

The Information Memorandum of the Connected Transaction of the Company

General Information

Company Name	Kang Yong Electric Public Company Limited
Business Type	Manufacturing and distribution of home electric appliance
Sector	Home & Office Products
Industry	Consumer
Located	67 Moo 11, Debaratna Road km. 20, Bangchalong, Bangplee, Samutprakarn 10540
Registration No.	0107536001257
Establish Date	12 January 1964
Transformed to Public Company Limited	21 October 1993
Registered Capital as of 31 March 2024	198,000,000 Baht
Paid up Capital as of 31 March 2024	198,000,000 Baht

Business Operation

Kang Yong Electric Public Company Limited (“KYE” or “the Company”) was established on January 12, 1964, by Mr. Sitthiphol Phodhivorakhun with a start-up registered capital of 10 million baht in the name “Kang Yong Electric Manufacturing Company Limited”. It is a Thai-Japanese joint venture between Phodhivorakhun family group and Mitsubishi Electric Corporation, Japan, to engage in manufacturing and distribution of home electrical appliances under “Mitsubishi Electric” trademark. In 1993, the Company was approved to be listed on the Stock Exchange of Thailand (SET) and transformed into a public limited company in the name “Kang Yong Electric Public Company Limited,” with stock symbol “KYE.” It has a registered and paid-up capital of 220 million baht divided into 22 million ordinary shares with a par value of 10 baht per share. On September 12, 2019, the Company has reduced the registered capital to 198 million baht or 19.8 million shares.

KYE’s current office and factory located on an area of 73 rai 2 ngan 23 square wah at the address No. 67 Moo 11, Debaratna Road km. 20, Bangchalong, Bangplee, Samutprakarn 10540. The Company manufactures and distributes “Mitsubishi Electric” home electrical appliances such as refrigerators, electric fans, ventilating fans, and water pumps under the license and production technology provided by its joint venture partner, Mitsubishi Electric Corporation, Japan.

1. List of Director

As of 11 March 2024, the Company has 14 directors as follows:

No.	Name-Surname	Position
1	Mr. Praphad Phodhivorakhun	Chairman
2	Mr. Apichai Boontherawa	Independent director, Audit Committee
3	Mr. Chayanind Phodhivorakhun	Director
4	Pol. Maj. Gen. Sahaschai Indrasukhsri	Independent director, Audit Committee
5	Mr. Praphon Potivorakun	Director
6	Mr. Manu Leopairote	Independent director
7	Mr. Arthakrit Visudtibhan	Independent director, Audit Committee
8	Mr. Tatsuo Ono	Director
9	Mr. Keiji Oya	Vice chairman, Managing Director
10	Mr. Yasuhito Negishi	Director
11	Mr. Hitoshi Maruyama	Director
12	Mr. Osamu Sugimoto	Director
13	Mr. Kunihiko Seki	Director
14	Mr. Pumipat Sinacharoen	Independent director

Source: Company's affidavit dated 24 January 2024

2. List of Shareholders

As of 29 March 2024, List of the Company's major shareholders are as follows:

No.	Name	Share	Percent
1	Mitsubishi Electric Corporation (MELCO)	9,048,020	45.70
2	Phodhivorakhun Company Limited	1,960,024	9.90
3	K Y Intertrade Company Limited	1,773,024	8.96
4	Kang Yong Company Limited	697,324	3.52
5	Mr. Supachai Suthipongchai	342,500	1.73
6	Mr. Somchin Leelaket	340,000	1.72
7	BANK OF SINGAPORE LIMITED	307,500	1.55
8	Mr. Chayanind Phodhivorakhun	265,583	1.34
9	Mrs. Sriratana Varikarn	258,307	1.30
10	Mr. Praphon Potivorakun	204,115	1.03
11	Ms. Yajai Tantraporn	176,200	0.89
12	Mr. Praphad Phodhivorakhun	170,970	0.86
13	Mr. Tiwa Chiraphattakun	158,000	0.80
14	Mr. Kongpop Limthong	156,800	0.79
15	Mrs. Waleeporn Ingthaneth	124,000	0.63
16	Mrs. Kittikanya Suthasit	120,273	0.61
17	Mr. Athakrit Visudthibhan	119,772	0.60
18	Mr. Anannit Visudthibhan	119,772	0.60
19	Ms. Kanoknart Visudthibhan	119,772	0.60
20	Mr. Chatchawan Piyaprapanpong	115,100	0.58
21	Ms. Suneer Sutanchainont	102,914	0.52
22	Other shareholders	3,190,030	16.14
	Total	19,800,000	100.00

