

Vision

We aim to develop the telecommunication infrastructure to accommodate the customer for using high-speed internet with the best quality and service in Thailand.

Mission

- To expand the capability of the fiber optic network in Nakornratchasima, Chiangmai, Khonkaen and Bangkok Metropolitan to accommodate the consumer to use the hi-speed internet service with best quality and stability and to expand the network to service in other provinces
- To develop the software “Cloud Solution” to provide service for the Transport and Logistic business and other businesses such as service business
- To downsize the IT solution segment to meet the optimum level and maintain good margin customer and expand business to project base for both private and government sector.
- To develop the label product to become high quality and meet specific qualification required by customer in manufacturing smart phone, electric appliance and electronic business
- To expand to the relevant business by merger and acquisition

| Content | Page |
|--|------|
| General Information | 3 |
| Financial Highlights | 7 |
| Message from the Chairman | 8 |
| Significant Change and Development | 9 |
| Board of Directors | 10 |
| Executive committee | 19 |
| Shareholding Structure of Company and subsidiaries | 23 |
| Organization Chart | 24 |
| Major Shareholders and Dividend Policy | 25 |
| Nature of Business | 26 |
| Revenue Structure | 30 |
| Industrial Outlook and Competitive Environment | 31 |
| Risk Factors | 37 |
| Corporate Governance Practice | 39 |
| Report from Board of Directors Relative to Financial reports | 51 |
| Report from Audit Committee | 52 |
| Connected Transactions | 55 |
| Significant Financial Information | 58 |
| Management Discussion and Analysis | 63 |
| Financial Statements | 70 |

General Information

Company

| | |
|-------------------------------|---|
| Name | Simat Technologies Public Company Limited |
| Nature of business | <ol style="list-style-type: none"> To provide total solution of Information Technologies services To provide broadband internet services |
| Office address | <p>No. 123 Soi Chalongkrung 31, Ladkrabang Industrial Estate, Chalongkrung road, Lamplatew sub-district, Ladkrabang district, Bangkok 10520</p> <p>Tel : (66) 0 2326 0999</p> <p>Fax : (66) 0 2326 1014</p> |
| Registration date | <p>Registered as public Company on 18 July 2006</p> <p>Register no. 0107549000122</p> <p>Listed in the Stock Exchange of Thailand (MAI) on 12 December 2007</p> |
| Paid-up share capital | <p>Baht 525,513,051 (525,513,051 common shares at par value of Baht 1 each)</p> <p>Share registered: 816,618,970 common shares</p> |
| Registrar | <p>Thailand Securities Depository Co., Ltd.</p> <p>The Stock Exchange of Thailand Building,</p> <p>93 Rachadapisek Road, Dindaeng,</p> <p>Bangkok 10400</p> <p>Tel : (66) 0 20099999</p> <p>Fax : (66) 0 20099991</p> |
| Auditor | <p>Mr. Sathien Vongsanan, CPA license no. 3495 or</p> <p>Mr. Atipong Atipongsakul, CPA license no. 3500 or</p> <p>Mr. Vichai Ruchitanont, CPA license no. 4054 or</p> <p>Miss Kulthida Phasurakul, CPA license no. 5946 or</p> <p>Miss Patcharee Siriwongsilp, CPA license no. 9037</p> <p>ANS Audit Co., Ltd.</p> <p>No. 100/31-32, 16th floor, 100/2 Vongvanich Bldg. Tower B, Rama 9 road, Huaykwang, Bangkok 10310</p> <p>Tel : (66) 0 2645 0109</p> <p>Fax : (66) 0 2645 0110</p> |
| Investor relation coordinator | <p>Mr. Thammanoon Korkiatwanich</p> <p>Mr. Roengsak Sae-Eung</p> <p>Tel : (66) 0 2326 0999 ext. 1211, 1213</p> <p>Fax : (66) 0 2326 1014</p> |
| Company website | www.simat.co.th |

