241,140.66)	136,017,667.00
Cash flow from investing activities					
Cash received from sales short-term investment		275,077,361.93	617,502,499.41	275,077,361.93	617,502,499.41
Cash paid for purchase short-term investment		(219,630,000.00)	(622,660,000.00)	(219,630,000.00)	(622,660,000.00)
Cash paid investment in subsidiary		-	-	(28,994,200.00)	-
Cash paid for purchase of property, plant and equipment		(30,179,404.35)	(6,856,270.11)	(24,329,421.67)	(4,891,364.21)
Cash received from sales of property, plant and equipment		193,816.37	1,079,616.49	193,816.37	1,079,616.49
Cash paid for purchase of intangible assets		(1,580,593.00)	(2,653,250.00)	(1,165,593.00)	(1,441,750.00)
(Increase) decrease in short-term loan due to related party		-	-	18,279,887.50	(17,871,718.71)
Increase in fixed deposits pledged as collateral		(21,673,042.43)	(1,786,921.67)	(21,673,042.43)	(1,799,791.67)
Net cash provided by (used in) investing activities		2,208,138.52	(15,374,325.88)	(2,241,191.30)	(30,082,508.69)
Cash flows from financing activities					
Increase (decrease) in short - term loans from financial institutions		170,240,506.05	(83,817,246.15)	170,240,506.05	(83,817,246.15)
Cash paid for obligation under finance leases		(2,143,292.75)	(3,135,318.46)	(2,143,292.75)	(3,135,318.46)
Cash paid for long-term loan due from financial institution		(102,539.69)	(538,935.64)	(102,539.69)	(538,935.64)
Cash paid for dividend		(21,792,000.00)	(24,000,000.00)	(21,792,000.00)	(24,000,000.00)
Cash paid for interest		(5,600,998.91)	(1,458,993.70)	(5,600,998.91)	(1,405,307.42)
Net cash provided by (used in) financing activities		140,601,674.70	(112,950,493.95)	140,601,674.70	(112,896,807.67)
Net decrease in Cash and Cash Equivalent		(36,573,976.12)	(6,443,591.20)	(38,880,657.26)	(6,961,649.36)
Cash and cash equivalents, beginning balance		47,440,839.74	53,884,430.94	46,754,433.00	53,716,082.36
Cash and cash equivalents, ending balance	27.1	10,866,863.62	47,440,839.74	7,873,775.74	46,754,433.00

Notes to financial statements are an integral part of these financial statements.

13.6 Financial Ratio

Financial Ratio	Consolidated Financial Statement		+ / (-)
	Jan - Dec 2017	Jan - Dec 2016	
Liquidity Ratio			
Current ratio	1.52	2.53	(1.01)
Quick ratio	0.61	1.48	(0.87)
Profitability Ratio			
Gross profit margin %	25.46%	35.27%	(9.81)
EBIT margin %	(15.53)%	12.14%	(27.67)
Net profit margin %	(15.64)%	9.87%	(25.51)
Efficiency Ratio			
Return on equity (ROE) %	(30.19)%	22.35%	(52.54)
Return on asset (ROA) %	(15.54)%	15.31%	(30.85)
Financial Policy Ratio			
Debt ratio	0.94	0.46	0.48

Masterkool International Public Company Limited (“the Company”) would like to announce the operating results of the Company for the twelve-month period of 2017 ended December 31, 2017 which has been reviewed in the Board of Directors’ Meeting No. 1/2018 arranged on February 27, 2018 as following:-

Table 1: Overall performance for the twelve-month period of 2017 ended December 31, 2017

Unit: Million Baht

Items	FY2017	FY2016	Increase (Decrease)	
	(12 Months)	(12 Months)	Amount	%
Net Product Sales	458.12	853.18	(395.06)	(46.30)
Net Service Sales	80.34	28.26	52.08	184.29
Other Revenue *	14.89	7.56	7.33	96.96
Total Revenues	553.35	889.00	(335.65)	(37.76)
Cost of Goods Sold	350.71	562.67	(211.96)	(37.67)
Cost of Service	50.66	7.84	42.82	546.17
Selling and Administrative Expenses	229.97	209.80	20.17	9.61
Financial Cost	5.65	1.69	3.96	234.32
Net Profit	(84.24)	87.00	(175.44)	(201.66)
EPS (Baht/Share)	(0.184)	0.181	(0.365)	(201.66)

