

**INFORMATION MEMORANDUM
ON
THE ALLOTMENT OF NEWLY ISSUED ORDINARY SHARES**



KULTHORN KIRBY PUBLIC COMPANY LIMITED

The Subscription of 300,000,000 Newly Issued Ordinary Shares
The Rights Offering to the existing shareholders whose names appear in the Company's shareholder
register book on 21 August 2019, at the offering ratio of 4 existing shares to 1 new shares.
At the offering price of Baht 1.00 per share



PART 1 Information on the allotment of newly issued ordinary shares

1. About the company

Name	: KULTHORN KIRBY PUBLIC COMPANY LIMITED
Securities Name	: KKC
Nature of Business	: Manufacturer of reciprocating compressors for refrigeration and air conditioning products
Company Address (Head Office)	: 126 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520
Telephone	: 0 2326 0831 , 0 2739 4893
Facsimile	: 0 2326 0837 , 0 2739 4892
E-mail	: kkc@kulthorn.com
Registered Capital	: Being register with the Ministry of Commerce according to the approval of the Extraordinary Shareholders Meeting No. 1/2019, the increase of Registered Capital to Baht 1,500,000,000 Ordinary Shares 1,500,000,000 shares at par value Baht 1
Paid up Capital	: Baht 1,200,000,000 with number of share 1,200,000,000 shares
Registered No.	: 0107537002150
Homepage	: http://www.kulthorn.com

2. Date and number of the shareholders meeting that approved the allotment of newly issued shares

The Extraordinary Shareholders Meeting no. 1/2019 held on 4 September 2019 passed a resolution approving the allotment of 300,000,000 new ordinary shares at the par value of Baht 1.00 per share, offered to Existing Shareholders. (Rights Offering)

3. Details of the allotment of newly issued ordinary shares

Types of Shares	: Ordinary shares
Number of Allotted Shares	: 300,000,000 shares
Right Offering to	: The existing shareholders whose names appear in the shareholder register book on 21 August 2019
Ratio of Share (Old : New)	: 4 : 1
Offering Price	: Baht 1.00 per share

4. The rights to subscribe for newly issued ordinary shares

The shareholders register for the rights to subscribe for newly issued ordinary shares shall be recorded on 21 August 2019.



5. Subscription and payment period

Date : 16 - 20 September 2019

Time : 09.00 - 16.00 Hrs

6. Objectives of the capital increase and plans for utilizing proceeds received from the capital increase

The company need a fund to operate business and support the company expansion and to be used as the working capital for the amount of Baht 300,000,000. Therefore the company will increase its registered capital of Baht 300,000,000 by issuing 300,000,000 new ordinary shares at the sales price of Baht 1 per share, totaling Bath 300,000,000.

7. Benefits which the company will receive from the allotment of new ordinary shares

- 7.1 To strengthen the Company's business and support long-term growth from business expansion
- 7.2 To expand new market to the North America Market
- 7.3 To enhance the Company's revenue stability and future profits
- 7.4 To be used as working capital and strengthen the Company's financial structure

8. Benefits which shareholders will receive form the capital increase/allotment of new ordinary shares

- 8.1 The Company has policy to pay dividends to shareholders each year. The dividend payout is expected to approximately 60% of the net profit after tax in the separate financial statement.
- 8.2 Subscribers of new shares issued for this capital increase will be the shareholders of the Company in the portion of their subscribed shares since the registration date of the change in the Company's paid-up capital with the Department of Business Development, Ministry of Commerce. The Shareholders will be entitled to receive dividends according to their respective shareholding in the share register book as at the record date.

9. Other details necessary for shareholders to use as making the decision in the investment on the company's shares

– None –



PART 2 The Company's information

1. Type of business and nature of the main operations of the company and its subsidiaries

1.1 Company Background

Kulthorn Kirby Company Limited ("KKC" or "the Company") was established on 24 March 1980 by the cooperation among Simakulthorn Group, Kirby Group Australia, refrigerator producers in Thailand, and the Industrial Finance Corporation of Thailand to operate as a manufacturer and seller of motor compressor, reciprocating type for refrigeration products i.e., refrigerators, freezers, water coolers, and commercial refrigerators. The Company is the first motor compressor manufacturer in Thailand.

The Company was listed in the Stock Exchange of Thailand on 22 February 1991, and later expanded its production to the motor compressor for the air conditioning products. Furthermore, the Company and other investors invested and established new companies to produce major parts of compressor to replace imported parts in order to reduce the production costs and to improve product quality.