Subsidiary companies

| | |
|-------------------------------|---|
| Name | Hinsitsu (Thailand) Company Limited |
| Nature of business | Sticker/Label manufacturing and Silk Screen printing generally used in electrical appliance industry, electronic equipment industry and other industries |
| Office address | No. 20/2 (A5), Moo 4, Theparak road, Bangplee-yai sub-district, Bangplee district, Samutprakarn 10540 Tel : (66) 0 2759 4344 Fax : (66) 0 2759 4354 |
| Registration date | Registered as Company limited on 12 May 2003 Register no. 0115546003838 |
| Paid-up share capital | Baht 100,000,000 (1,000,000 common shares at par value of Baht 100 each) Share registered: 1,000,000 shares |
| % of share holding by Company | 70% |
| Name | Simat Label Company Limited |
| Nature of business | To provide services of design, develop and conversion of printed objects with glue for customer in manufacturers of electric appliance and electronics with provision and development of specific raw materials and design of production process to meet the specific requirements of the customer need |
| Office address | No. 123 Soi Chalongkrung 31, Ladkrabang Industrial Estate, Chalongkrung road, Lamplatew sub-district, Ladkrabang district, Bangkok 10520 Tel : (66) 0 2326 0999 Fax : (66) 0 2326 1014 |
| Registration date | Registered as Company limited on 9 April 2008 Register no. 0105551041025 |
| Paid-up share capital | Baht 34,000,000 (3,400,000 common shares at par value of Baht 10 each) Share registered: 3,400,000 common shares |
| % of share holding by Company | 100% by indirect shareholding through Hinsitsu (Thailand) Co., Ltd. held by Company at 70% |
| Name | Simat Telecom Company limited (Formerly "E-Tech Distribution") |
| Nature of business | To provide maintenance services of fiber optic network |
| Office address | No. 123 Soi Chalongkrung 31, Ladkrabang Industrial Estate, Chalongkrung road, Lamplatew sub-district, Ladkrabang district, Bangkok 10520 Tel : (66) 0 2326 0999 Fax : (66) 0 2326 1014 |
| Registration date | Registered as Company limited on 13 March 2009 Register no. 0105552026640 |
| Paid-up share capital | Baht 5,000,000 (500,000 common shares at par value of Baht 10 each) Share registered: 500,000 shares |
| % of share holding by Company | 100% |

Subsidiary companies

| | |
|-------------------------------|---|
| Name | E-Tech IT Sdn., Bhd. (Malaysia) |
| Nature of business | Wholesale of computer equipments including computer, notebook, printer and others with big project sales such as government or multinational companies in Malaysia. Sales is done directly or through System Integrator or SI |
| Office address | No.15, Jalan Astaka, U8/83 Bukit Jelutong Industrial Park Bukit Jelutong, 40150 Shah Alam, Selangor, Malaysia Tel : (603) 78462338 Fax : (603) 78466328 |
| Registration date | Registered as Company limited in 1997 Register no. 425254-X |
| Paid-up share capital | Ringgit 6,000,000 (6,000,000 common shares at par value of Ringgit 1 each) Share registered: 10,000,000 common shares |
| % of share holding by Company | 60% |

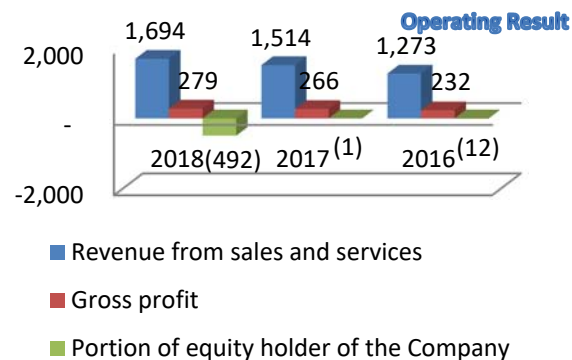
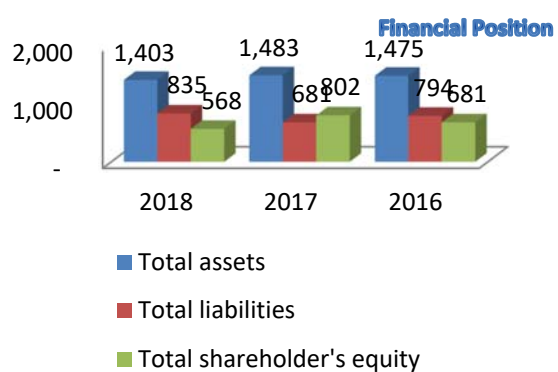
Associate companies