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

Business Overview

For the business performance in 2017, the Company's net loss was Baht 84.24 Million Baht, compared with net profit of Baht 87.0 Million Baht for the year 2016. The business outputs decreased which mostly impacted by external factors; both demand-side factor and supply-side factor. Market demand dropped down since the beginning of 2017 as the Thailand's climate was not extremely hot when compared to the climate in the year 2016. From January to February 2017, Thailand was influenced by cold air masses travelled from China; resulting cold weather prevailed over the upper parts of Thailand. The southern part of Thailand was also influenced by the northeast monsoon brought rainfalls prevailed over the Gulf of Thailand and almost all southern areas. The overall climate of Thailand in the year 2017, the weather was not very hot; and the summer season longed for a short period of time. In combination of the microeconomic situation which including retail consumers and households' economics continued slowing in 2017, such situations led to lower demands of the cooling products across the industry. According to the industrial data as of October 2017 reported by the Office of Industrial Economics, the Manufacturing Production Index (MPI) decreased by 22.44 percent, comprised of condensing units, fan coil units and compressor units; resulted by variability of the weather conditions in 2017.

The supply side was another factor that had affected to the Company's performance. In the year 2016, the market demand of cooling fans has soared up in distinguished heights; so several competitors, bot major and minor competitors, entered the cooling fan industry in the year 2017 which penetrating strategy with low price selling. There were 300-400% of competitors entered to the market in 2017. With competition forces, short and low temperature summer, and slow moving of

microeconomics as mentioned, the retail markets, which mainly were Moderntrade and Dealer, were affected. The foreign markets were also affected; due to the main international agents were the countries from ASEAN Economic Community (AEC), which their climates were not much different from Thailand.

The above said factors had affected the overall business in the year 2017, resulting in a net loss of Baht 84.24 Million Baht which included the loss approximately 35 Million Baht as provision for accumulated impairment losses.

For the operation plan in 2018, the Moderntrade channel has managed its stores with a focus on quality of stores; based on sales statistics of the top-ranked stores as a criterion on store-selection. This present year, the Company has not focused on the number of stores / branches. In addition, the Company has planned to expand online channels to meet new market trends and consumer behavior that changed.

Table 2: Sales summary by segments for the twelve-month period of 2017 ended December 31, 2017

Unit: Million Baht

Segments	Jan-Dec 2017	Jan-Dec 2016	Y-o-Y Difference (%)
Retail Channel	237.01	419.12	(43.45)
Corporate Customer Channel	195.90	245.28	(20.13)
Exporting Distribution	105.55	216.56	(51.26)
Others	14.89	8.04	85.20
Total Revenues	553.35	889.00	(37.76)

Analysis of the Company's Performance

Retail Market

Retail Market is one of three targeted market. In line with the Company's business plan, the Company increased the number of branches in its sales channels through Moderntrade since the beginning of the year 2017 from 238 stores to 500 stores. This caused sales and administrative expenses increased to 229.97 Million Baht from 209.80 Million Baht in 2016, representing an increase of 9.61%; in the meanwhile the market demand was dropped down due to the demand-side factor and supply-side factor as informed, thus the sales in 2017 totaled 237.01 Million Baht, compared to the year 2016 with total sales of 419.12 Million Baht, dropped at 43.45 percent.

Since the Retail Market Sales was not as expected, therefore, the company had adjusted its plan and launched promotion activities at the point of sale and discount promotion for stimulating sales from the middle of Q2 / 2017, the gross profit margin of this channel decreased.

Corporate Market

The Corporate business model is B2B sales (Business-to-Business) which proposes both product as a functional unit; and products combining with installation as a solution system. Some of targeted customers are industrial factories, educational institutions, etc. In 2017, the sales of the Corporate Channel was 195.96 Million Baht, decreased from the year 2016 at 245.28 Million Baht or a decrease of 20.13 percent due to the unfavorable weather conditions and lack of confidence on national economics, leading to delay of decision on projects.