Subsidiary Companies

1. Kulthron Premier Company Limited ("KPC"), 100 % shareholding by KKC
Located at Nong Kee, Kabin Buri, Prachin Buri Province
Manufacturer of Reciprocating Compressor
2. Kulthron Kirby Foundry Company Limited ("KKF"), 100 % Shareholding by KKC
Located at Saladaeng, Bang Nam Priao, Chachoengsao Province
Manufacturer of Quality Iron Casting
3. Kulthorn Steel Company Limited ("KSC"), 100 % Shareholding by KKC
Located at Lat Krabang Industrial Estate, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok
Nature of Business is Steel Coil Center
4. Kulthorn Materials and Controls Company Limited ("KMC"), 100 % Shareholding by KKC
Located at Saladang, Bangnumpreaw, Chachoengsao Province
Manufacturer of Enameled Copper Wire and Thermostat used in refrigerators
5. Kulthorn Metal Products Company Limited ("KMP"), 100 % Shareholding by KMC
Located at Lat Krabang Industrial Estate, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok
Business Closed (waiting for liquidation process) as from beginning of year 2019.
6. Suzhou Kulthorn Magnet Wire Company Limited ("SKMC"), 100 % Indirect Shareholding by KMC
Located at 18 Long Pu Road, SIP, Jiangsu Province, 215126 CHINA
Manufacturer of Enameled Copper Wire and motor parts of compressor



7. Kulthorn Research and Development Company Limited (“KRD”), 100 % Shareholding by KKC
Located at Lat Krabang Industrial Estate, Chalong Krung Road, Khwaeng Lam Pla Thio,
Khet Lat Krabang, Bangkok
Nature of Business is the research and development provider for motor compressor and related parts

1.2 Business Overview of the Company and its Subsidiaries.

The Company is the manufacturer and seller of reciprocating compressors for refrigeration and air conditioning products, and the subsidiaries are the manufacturers and sellers of related materials and parts and the research & development provider for reciprocating compressors, details are as follows:

- **Kulthorn Kirby Public Company Limited** is the manufacturer and seller of motor compressor, reciprocating type for refrigeration products i.e. refrigerators, freezers, water coolers, commercial refrigerators, and air conditioners. The reciprocating compressor can be used with many types of refrigerant including Ozone Friendly Substance such as R22, R290, R134a, R404A, R407C, R410A, R507, and R600a with the sizes from 1/20 horsepower to 10 horsepower. The Company also produces Condensing Unit which is the component of refrigeration products, electrical motor parts, and other motor compressor parts.
- **Kulthorn Premier Company Limited** is the manufacturer of the motor compressors.
- **Kulthorn Kirby Foundry Company Limited** is the manufacturer of the quality iron casting for motor compressor and automotive parts.
- **Kulthorn Steel Company Limited** is the Steel Coil Center for the manufacturer of motor compressor, electrical motor, and other parts.
- **Kulthorn Materials and Controls Company Limited** is the manufacturer of the enameled copper wire and thermostat used in refrigerators.
- **Suzhou Kulthorn Magnet Wire Company Limited** is the manufacturer of the enameled copper wire and motor parts of compressor.
- **Kulthorn Research and Development Company Limited** is the research and development provider for motor compressor and related parts.

The Company and all subsidiary companies are in sole business activity is to manufacture and then sell the components and parts for refrigeration and air conditioning products.

1.3 Industrial and Market Overview of Reciprocating Compressor

Motor compressors available around the world are many types but it's recommended the 3 types of widely use for the household market by cooling capability (horse power), characteristics of products, and product applications as follows:

Type	Reciprocating (RE)	Rotary (RO)	Scroll (SL)
Size	1/20 HP to 25 HP	1 HP to 7 HP	1.5 HP to 30 HP
Application	Household refrigerator, Freezer, commercial Refrigerator, ice machine, water cooler, air condition and heat pumps	Small tonnage air conditioner, Room air conditioner, Package air conditioner and heat pumps	Air conditioner and heat pumps
Strength	Machine efficiency, reliability, and durability in high- ambient temperatures. Wide range of HP to be chosen from to suit with various applications	Energy saving and low cost, Twin Rotary types (Similar to Scroll)	Energy saving and high efficiency
Weakness	Noisy and more expensive than rotary type	Moderate cooling efficiency, and unreliable.	Costly and a few manufacturers

Reciprocating and rotary compressors are widely used in household refrigerators, freezer, commercial refrigerator, ice machine, water cooler, and air conditioner.