| | |
|-------------------------------|---|
| Name | Sino Trading and Services Corporation |
| Nature of business | Provides of hardware and maintenance services |
| Office address | No. 27, Dang Tat street, Tan Dinh Ward, District 1, Ho Chi Minh City, Vietnam Tel : +84-8-38482619 Fax : +84-8-38437064 |
| Registration number | 4103012126 |
| Paid-up share capital | VND 6,300,000,000 (630,000 common shares at par value of VND 10,000 each) |
| % of share holding by Company | 40% |

| | |
|---|--|
| Name | Visun Technologies And Investment Joint Stock Company |
| Nature of business | Sales of hardware and maintenance service |
| Office address | No. 26, 266 Le Thanh Nghi Street, Dong Tam Ward, Hai Ba Trung District, Ha Noi City, Vietnam Tel : +84-4-39449096 or +84-4-39447569 Fax : +84-4-39448107 |
| Registration number | 0102552472 |
| Paid-up share capital | VND 400,000,000 (40,000 common shares at par value of VND 10,000 each) |
| % of share holding by associate company | 50% by Sino Trading and Services Corporation |

Financial Highlights

| Consolidated Financial Statements | 2018 | 2017 | 2016 |
|-----------------------------------|--------|---------|--------|
| Unit : Baht Million | | | |
| Revenues from sales and services | 1,694 | 1,514 | 1,273 |
| Gross profit | 279 | 266 | 232 |
| Net profit | (492) | (1) | (12) |
| Total assets | 1,403 | 1,483 | 1,475 |
| Shareholders' equity | 568 | 802 | 681 |
| Unit : Baht | | | |
| Par value | 1 | 1 | 1 |
| Earnings per share | (1.01) | (0.002) | (0.03) |
| Dividends per share | - | - | - |
| Total assets per share | 2.67 | 3.39 | 3.72 |
| Shareholders' equity per share | 1.08 | 1.84 | 1.72 |
| Financial ratio | | | |
| Net profit margin | -29% | -0.1% | -0.3% |
| Gross profit margin | 16% | 18% | 18% |
| Net profit / Total assets | -35% | -0.1% | -1% |
| Net profit / Shareholders' equity | -87% | -0.1% | -2% |
| Debt / Equity | 147% | 85% | 117% |

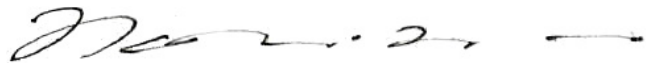


Message from the Chairman

In 2018, Thailand GDP grew 4.1% YOY which represented a good year compare to the world economic performance. For SIMAT Technology Public company Limited, it was the changing year for investing in new subsidiary, HINSITSU Company limited, which was invested for 70% of total shares. Additionally, we have focused on our expertise, bidding for fiber optic and wifi network installing and operating of high speed internet in Zone C group 4 North-Eastern Region 2 valued at 2.248 Billion Baht over 6 years with project being deployed in 7 provinces which are Ubon Ratchathani, Amnat Charoen, Mahasarakham, Kalasin, Roi Et, Yasothon and Sisaket. Finally, we focused on cost reduction and selected more for the IT solution business