Anyhow, the company foresees on business opportunities to growth and increasing of sales as the Company has products, service, and solutions related to energy saving and environmental solutions. These kinds of demands have continued to grow; but since its business model has a long sales cycle, there are customers in the selling pipeline which is still an opportunity for sales and revenue in the future.

Export Market

The 2017 performance of the export business totaled 105.55 Million Baht, a decrease of 111.01 Million Baht or 51.26% compared to its performance in the year 2016 with sales of 216.56 Million Baht. Even the Export Channel had continuously grown in several previous years; but the main foreign agents/distributors are from the AEC countries, where climates are not much different from Thailand. Most of the foreign distributors still have enough inventories to sell in their country. Another targeted market was in the Northern Hemisphere where the 2017 summer were in a short period. As a result, the demand of cooling fans or air cooling fans was not much as expected; thus affected in the lower sales value of the Export Market.

The company continuously recruits and selects more distributors to cover more and more potential areas in countries; including the Southern Hemisphere, where weather is hot during the off-season of Thailand.

Financial Status

Table 3: Summary statement of financial position as of December 31,2017

Unit: Million Baht

Statement of Financial Position	Consolidated Financial Statements			
	31 Dec 2017	31 Dec 2016	+/(-)	%
Cash and cash equivalents	10.87	47.44	(36.57)	(77.09%)
Temporary investment	0.12	55.57	(55.45)	(99.78%)
Trade and other receivables – related parties	2.78	0.88	1.90	215.91%
Trade and other receivables – other parties	123.16	144.28	(21.99)	15.24%
A/R under finance lease agreements due within one year	16.98	8.26	8.72	105.57%
Inventory	230.14	183.62	46.52	25.33%
Deposits as financial institutions pledged as collateral	71.70	50.03	21.67	43.21%
Receivables for finance lease contracts	2.83	8.95	(6.12)	(68.38%)
Property, plants and equipment	58.32	49.69	8.63	17.37%
Intangible assets	6.68	6.05	0.63	10.41%
Deferred tax assets	7.56	7.70	(0.14)	(1.82%)
Revenue Department <i>Receivable</i>	3.90	-	100.00	100%
Other non - current assets	6.98	5.58	1.25	22.40%
Total assets	541.15	568.05	(26.90)	(4.74%)
Bank over drafts and short - term loans from financial institution	171.03	2.18	168.85	7745.41%
Trade and other payables – related parties	-	-	-	-
Trade and other payables – other parties	73.88	154.74	(81.73)	(52.82%)
Product Warranty <i>Estimated Liabilities</i>	5.47	4.41	1.06	24.04%
Current portion of long - term loan from financial institution	0.02	0.10	(0.08)	(0.80%)
Current portion of liabilities under finance lease contracts	2.67	1.87	0.80	43.00%
Income tax payable	-	10.48	(100.00)	(100.00%)
Revenue Department <i>Payable</i>	0.62	0.03	0.59	1966.66%
Long - term loan from financial institutions	-	0.02	(0.02)	(100.00%)
Long - term of liabilities under finance lease contracts	2.72	3.07	(0.35)	(11.40%)
Employee benefit obligation	6.58	1.89	4.69	248.15%
Total liabilities	262.12	178.79	83.33	46.61%
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	-	-
Retained earnings				
- Appropriated for legal reserve	8.26	3.75	4.51	120.85%
- Un-appropriated retained earnings	(35.33)	79.42	(114.75)	(144.49%)
Total shareholders' equity	279.02	389.26	(110.24)	(28.32%)
Total liabilities and shareholders' equity	541.14	568.05	(26.91)	(4.74%)

Assets

As of December 31, 2017, the Company had total assets of 541.15 Million Baht, a decrease of 4.74% when compared to 568.05 Million Baht as of December 31, 2016. Details include:-

- Short-term investments decreased of 55.45 Million Baht when compared to the balance as at the end of 31 December 2016 due to these investments had reached the maturity date.
- Inventories were 203.14 Million Baht or 42.52% of total assets which increased 46.52 Million Baht when compared to the balance as at December 31, 2016 with the inventories were 183.62 Million Baht, an increase of 25.33%. Anyhow, these inventories can continuously be sold in the future due to products are durable type of goods that not much affected by deterioration and/or obsolescence.
- Deposits with financial institutions as pledged assets for collaterals: The values as of December 31, 2017 was in amount of 71.70 Million Baht, which increased by 21.67 Million Baht when compared to the end of December 31, 2016, representing an increase of 43.21% for working capitals on goods purchasing.