- Industry :

Reciprocating compressor is the first type of compressors that have been used for a longer period of time when compared to other types of compressors. Reciprocating compressors offer a wide range of horse power, enabling users to select compressors with appropriate horse power that is suitable with various applications of refrigerators and air-conditioners and also has been developed to be more energy-saving and environmentally-conscious products.

Reciprocating compressors can be divided into hermetic, semi-hermetic, and open types. Hermetic types are mainly used in household refrigerators commercial refrigerators and freezers, while semi-hermetic, and open types are mainly used in commercial refrigeration and air conditioning applications.

Hermetic types dominate the entire reciprocating compressor market. Most hermetic reciprocating compressors are less than 0.5 kW and are used in household refrigerators, freezers, and light commercial refrigeration systems. All major producers now have product portfolios compatible with various refrigerants such as R22, R134a, R290, R404A, R407C, R410A, R507, and R600a

The effects from Global Warming Potential and Worldwide energy saving project reflect to have some changing of the designed parts of motor compressor to serve high efficiency for energy saving and using the environment friendly refrigerants.

However, competition among manufacturers is intense. There is significant on going challenges from Chinese manufacturers. They are the biggest players who hold competitive advantages due to their production capacity and their use of mergers and acquisitions to expand.



- Market :

Use of reciprocating compressors has been gradually decreasing in the air conditioning industry in parallel with the increased use of scroll, screw, and even rotary compressors. Reciprocating compressors have a large number of parts, which increases their initial cost as well as production expenses. This is another factor behind the declining numbers of reciprocating compressors used in air conditioning equipment. As a result, few hermetic-type reciprocating compressors are used in the global air conditioner market today. And most of these units are produced in the United States of America by major manufacturers such as Tecumseh, Copeland (Emerson), Bristol, and by Kulthorn Kirby as Thailand manufacturer.

Reciprocating compressors are still the standard in the refrigeration sector due to their high reliability and performance under harsh working conditions. Reciprocating compressors also dominate the household refrigerator market. In the commercial and industrial sectors, the main applications are refrigeration for food and perishables, cold storage chains, and process cooling. Despite rising income levels in emerging countries and also the effects of the hot climate worldwide creating more demand of buying household refrigerators and room air conditioners, the unclear world economic situation and a slightly turndown of China economic growth has slowed demand.

World's Major Hermetic Compressor Manufacturers

Embraco (Nidec)	Brazil, China, Italy, Slovakia
Donper	China
Panasonic	Singapore, China
LG	Korea, China
Tecumseh	Brazil, France, India
Jiaxipera/Huayi/Cubigol	China, Spain
Samsung	Korea, China
Secop (Nidec)	Slovenia, China, Germany, Austria
Kulthorn Kirby	Thailand

Compressor manufacturing industry has a relatively high competition in both domestic and international market. During 2018, even though the production cost including with raw materials were high increasing but the effects from excess production capacity in the world of China manufacturers lead to have a high competition of price reduction. As a result, most of manufacturers including the Company applied strategies to reduce cost and to create a competitive advantage including maintaining close customer relationship, new models offering, and improve production efficiency in order to response customers' demand of higher quality products and cheaper prices.

**Competition:**

Products of Kulthorn Kirby are Hermetic Reciprocation Compressor with have widely displacement to cover all requirement of the market as follows.

Company	Model	Displacement	Application	Refrigerant
Kulthorn Premier Ltd.	C-Q	1.79 cc–3.92 cc	Refrigeration & Freezer	R134a, R600a
	C-B	2.55 cc–9.82 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290
Kulthorn Kirby Public Company Limited	AZ	2.23 cc–5.60 cc	Refrigeration & Freezer	R134a
	AZA	2.73 cc–6.00 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290, R507
	AE	3.10 cc–10.9 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290, R507, R22
	AEL	12.05 cc–18.0 cc	Commercial Refrigeration	R134a, R600a, R404a, R290, R507, R22
	BA	8.85 cc – 18.0 cc	Commercial Refrigeration	R134a, R600a, R404a, R290, R507
	CA	18.0 cc – 22.3 cc	Commercial Refrigeration	R134a, R404a, R290, R507
	WJ	19.8 cc – 34.5 cc	Commercial Refrigeration	R134a, R404a, R290, R407c, R22
	AW	27.8 cc – 71.0 cc	Residential & Commercial AC	R134a, R404a, R410a, R407c, R22
	KA	65.0 cc – 115.0 cc	Residential & Commercial AC	R22, R404a, R134a
	LA	174.0 cc–211.0 cc	Residential & Commercial AC	R22