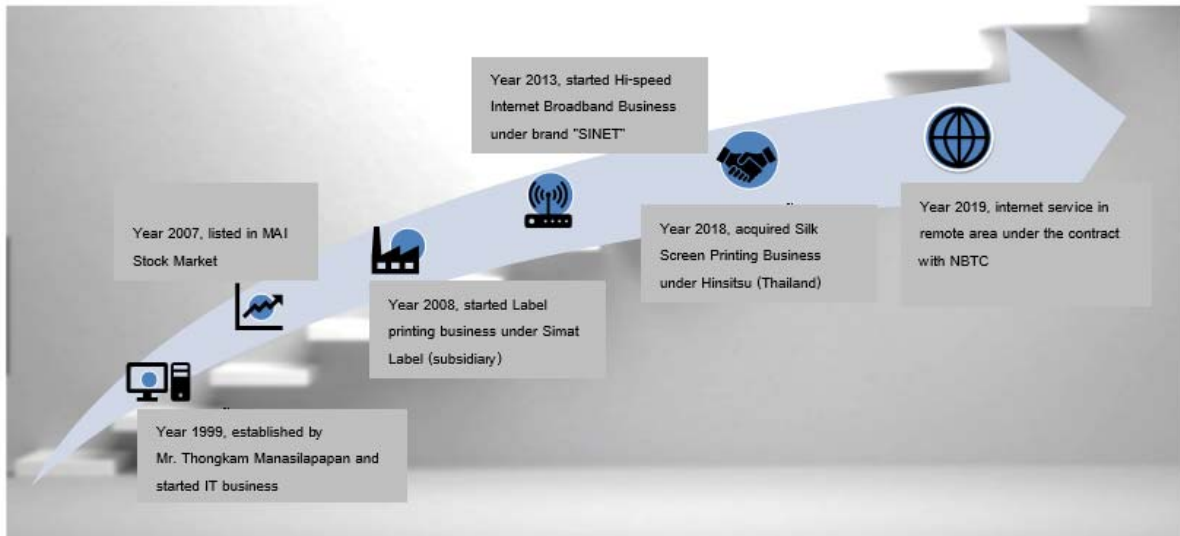
The Year 2019 is the challenging business year for SIMAT group. Mainly, We need to install fiber optic and wifi network for the high speed internet in Zone C group 4 North-Eastern Region 2 valued at 2.248 Billion Baht and finish its within the year. Consequently, it will induce a turnaround performance to SIMAT Group. Moreover, we have a policy to reorganize our printing business group and pushing it to list in MAI Market. We believe that all of our core task this year will strengthen our financial structure and diversifying our risk base.

We hopefully could have your support and on behalf of the Board of Directors and all of the Staff, we would like to express our strong determination and effort to push SIMAT Group to achieve our goal.



Mr. Thongkam Manasilapapan
Chairman of the Board of Directors

Significant Change and Development



In 1999, the Company is established by Mr. Thongkam Manasilapapan under the name "Simat Mobile Computer" which engages in sales of mobile computer business and then the business expands to become the Total Information Technology Solution Services under the name "Simat Technologies Public Company Limited".

In 2007, the Company is listed in the MAI Stock Exchange.

In 2008, the Company established Simat Label Company Limited ("Subsidiary") in which the Company holds 86 percent of its shares at present. This subsidiary engages in business of manufacturing and sales of label products.

In 2008, the Company also expands its business to Vietnam by investing in Sino Trading and Services Corporation ("Associate") in which the Company holds 40% of its shares for expanding its market to Vietnam.

In 2013, the Company expands to the broadband business to provide the Hi-Speed internet services through FTTx network for the cuty area of Nakornratchasima and Chiangmai provinces under the brand "Si-net".

In 2018, the Company expanded to Silk Screen printing business by investment in acquisition shares of Hinsitsu (Thailand) Co., Ltd. at 70% of total common shares.

In 2019, the Company has started providing high speed internet service under the contract to provide hi-speed internet in remote area in Northeastern with NBTC.

Board of Directors



Mr. Thongkam Manasilapapan

Chairman of the Board of Directors

Percentage of Shareholding: 18.82% (including related person(s))

Authorized Director who sign to bind the Company as specified in affidavit

Specialized Experience: Expert in IT Business

Family Relationship among Management: -None-

Participation in Board of Directors Meeting in 2018: 5/8

Remark: Mr. Thongkam Manasilapapan was appointed under the board's jurisdiction by the Board of Directors' Meetingno. 1/2018 on February 26, 2018 as Chairman to replace Mr. Tan Bak Hong who resigned. The appointment shall take effect since February 26, 2018.

Education:

- Bachelor of Engineering (Civil Engineering), South East Asia University
- Certificate of Managing Information System (Cert. MIS) University of California), USA
- Executive MBAs, Chulalongkorn University
- Training in Director Accreditation Program (DAP), Thai Institute of Directors

Work Experience:

| Period | Position | Institute / Company |
|----------------|---|---|
| 1999 – Present | Chairman of the Board of Directors / Chairman of Executive Committee | Simat Technologies Public Company Limited |
| 1995 – Present | Director | S. Siri Transport Co., Ltd. |
| 2008 – Present | Director | Simat Label Co., Ltd. |
| 2008 – Present | Director | Sino Trading & Service Corp. |
| 2009 – Present | Director | E-Tech IT Sdn., Bhd. |
| 2009 – Present | Director | Simat Telecom Co., Ltd. |