Source: List of Shareholders as of the Latest Register Closing on March 29, 2024

3. Connected Transaction with related parties of 2022 and 2021

Related Parties	Unit : Million Baht	
	2023	2022
1. Sale of Product and Spare parts	7,073.3	8,395.5
2. Procurement parts and raw materials	881.9	1,462.9
3. Complementing Fee	496.3	585.8
4. Giving or receiving of financial assistance	100	98.1
5. Giving or receiving of financial assistance	17.2	13.8
6. Procurement of asset	5.8	10.2

4. Financial Statements Reflecting Investments Using the Equity Method

5.1 Statement of Financial Position

Statement of Financial Position	As of March 31, 2022 (Audited)		As of March 31, 2023 (Audited)		As of March 31, 2024 (Audited)	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Assets						
Current Assets						

Statement of Financial Position	As of March 31, 2022 (Audited)		As of March 31, 2023 (Audited)		As of March 31, 2024 (Audited)	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Cash and cash equivalents	739.26	7.21	630.63	6.54	222.31	2.00
Trade receivables	1,202.34	11.73	1,041.53	10.80	908.85	8.18
Refundable VAT	54.57	0.53	49.80	0.52	37.19	0.33
Other receivables	28.51	0.28	30.71	0.32	45.03	0.41
Dividend receivables	-	-	-	-	-	-
Short-term loans to related parties	98.25	0.96	96.96	1.01	97.83	0.88
Inventories	1,180.55	11.51	1,271.35	13.18	722.38	6.50
Other current financial assets	3,030.00	29.55	2,820.00	29.24	4,412.78	39.70
Other current assets	17.87	0.17	17.62	0.18	6.70	0.06
Total Current Assets	6,351.35	61.95	5,958.59	61.78	6,453.06	58.06
Non-Current Assets						
Other non-current financial assets	2,328.41	22.71	2,195.94	22.77	3,214.61	28.92
Investments in associates	21.66	0.21	23.26	0.24	23.52	0.21
Investment property	3.91	0.04	3.91	0.04	3.91	0.04
Land, buildings, and equipment	1,491.22	14.54	1,405.27	14.57	1,365.55	12.29
Right-of-use assets	17.69	0.17	20.90	0.22	14.94	0.13
Intangible assets	27.19	0.27	27.17	0.28	29.23	0.26
Other non-current assets	11.75	0.11	10.41	0.11	9.94	0.09
Total Non-Current Assets	3,901.84	38.05	3,686.87	38.22	4,661.70	41.94
Total Assets	10,253.18	100.00	9,645.45	100.00	11,114.76	100.00
Liabilities and Shareholders' Equity						
Current Liabilities						
Trade payables	1,147.05	11.19	769.00	7.97	541.85	4.88
Other payables	362.51	3.54	304.33	3.16	282.57	2.54
Lease liabilities due within one year	7.89	0.08	8.65	0.09	8.14	0.07
Accrued corporate income tax	-	-	-	-	2.65	0.02
Other current liabilities	10.74	0.10	8.84	0.09	8.05	0.07
Total Current Liabilities	1,528.19	14.90	1,090.82	11.31	843.26	7.59
Non-Current Liabilities						
Lease liabilities	10.47	0.10	13.01	0.13	7.30	0.07
Deferred tax liabilities	333.71	3.25	290.35	3.01	547.41	4.93
Provisions for damages	85.00	0.83	75.81	0.79	68.62	0.62
Non-current provisions for employee benefits	276.20	2.69	270.03	2.80	275.12	2.48
Provident fund	7.80	0.08	6.35	0.07	4.83	0.04
Total Non-Current Liabilities	713.17	6.96	655.55	6.80	903.28	8.13
Total Liabilities	2,241.36	21.86	1,746.37	18.11	1,746.55	15.71
Shareholders' Equity						
Share capital						
Authorized share capital						
(19,800,000 ordinary shares at 10 Baht each)	198.00	1.93	198.00	2.05	198.00	1.78