The compressor business has intense competition both locally and internationally. This has been affected excess production capacity in the world of China manufacturers leading to competition over the sales price. Under such circumstance, the Company has employed many strategies in order to respond to customers' needs in terms of prices, develop strong relationship with its customers, productivity improvement, new features offering, as well as reducing the product costs. Pricing of the Company is determined by factors such as changing production costs which can be impacted by fluctuation of costs of steel and copper to aluminum, competitive landscape, and customer order quantity. The Company still faced intense competition when compared with sales prices of China manufacturer and which lead to decrease sales of the company in 2018.

1.4 Customers of the Company

Customers of the Company are divided into 3 types, as follows:

(1) Large industrial Original Equipment Manufacturers (OEM) for refrigerators, commercial refrigerators, and air conditioners. The Company supplies products directly to both local and international markets excluding markets in Australia and New Zealand.

(2) Small manufacturers of air conditioners and refrigerators. The Company appoints local distributors to supply its products to local manufacturers but exports directly to the international manufactures.

(3) Spare parts traders.



The Company's key marketing strategy is clearly differentiated among other manufacturers since the Company does not manufacture finished products, such as refrigerators, water coolers, freezers or air-conditioners to compete with its customers. The Company sells its products domestically and internationally, while the domestic sales and international sales is approximately 51 % and 49 % of total revenues from sales respectively. The Company determines its products prices by considering various factors, such as competition and customer demand.

Major income from sales of motor compressors by company and subsidiary

1) Sales of motor compressors by Kulthorn Kirby Public Company Limited

– Sales quantity (sets)

Motor Compressors for	Cooling Capacity (B.T.U. / Hrs)	Sales quantity (sets)					
		2018		2017		2016	
Refrigerator, Freezer, Water Cooler	160 - 900	283,390	21.93%	495,247	25.61%	665,457	34.44%
Refrigerator, Commercial Refrigerator	900 – 5,000	443,450	34.32%	472,690	24.44%	480,757	24.89%
Commercial Refrigerator, Air Conditioners	5,000 – 35,000	564,012	43.65%	964,864	49.89%	784,462	40.60%
Large Size Air Conditioner	37,000 – 120,000	1,369	0.11%	1,065	0.06%	1,337	0.07%
Total		1,292,221	100%	1,933,866	100%	1,932,013	100%

– Sales amount (Thousand Baht)

Motor Compressors for	Cooling Capacity (B.T.U. / Hrs)	Sales amount (Thousand Baht)					
		2018		2017		2016	
Refrigerator, Freezer, Water Cooler	160 – 900	249,388	8.79%	427,109	9.80%	589,696	14.26%
Refrigerator, Commercial Refrigerator	900 – 5,000	838,662	29.57%	809,296	18.57%	860,688	20.81%
Commercial Refrigerator, Air Conditioner	5,000 – 35,000	1,733,876	61.13%	3,110,019	71.37%	2,670,315	64.57%
Large Size Air Conditioner	37,000 – 120,000	14,556	0.51%	11,535	0.26%	14,896	0.36%
Total		2,836,482	100%	4,357,959	100%	4,135,595	100%

2) Sales of motor compressors by Kulthorn Premier Company Limited (Subsidiary)

Motor Compressors for Refrigerator, Freezer, Water Coolers (Sizes 106-1775 B.T.U. / Hrs)	Sales transaction		
	2018	2017	2016
Sales quantity (sets)	415,960	505,607	801,372
Sales amount (Thousand Baht)	434,960	548,724	818,149

**2. Capital increase in the last 4 years**

In 2015, the Company increased the paid up capital of Baht 200,000,000 by rights offering to the existing shareholders which made the Company paid up capital increased from Baht 1,000,000,000 to Baht 1,200,000,000.