Mr. Narat Saraman

Vice Chairman

Percentage of Shareholding: 0.09% (including related person(s))

Authorized Director who sign to bind the Company as specified in affidavit

Specialized Experience: Expert in IT Business

Family Relationship among Management: -None-

Participation in Board of Directors Meeting in 2018: 3/8

Remark: Mr. Narat Saraman was appointed as new Director and Vice Chairman by resolution of the Extra-ordinary General Meeting of Shareholders No.1/2018 on August 3, 2018. The appointment shall take effect since August 3, 2018.

Education:

- Master Degree in major of Science, Kasetsart University
- Bachelor Degree in major of Science, Silapakorn University

Tranings:

- Certificate of Director Certification Program (DCP) No. 127/2010, Thai Institute of Directors
- Certificate of the Top Management of Industrial and Investment Development (Vor Thor Or No. 4)
- Certificate of the Management of Peace and Order of Society among Governmental and Private Sector (Bor Ror Or No. 5)
- Business Games, Certificate
- Effective Interview, Certificate
- Interaction management, Certificate
- Systematic Thinking, Certificate
- Leadership, Certificate
- X400 Training Course, USA
- ATM overview Seminar, Singapore
- CDMA Training, USA
- RFID Training, USA

Work Experience:

| Period | Position | Institute / Company |
|----------------|--|---|
| 2019 – Present | Director | The Thai Federation of ICT Technology Association |
| 2018 – Present | Vice Chairman of the Board of Directors/ Vice Chairman of Executive Committee/ Chief Executive Officer | Simat Technologies PLC |
| 2018-Present | Director | The Computer Association of Thailand |
| 2015-Present | Director | The Software Association of Thailand |
| 2012-Present | Special Consultant in Network Security | Department of Special Investigation |
| 2008-Present | Special Speaker of the Surveillance of IT Network Security System and Computer-related Crime Act | |

| | | |
|--------------|-------------------------------|--|
| 2006-Present | Founder and Managing Director | Saran Technology Company Limited |
| 2003-Present | Founder and Managing Director | Global Technology Integrated Company Limited |



Mr. Thammanoon Korkiatwanich

Director

Percentage of Shareholding: 0.34%

Authorized director who can sign on behalf of the Company according to the affidavit

Specialized experience: expert in accounting, finance and financial audit

Relationship among management: None

Participation in Board of Directors Meeting in 2018: 7/8

Education:

BBA (Accounting), Assumption University

MBA, National Institute of Development Administration (NIDA)

Certified Public Accountant, License no. 7331

Work experience:

| Period | Title | Name of / Company |
|----------------|-------------------------|-------------------------------------|
| 2010 – present | Director | Simat Technologies PLC |
| 2006 – present | Chief Financial Officer | Simat Technologies PLC |
| 2008 - present | Director | Simat Label Co., Ltd. |
| 2009 – present | Director | Simat Soft Co., Ltd. |
| 2009 - present | Director | Simat Telecom Co., Ltd. |
| 2005– 2006 | Audit Manager | PriceWaterHouseCoopers ABAS Limited |
| 1999 - 2005 | Audit Assistant | PriceWaterHouseCoopers ABAS Limited |



Mr.Thanayous Kositsakul

Director

Percentage of Shareholding: 5.05%

Specialized experience: expert in Financial and Management

Relationship among management: None

Participation in Board of Directors Meeting in 2018: 4/8

Remark: According to the Board of Directors Meeting no. 1/2018 on 26 February 2018, Mr.

Thanayous Kositsakul was appointed as director under the board's jurisdiction and the appointment shall take effect since 26 February 2018.

- Education:
- Master Degree in Master of Science in Finance, University of Colorado at Denver, USA
- BBA Faculty of Commerce and Accountancy Chulalongkorn University

Work experience:

| Period | Title | Name of / Company |
|----------------|-------------------|------------------------------------|
| 2018 – present | Dircetor | Simat Technologies PLC |
| 2015 – present | Managing Director | Toyota GND Chonburi Co., Ltd. |
| 1998 – present | Managing Director | Toyota Charoenkha (1961) Co., Ltd. |
| 2012 – present | Managing Director | KH Cycle (Thailand) Co., Ltd. |
| 2009 – present | Managing Director | T.A.F.F. Co., Ltd. |



Mr. Teeranut Thangsatapornpong

Director

Percentage of Shareholding: 0%

Specialized experience: expert in investment

Relationship among management: None

Participation in Board of Directors Meeting in 2018: 8/8

Remark: According to the Board of Directors Meeting no. 1/2018 on 26 February 2018, Mr.