Statement of Financial Position	As of March 31, 2022 (Audited)		As of March 31, 2023 (Audited)		As of March 31, 2024 (Audited)	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Issued and paid-up share capital (19,800,000 ordinary shares at 10 Baht each)	198.00	1.93	198.00	2.05	198.00	1.78
Share premium						
Share premium	726.10	7.08	726.10	7.53	726.10	6.53
Retained earnings						
Appropriated retained earnings						
Legal reserve	22.00	0.21	22.00	0.23	22.00	0.20
Other reserves	420.00	4.10	420.00	4.35	420.00	3.78
Unappropriated retained earnings	4,913.09	47.92	4,906.33	50.87	5,560.52	50.03
Other components of shareholders' equity	1,732.63	16.90	1,626.65	16.86	2,441.59	21.97
Total Shareholders' Equity	8,011.82	78.14	7,899.09	81.89	9,368.21	84.29
Total Liabilities and Shareholders' Equity	10,253.18	100.00	9,645.45	100.00	11,114.76	100.00

5.2 Income Statement

Income Statement	As of March 31, 2022 (Audited)		As of March 31, 2023 (Audited)		As of March 31, 2024 (Audited)	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Revenue						
Revenue from Sales and Services	7,897.89	93.09	8,398.64	95.82	7,079.28	91.10
Investment Income	478.50	5.64	277.56	3.17	604.18	7.78
Net Gain from Foreign Exchange	40.55	0.48	21.84	0.25	33.42	0.43
Other Income	67.13	0.79	66.68	0.76	53.67	0.69
Total Revenue	8,484.07	100.00	8,764.72	100.00	7,770.54	100.00
Expenses						
Cost of Sales and Services	7,059.71	83.21	7,517.45	85.77	6,108.78	78.61
Selling Expenses	462.58	5.45	493.23	5.63	291.41	3.75
Administrative Expense	651.24	7.68	614.01	7.01	575.12	7.40
Total Expenses	8,173.53	96.34	8,624.68	98.40	6,975.31	89.77
Operating Profit	310.54	3.66	140.04	1.60	795.23	10.23
Finance Costs	(0.31)	0.00	(0.33)	0.00	(0.53)	-0.01
Share of Profit from Associates	2.19	0.03	2.27	0.03	0.97	0.01
Profit Before Income Tax	312.42	3.68	141.98	1.62	795.67	10.24
Income Tax Income (Expense)	24.65	0.29	17.60	0.20	(58.05)	-0.75
Profit for the Year	337.06	3.97	159.58	1.82	737.62	9.49
Other Comprehensive Income						
Items that will not be Reclassified to Profit or Loss						
Gains (Losses) on Investments in Equity Instruments Designated to be						

Income Statement	As of March 31, 2022 (Audited)		As of March 31, 2023 (Audited)		As of March 31, 2024 (Audited)	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Measured at Fair Value through Other Comprehensive Income	(278.73)	-3.29	(132.47)	-1.51	1,018.67	13.11
Gains (Losses) on Revaluation of Defined Benefit Plans	8.58	0.10	3.69	0.04	(2.81)	-0.04
Income Tax Relating to Items that will not be Reclassified to Profit or Loss	54.03	0.64	25.76	0.29	(203.17)	-2.61
Total Items that will not be Reclassified	(216.12)	-2.55	(103.03)	-1.18	812.69	10.46
Other Comprehensive Income (Loss) for the Year - Net of Income Tax	(216.12)	-2.55	(103.03)	-1.18	812.69	10.46
Total Comprehensive Income for the Year	120.94	1.43	56.55	0.65	1,550.30	19.95
Basic Earnings per Share (Baht)	17.02		8.06		37.25	

5. Management Discussion and Analysis of the fiscal year 2023

Revenues from sales and services

For the fiscal year 2023, the Company's revenues from sales and rendering services decreased by 1,319.3 million baht or -15.7% from 8,398.6 million baht in the year 2022 to 7,079.3 million baht in the year 2023, divided into the following three major business groups as follow:

1. In the domestic market, revenue from sales and rendering services decreased by 371.1 million baht or -11.1% from 3,333.2 million baht in 2022 to 2,962.1 million baht in 2023, mainly due to the sales reduction of the refrigerator and water pump.