3. Board of Directors, Management and Major Shareholders**3.1 The Board of Director as of 4 September 2019**

	Name	Position
1.	Mr Sumeth Simakulthorn	Chairman
2.	Mr Sutee Simakulthorn	Managing Director/President
3.	Mr Suraporn Simakulthorn	Director
4.	Mr Titisak Simakulthorn	Director
5.	Mr Abhijit Simakulthorn	Director
6.	Mr Praphad Phodhivorakhun	Director
7.	Mr Prasan Tanprasert	Director
8.	Mr Kanok Suriyasat	Director
9.	Mr Surath Pralongsil	Director
10.	Mr Tawatchai Jaranakarun	Independent Director and Chairman of Audit Committee
11.	Mr Padoong Techasarintr	Independent Director and Member of Audit Committee
12.	Vice Admiral Naruedom Sa-ardyen RTN.	Independent Director and Member of Audit Committee
13.	Mr Somlak Jiamtiranat	Independent Director
14.	Mr Katiya Greigarn	Independent Director

3.2 The Management as of 4 September 2019

	Name	Position
1.	Mr Sutee Simakulthorn	President
2.	Mr Titisak Simakulthorn	Executive Vice President (Marketing)
3.	Mr Somchai Chaiyasit	Executive Vice President (Manufacturing)
4.	Mr Surath Pralongsil	Executive Vice President (Finance)
5.	Mrs Supanee Chantasasawat	Executive Vice President (Administration)
6.	Ms Penpak Assarat	Manager (Finance Department)
7.	Ms Boonnisa Wattanasri	Acting Manager (Accounting & Costing Department)

**3.3 The Major Shareholders List as of 21 August 2019**

Major Shareholders		Number of Shareholding	%
1.	Simakulthorn Group	664,709,050	55.392
2.	Heatcraft Subco Pty Ltd.	65,255,000	5.438
3.	State Street Europe Limited	52,800,000	4.400
4.	Ms U-rai Khemumnaj	50,220,078	4.185
5.	1st Lt Supakorn Chantasasawat	49,694,818	4.141
6.	UBS AG, Singapore Branch	26,523,929	2.210
7.	Mr Thaweechat Jurangkul	24,800,000	2.067
8.	Ms Sasi Ingkanant	23,651,689	1.971
9.	Mrs Supatra Kumtien	19,074,902	1.590
10.	Ms Pojanee Khemumnaj	17,479,418	1.457
11.	Mr Wiboon Seree yothin	7,893,300	0.658
12.	Mr Surapong Phitakburanaphat	6,720,000	0.560
13.	Mr Danaisak Somprasong	6,436,700	0.536
14.	Others	184,741,116	15.395
Total		1,200,000,000	100

4. Board of Directors in subsidiaries, as at 4 September 2019**1) Kulthorn Premier Company Limited (KPC)**

Name	Position
1. Pol.Gen. Pateep Tanprasert	Chairman
2. Mr Sutee Simakulthorn	Managing Director
3. Mr Titisak Simakulthorn	Director
4. Mr Surath Pralongsil	Director
5. Mr Worakhun Boonsotornstit	Director

2) Kulthorn Kirby Foundry Company Limited (KKF)

Name	Position
1. Pol.Gen. Pratheep Tanprasert	Chairman
2. Mr Sutee Simakulthorn	Managing Director
3. Mr Abhijit Simakulthorn	Director
4. Mr Titisak Simakulthorn	Director
5. Mr Surath Pralongsil	Director
6. Mr Worakhun Boonsotornstit	Director

**3) Kulthorn Steel Company Limited (KSC)**

	Name	Position
1.	Pol.Gen. Pateep Tanprasert	Chairman
2.	Mr Sutee Simakulthorn	Managing Director
3.	Mr Titisak Simakulthorn	Director
4.	Mr Surath Pralongsil	Director
5.	Mr Worakhun Boonsotornstit	Director

4) Kulthorn Materials and Control Company Limited (KMC)

	Name	Position
1.	Pol.Gen. Pratheep Tanprasert	Chairman
2.	Mr Sutee Simakulthorn	Managing Director
3.	Mr Somchai Chaiyasit	Director
4.	Mr Titisak Simakulthorn	Director
5.	Mr Surath Pralongsil	Director
6.	Mr Worakhun Boonsotornstit	Director

5) Kulthorn Metal Products Company Limited (KMP)

	Name	Position
1.	Pol.Gen. Pateep Tanprasert	Chairman
2.	Mr Sutee Simakulthorn	Managing Director
3.	Mr Titisak Simakulthorn	Director
4.	Mr Surath Pralongsil	Director
5.	Mr Worakhun Boonsotornstit	Director

6) Suzhou Kulthorn Magnet Wire Company Limited (SKMC)

	Name	Position
1.	Mr Suraporn Simakulthorn	Chairman and Managing Director
2.	Mr Sutee Simakulthorn	Director
3.	Mr Titisak Simakulthorn	Director
4.	Ms Sunisa Simakulthorn	Director