Liabilities

As of December 31, 2017, total liabilities were 262.12 Million Baht, compared to 178.79 Million Baht as at December 31, 2016, with an increase of 88.33 Million Baht or 46.61%. Details include:-

- Bank overdrafts and short-term loans from financial institutions increased by 168.85 Million Baht as compared to the outstanding balance of 2.18 Million Baht as at 31 December 2016 for working capitals on goods purchasing.

Shareholders' Equity

As at December 31, 2017, the Company had shareholders' equity of 279.02 Million Baht, or 51.56% of total assets, decreased by 110.24 Million Baht or 28.32% compared to the shareholders' equity as at December 31, 2016 which the shareholders' equity was 389.26 Million Baht, resulting from the operating loss in the year 2017 (January - December 2017). Meanwhile, the Company paid the dividend in the amount of 36.19 Million Baht for the twelve-month operating result of the year 2016 according to the resolutions of the 2017 Annual General Meeting of Shareholders held on April 20, 2017.

Table 4: Financial Ratio

Financial Ratio	Consolidated financial statements		+/(-)
	Jan - Dec 2017	Jan - Dec 2016	
Liquidity Ratio			
Current ratio	1.52	2.53	(1.01)
Quick ratio	0.61	1.48	(0.87)
Profitability Ratio			
Gross profit margin %	25.46%	35.27%	(9.81)
EBIT margin %	(15.53)%	12.14%	(27.67)
Net profit margin %	(15.64)%	9.87%	(25.51)
Efficiency Ratio			
Return on equity (ROE) %	(30.19)%	22.35%	(52.54)
Return on asset (ROA) %	(15.54)%	15.31%	(30.85)
Financial Policy Ratio			
Debt ratio	0.94	0.46	0.48

Liquidity Ratio

With comparison the year 2016, the liquidity ratio decreased 1.01 times and the quick ratio decreased 0.87 times. For the quick ratio decreased, resulted by the inventories have increased in comparison with total assets; accounted for 42.52% of the total assets due to sales of the year 2017 was not as expected. However, these inventories can be sold through several channels in the future.

Profitability Ratio and Performance Ratio

The operating performance for the twelve months of 2017 generated gross margin, operating margin and net profit margin declined 9.81%, 27.67% and 25.51%, respectively. The operating performance was decreased due to the net loss of 84.24 Million Baht in the year 2017.

Financial Policy Ratio

The Company's debt to equity ratio increased from the previous year at 0.48 times. It is directly related to the Company's results of operations in the year 2017 which not as expected.


Foreign Exchange Rate

The Company's products mostly imported and mainly paid in US dollars. The Company focused on the assessment of exchange rate fluctuations and managed by fix forward option to avoid loss from the exchange rate fluctuations. Anyhow, the Company had no policy to make profit from such currency exchange

Director's Responsibility for Financial Statements

The Board of Directors is aware of the corporate governance responsibilities of the Company, as well as the supervision of the financial statements and reports as appeared on the annual report. The financial statements are prepared in accordance with accounting standards and sufficient disclosure of material information in the notes should be made in the financial statements. This includes a financial report review to monitor the internal control system effectively, in order to ensure that accurate, complete, timely, and fraudulent accounting records are kept.

The Board of Directors is of the opinion that the internal control system of the company is included in the satisfactory criteria, and to ensure the reliability of the company's financial statements as of 31 December 2017, the company's auditors, in accordance with generally accepted auditing standards, have expressed the opinion that the financial statements and the results of the company's operations are reasonable in substance according to conventionally adopted accounting principles



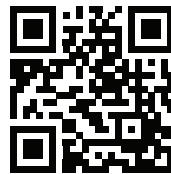
(Asso. Prof. Dr. Prakrit Tangtisanon)
Chairman of the Board



(Mr. Noppachai Veeraman)
CEO/Managing Director

MASTERKOOOL

Master of Innovative Cooling



MasterkoolFan

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