2. Export to Japan market, revenue from sales decreased from 3,535.9 million baht in 2022 to 3,136.4 million baht in 2023 or decreased 399.5 million baht or -11.3% due to the sales reduction in all products.

3. Export to markets elsewhere, the sales decreased from 1,529.6 million baht in 2022 to 980.8 million baht in 2023 or decreased 548.8 million baht or -35.9%, mainly due to the sales reduction in all products.

Investment income and other income

Investment income and other income for the fiscal year 2023 was 691.7 million baht, an increase of 323.7 million baht or 88.0% compared to 2022. The increased income mainly came from investment income increased by 326.6 million baht, net foreign exchange gains improved by 11.6 million baht and while other income decreased by 13.0 million baht.

Cost of sales and expenses

The cost of sales and rendering services in 2023 accounted for 86.3% of revenues from sales and rendering services. The procurement difficulty was eased; however, parts and raw materials prices were still soaring from the unfavorable exchange rate; therefore, the cost of products ratio decreased by 3.2% compared to the previous year.

Selling expenses decreased from 493.2 million baht in 2022 to 291.4 million baht in 2023, reducing 201.8 million baht or -40.9% due to the less container shortage problems and costs for overseas shipping decreased.

Administrative expenses decreased from 614.0 million baht in 2022 to 575.1 million baht in 2023, decreasing 38.9 million baht or -6.3% due to a decrease in finished goods storage costs of 16.7 million baht and a decrease in product development fee of 24.1 million baht.

Profit

In the fiscal year 2023, the Company posted a gross profit margin of 970.5 million baht or 13.7% of revenues from sales and rendering services, which was a 10.1% increase compared to the previous year. After considering the declining of the selling expenses, the reduction of administrative expenses and a growth in investment income and other income, and income tax; therefore, the net profit for the year 2023 was 737.6 million baht or 10.42% of revenues from sales and rendering services which increased by 8.52% from the year 2022 which had 1.90%. The net profit rate per share has risen from 8.06 baht per share in the year 2022 to 37.25 baht per share in the year 2023. The return on equity in the year 2023 has increased from 2.01% in the year 2022 to 8.54% in the year 2023.

Total assets

As of March 31, 2024, the Company recorded total assets of 11,114.8 million baht, increased 1,469.3 million baht or 15.2% from the corresponding period of the previous year, with changes in essential asset items as follows:

- Cash and cash equivalents as of March 31, 2024, was 222.3 million baht, decreased from the previous year by -408.3 million baht or -64.7%.
- Other current financial assets as of March 31, 2024, was 4,412.8 million baht, increased from the previous year by 1,592.8 million baht or 56.5% due to an expansion in short-term deposits with financial institutions
- Trade accounts receivables and other receivables as of March 31, 2024 was 953.9 million baht, a decrease of -118.3 million baht or -11.0% from the previous year, mainly due to a reduction in trade accounts receivable. The trade accounts receivable as of March 31, 2024 accounted for 908.8 million baht, decreased by -132.7 million baht from 1,041.5 million baht in the year 2023.

- Inventories as of March 31, 2024 amounted to 722.4 million baht, a decrease of -549 million baht or -43.2% from the previous year as the Company achieved the efficient inventory management.
- Other non-current financial assets as of March 31, 2024, was 3,214.6 million baht, increased by 1,018.7 million baht or 46.4% compared to March 31, 2023 due to the fair value adjustment of other investments.