7) Kulthorn Research and Development Company Limited (KRD)

	Name	Position
1.	Pol.Gen. Pratheep Tanprasert	Chairman
2.	Mr Sutee Simakulthorn	Managing Director
3.	Mr Titisak Simakulthorn	Director
4.	Mr Jakphong Pittayanukoon	Director
5.	Mr Surath Pralongsil	Director
6.	Mr Worakhun Boonsotornstit	Director

**5. Dividend payment in last 5 years**

The Company paid the dividend in the current 5 years as follows

	2018	2017	2016	2015	2014
Net profit per share (Baht)	(0.530)	0.030	0.204	0.452	0.257
Dividend per share (Baht)	-	0.05	0.10	0.15	0.50
Dividend payment/net profit (%)	-	166.76	49.02	33.19	-

6. Risk Factors**6.1 Business risks**

- Risks associated with costs of raw materials by fluctuation of World selling prices

The Company engages in the manufacture of motor compressor business, of which major raw materials for production are copper and steel. The prices of major raw materials of the Company and its subsidiaries impact the costs of product approximated 65 % of total production cost that mean any changing in the market prices of copper or steel will effect the cost of product and the gross profit rate of the Company.

To prevent the Company from materials sourcing problems, the Company has been sourcing materials from various suppliers, who are able to supply substitute products with comparable quality. Sourcing from a choice of suppliers provide the Company with several positives, including maintaining its competitiveness, enhancing the success of its business operation, reducing a chance of a supply shortage of raw materials, as well as fulfilling the needs of customers of the Company. Furthermore, the Company employs efficient inventory control and monitors closely impacts from the changing market prices.

- Risks associated with technology

Motor compressors available around the world are many types but it's recommended the 3 types namely reciprocating, rotary, scroll. Reciprocating and rotary compressors are widely used in household refrigerators, freezer, water cooler, commercial refrigerator and room air conditioners.

Reciprocating compressor is the first type of compressors that have been used for a long period of time. The reciprocating technology also has been developed to be able to run with environmentally-friendly refrigerants. Although the reciprocating type has less energy saving capability, as well as higher manufacturing costs compared with rotary and scroll types, this reciprocating type of compressor is superior to rotary and scroll types in terms of cooling efficiency and durability especially in high ambient temperatures. Given the positives, the reciprocating compressors are well-accepted in a niche market, Middle East and widely used in a general group of customers.



The Company aims to make the product technology and production of motor compressor congruent with market needs and comply with the rules and regulation of refrigerants in relation to environmental issues. The company has an in-house R&D working team and by their efforts and capability many output of the developed products can be served to customers' demand relatively compared with other world's leading compressor manufactures.

- Risks associated with trade credits

The management team of the Company and its subsidiaries has prudent approaches to restricted policies and procedures in managing risks from trade credits in relation to account receivables and other receivables. Besides, the Company offers trade credits only to customers with creditworthiness and enters into the insurance policy for the uncollection of export customers. In addition, thanks to a wide customer base, the Company is able to diversify the risks from trade credits, not concentrate on the particular group of customers. Then the risk from trade credits will be immateriality.

6.2 Financial risks

- Risks associated with currency exchange volatility

Given its international market expansion and its sales mainly in US\$, the Company's revenue and performance are affected by the fluctuation of Baht exchange rate. However, the Company reduces exchange rate risk or possible exposure on the foreign currency by entering to some extent Forward Exchange Contracts, which mitigate exchange rate risks.

- Risks associated with interest rate

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, short-term and long-term borrowings. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. In addition, the Company has entered into the interest rate swap agreement to hedge interest rate risk.

- Risks associated with financial liquidity

The financial structure of the group has both short and long-term liabilities. At present, the short-term liabilities are more than long-term that incur some risks of financial liquidity. The Company is mitigating this risk by restructuring its financial structure and set aside short-term liabilities to support working capital.



**PART 3 Financial information for the Year 2016-2018 and
for the Six month period ended 30 June 2019**

**1. Statement of comprehensive income (Consolidated) for the Six month period ended 30 June 2019
and for the year ended 31 December 2018, 2017 and 2016**

Unit: Thousand Baht

	<u>2019</u> <u>(JAN-JUN)</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues				
Sales and service income	3,453,913	7,428,495	9,476,915	8,665,888
Other income				
Income from scrap sales	15,998	27,357	32,000	168,903
Gain on exchange rate	-	6,541	17,932	-
Interest income	175	2,618	1,067	1,176
Dividend	-	4.57	6.02	4.52
Others	7,133	17,700	31,595	15,845
Total revenues	3,477,219	7,482,715	9,559,515	8,851,816
Cost of sales and services	3,529,363	7,389,991	8,917,404	8,011,604
Gross profit	(75,450)	38,504	559,510	654,284
Gross profit %	(2.18%)	0.52%	5.90%	7.55%
Operating expenses				
Selling expenses	49,220	86,986	136,222	87,155
Administrative expenses	317,269	545,861	522,148	446,765
Loss on exchange rate	1,752	-	-	11,860
Total expenses	368,241	632,847	658,371	545,780
Profit(loss)before finance cost and corporate income tax	(420,385)	(540,123)	(16,260)	294,432
Finance cost	(107,759)	(187,133)	(183,169)	(186,841)
Profit(loss)before corporate income tax	(528,144)	(727,256)	(199,428)	107,591
Income tax expenses	(3,027)	121,461	26,675	(44,289)
Profit(loss)for the year	(531,171)	(605,795)	(172,753)	63,303
Other comprehensive income:				
Exchange differences on translation of financial statements in foreign currency	7,926	8,598	320	5,137
Actuarial losses	580	-	(23,500)	-
Less : Income tax effect	(155)	-	3,460	-
Profit or loss in subsequent periods-net of income tax	425	-	(20,040)	-
Other comprehensive income for the year	8,351	8,598	(19,720)	5,137
Total comprehensive income for the year	(522,820)	(597,197)	(192,473)	68,440
Basic earnings per share	(0.443)	(0.505)	(0.144)	0.053
Weighted average number of ordinary shares (shares)	1,200,000	1,200,000	1,200,000	1,200,000

**2. Statement of financial position as at 30 June 2019 and 31 December 2018, 2017 and 2016**

Unit: Thousand Baht

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<u>(JAN-JUN)</u>			
Assets				
Current assets				
Cash and cash equivalents	67,409	96,963	225,681	316,891
Trade and other receivables	1,365,559	1,231,191	1,776,837	1,834,932
Inventories	1,868,041	2,343,849	2,122,406	2,327,113
Current tax assets	11,302	16,078	25,537	12,676
VAT receivable	16,756	61,020	48,143	53,048
Other current assets	43,251	38,250	28,400	22,226
Total current assets	3,372,318	3,787,351	4,227,004	4,566,886
Non-current assets				
Property, plant and equipment	3,223,030	2,784,556	2,794,238	3,019,407
Other intangible assets	92,239	86,988	71,080	75,271
Advance payment for purchase of fixed assets	23,703	232,123	75,285	-
Deferred tax assets	247,120	249,734	127,457	83,230
Other non-current assets	1,061	13,587	2,272	2,112
Total non-current assets	3,587,153	3,354,760	3,070,331	3,180,021
Total assets	6,959,471	7,142,111	7,297,335	7,746,907



- Statement of financial position as at 30 June 2019 and 31 December 2018, 2017 and 2016 (Continued)

Unit: Thousand Baht

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<u>(JAN-JUN)</u>			
Liabilities and shareholders' equity				
Current liabilities				
Bank overdrafts and short-term loans from financial institutions	3,618,040	3,046,123	3,029,785	2,801,694
Trade and other payables	660,930	752,299	879,098	1,003,574
Current portion of long-term loans	400,000	400,000	200,000	200,000
Other current liabilities	70,594	89,766	102,276	107,705
Total current liabilities	4,749,564	4,288,188	4,211,160	4,112,973
Non-current liabilities				
Long-term loans – net of current portion	875,300	1,075,300	600,000	800,000
Liabilities under financial lease agreements net of current portion	19,058	11,167	63,831	125,690
Provision for long-term employee benefits and others	270,073	199,160	196,852	170,278
Total non-current liabilities	1,164,431	1,285,627	860,683	1,095,968
Total liabilities	5,913,995	5,573,815	5,071,842	5,208,941
Shareholders' equity				
Share capital registered 1,200,000,000 ordinary shares of Baht 1 each				
Issued and fully paid up 1,200,000,000 ordinary shares of Baht 1 each	1,200,000	1,200,000	1,200,000	1,200,000
Share premium	700,000	700,000	700,000	700,000
Surplus from Business combination under common control	207,898	207,898	207,898	207,898
Retained earnings Appropriated – statutory reserve	120,000	120,000	120,000	120,000
Unappropriated	(1,188,196)	(657,450)	8,345	321,138
Other components of shareholders' equity	5,774	(2,152)	(10,750)	(11,070)
Total shareholders' equity	1,045,476	1,568,296	2,225,493	2,537,966
Total liabilities and shareholders' equity	6,959,471	7,142,111	7,297,335	7,746,907