Total liabilities

As of March 31, 2024, the Company had total liabilities of 1,746.5 million baht, a slightly increase of 0.1 million baht or 0.00% compared to the previous year. The significant changes are as below:

- Trade accounts payable and other payables as of March 31, 2024 was 824.4 million baht, a decrease of -248.9 million baht or -23.2%, mainly due to the trade liabilities decreased as of March 31, 2024, which was 541.8 million baht, fell from 769.0 million baht in the last year by 227.1 million baht.
- Deferred tax liabilities as of March 31, 2024 was 547.4 million baht, an increase of 257.0 million baht or 88.5%, mainly due to an increase in Gain on equity securities measured at fair value through other comprehensive income.
- Other liabilities as of March 31, 2024 was 99.6 million baht, declined by -3.1 million baht or -11.6% from the last year due to the estimated damage insurance costs are reduced by -7.2 million baht.

Cash cycle was eight days slower from 47 days in 2022 to 55 days in 2023, resulting from the difficulty in inventory management. However, current ratio changed from 5.46 times in year 2022 to 7.65 times in year 2023; as can be seen the Company still has excellent financial stability.

Shareholders' equity

As of March 31, 2024, the Company recorded shareholders' equity of 9,368.2 million baht, increased by 1,469.1 million baht or 18.6% from the previous year, due to various changes as follow:

- Shareholders' equity increased by 1,469.1 million baht from its comprehensive income for the year 2023 due to a net profit of 737.6 million baht and other comprehensive profits of 812.7 million baht.
- Shareholders' equity decreased from dividend payment in August 2023. the Company paid dividends to its shareholders in the total amount of 81.2 million baht at 4.10 baht per share, according to the shareholders' meeting as of July 26, 2023, approved the resolution.

6. Other information that may have a significant impact on investors' decisions

-None -

7. Directors and Shareholders with a Conflict of Interest Who Did Not Attend the Meeting and Have No Voting Rights

Shareholders with a Conflict of Interest in the Transaction

The shareholder with a conflict of interest in this connected transaction is MELCO, which is the major shareholder and the controlling entity of the Company. As of March 29, 2024, MELCO holds 9,048,020 common shares, representing 45.70% of the total issued and outstanding common shares of the Company. Therefore, MELCO will not attend and will have no voting rights at the shareholders' meeting to approve this connected transaction involving financial assistance

Directors with a Conflict of Interest in the Transaction

Since MELCO, as the major shareholder and controlling entity of the Company, and as an interested party in this connected transaction involving financial assistance, has appointed six representatives to serve as directors of the Company, the following directors are considered to have a conflict of interest and will not attend the meeting nor have voting rights at the board meeting to approve this connected transaction;

1) Mr. Keiji Oya 2) Mr. Tatsuo Ono 3) Mr. Hitoshi Maruyama 4) Mr. Yasuhito Negishi 5) Mr. Osamu Sugimoto 6) Mr. Kunihiko Seki

8. Summary of Opinion of the Independent Financial Advisor

After considering the advantages and disadvantages of entering into the transaction, the pros and cons of not entering into the transaction, the benefits and drawbacks of engaging in the transaction with related parties, and the risks associated with the transaction, the independent financial advisor believes that shareholders should approve the connected transaction. This is because the company will be able to efficiently manage its excess liquidity to maximize benefits by allocating cash, which is the excess liquidity, to achieve the highest possible interest rate. Additionally, under the terms that allow the company to borrow back the funds for use in business operations at any time, the allocation of excess liquidity will not adversely affect the company's cash flow management for its business operations.

9. Opinion of the Board of Directors on Entering into the Transaction

Therefore, the Board of Directors considers this connected transaction to be reasonable, enabling the Company to manage its cash flow efficiently and earn higher returns than from other financial institutions. MTC, with its high expertise and experience, provides a reliable investment opportunity. Consequently, the Board recommends that the Annual General Meeting of Shareholders 2024, scheduled for July 26, 2024, approve the transaction

The Audit Committee has reviewed the transaction and concurs that utilizing excess cash to benefit the Company by earning higher returns than from general banks and engaging with a reliable and credible counterparty is reasonable. The Audit Committee thus recommends the Board of Directors consider the transaction and propose it to the shareholders' meeting for approval.