**3. Cash flow statements for the Six-month period ended 30 June 2019 and
for the year ended 31 December 2018, 2017 and 2016**

Unit: Thousand Baht

	2019 (JAN-JUN)	2018	2017	2016
Cash flows from operating activities				
Profit before tax	(528,144)	(727,256)	(199,428)	107,591
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities				
Depreciation and amortization	183,753	408,038	473,055	494,203
Allowance for impairment loss on property plant and equipment	-	(2,560)	4,646	-
Allowance for doubtful accounts (reversal)	1,421	(41,860)	14,810	30,413
Bad debt	-	40,941	-	-
Reduction of inventory value to net realizable value (reversal)	(15,281)	55,436	30,203	17,232
Loss(Gain) on sales of property, plant and equipment	1,379	(433)	(2,460)	(83)
Loss on write-off property, plant and equipment and intangible assets	-	10,430	0.56	3,753
Transfer fixed assets to expenses	-	-	-	2,000
Write-off withholding tax	529	385	2,009	841
Dividend income	(1)	(4.57)	(60)	(4.52)
Deferred interest	1,506	5,943	10,215	14,438
Provision for long-term employee benefits	71,493	19,160	14,067	17,504
Subsidies income from Government grants	(2,264)	(3,655)	(953)	-
Interest income	(175)	(2,618)	(1,067)	(1,176)
Unrealised (gain) loss on exchange	7,216	(2,987)	832	14,608
Interest expenses	103,485	170,566	162,982	157,796
Profit from operating activities before changes in operating assets and liabilities	(175,083)	(70,474)	511,119	859,117
Operating assets (increase) decrease				
Trade and other receivables	(134,343)	571,456	(57,116)	260,624
Inventories	491,089	(276,879)	174,504	93,424
Other current assets	38,734	(20,917)	16,766	50,081
Other non-current assets	298	913	(159)	1,230
Operating liabilities increase (decrease)				
Trade and other payables	(230,693)	(137,261)	(114,267)	(133,624)
Other current liabilities	3,978	(13,825)	(5,746)	(35,846)
Cash flows from operating activities	(6,020)	53,013	525,100	1,095,006
Cash paid for long-term employee benefits	-	(16,851)	(10,993)	(9,244)
Cash received from interest income	175	2,618	1,067	1,176
Cash paid for interest expenses	(109,210)	(170,910)	(1,621,313)	(158,178)
Cash paid for corporate income tax	(4,336)	(17,809)	(45,352)	(76,757)
Net cash flows from operating activities	(119,391)	(149,940)	307,691	852,002



- Cash flow statements for the Six-month period ended 30 June 2019 and
for the year ended 31 December 2018, 2017 and 2016 (Continued)

Unit: Thousand Baht

	2019 (JAN-JUN)	2018	2017	2016
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible asset	(248,354)	(345,399)	(267,228)	(331,544)
Proceeds from sales of property, plant and equipment	13,603	3,185	1,293	5,414
Cash receipt from Government grants	-	11,651	11,569	-
Dividend income	1	4.57	6.02	4.52
Net cash flows from (used in) investing activities	(234,750)	(330,558)	(254,359)	(326,125)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	541,971	(217,420)	246,740	(875,348)
Cash receipt from long-term loans	-	-	-	-
Repayment of long-term loans	(200,000)	(250,000)	(200,000)	(263,200)
Proceed from long-term loan from financial institutions	-	925,300	-	1,000,000
Cash received from increase share capital	-	-	-	-
Cash paid for liabilities under financial lease agreements	(32,502)	(64,395)	(77,964)	(83,782)
Dividend paid	-	(59,991)	(119,966)	(179,957)
Net cash flows from (used in) financing activities	309,469	333,494	(151,191)	(402,287)
Increase (decrease) in translation adjustments	15,118	18,287	6,649	20,270
Net increase (decrease) in cash and equivalents	(29,554)	(128,718)	(91,210)	143,859
Cash and cash equivalents at beginning of year	96,963	225,681	316,891	173,031
Cash and cash equivalents at end of year	67,409	96,963	225,681	316,891



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