Theeranut Tangsathapornpong was appointed as director under the board's jurisdiction and the appointment shall take effect since 26 February 2018.

Education:

- Master Degree in Master's Degree of Arts (Economics), Thammasat University
- Bachelor Degree of Arts (Economics), Thammasat University
- Certified Investment and Securities Analyst (CISA) Securities Analysts Association, Thailand
- Training in Director Certification Program (DCP), Thai Institute of Directors

Work experience:

| Period | Title | Name of / Company |
|----------------|---|-------------------------------|
| 2018 – present | Director | Simat Technologies PLC |
| 2017 - present | Audit committee and Independent Director | Filter-Vision PLC |
| 2015 – present | Audit committee and Independent Director | Chayo Group PLC. |
| 2015 – present | Deputy Managing Director | KTB Securities Co., Ltd. |
| 2011 - 2015 | Chief Financial Officer | Globlex Securities Co., Ltd. |
| 2010 - 2011 | Vice President | TSFC PLC. |
| 2010 | Vice President | KT-Zmico Securities Co., Ltd. |
| 2002 - 2010 | Chief Investment Officer | Watanachoedchu Co., Ltd. |
| 1999 - 2002 | Fund Manaager | BFIT Securities Co., Ltd. |
| 1996 - 1999 | Equity Analyst | BFIT Securities Co., Ltd. |



Mr. Pakin Pinto

Director

Percentage of Shareholding: 1.56% (Include related person)

Specialized experience: expert in IT and Broadband Internet Business

Relationship among management: None

Participation in Board of Directors Meeting in 2018: 6/8

Remark: According to the Board of Directors Meeting no. 2/2018 on 22 March 2018, Mr.

Pakin Pinto was appointed as director under the board's jurisdiction and the appointment

shall take effect since 23 March 2018.

Education:

- Diploma Automotive Technology, Holland College, Charlottetown, Prince Edward Island, Canada

Work experience:

| Period | Title | Name of / Company |
|----------------|--|--|
| 2018 – present | Director | Simat Technologies PLC |
| 2018 - present | Vice President – IT and Broadband Business | Simat Technologies PLC |
| 2015 - 2017 | General Manager-Broadband Business | Simat Technologies PLC |
| 2011 – 2013 | Shop Foreman | Hemphill GM, Prince Edward Island, Canada |
| 2009 – 2010 | Parts Specialist | Island Auto Supply, Prince Edward Island, Canada |
| 2007 - 2008 | Assistant Parts Manager | Capital Honda, Prince Edward Island, Canada |
| 2006 - 2007 | Automotive Service Technician | Capital Honda, Prince Edward Island, Canada |



Ranchana Rajatanavin, Ph.D.
 Independent Director / Chairman of Audit Committee
 Percentage of Shareholding: 0%
 Specialized experience: expert in finance and banking
 Relationship among management: None
 Participation in Board of Directors Meeting in 2018: 7/8
 Participation in Audit Committee Meeting in 2018: 7/8

Education:

BBA (Finance and Banking), Ramkhamheng University

M.B.A. (Business Administration) Salem State College, Massachusetts, U.S.A.

- Ph.D. (International Business) Concentration: Finance and Marketing, Asian Institute of Technology, Thailand
- Training in Director Accreditation Program (DAP), Thai Institute of Directors

Work experience:

| Period | Title | Name of / Company |
|---------------------|----------------------------------|--|
| 2007 – present | Chairman of Audit Committee | Simat Technologies PLC |
| Nov' 2017 - present | Director | AQ Village Co., Ltd. |
| Nov' 2017 - present | Director | AQ Property Management Co., Ltd. |
| Nov' 2017 - present | Director | AQ Marketing Service Co., Ltd. |
| Nov' 2017 - present | Director | Aquarius Estate Co., Ltd. |
| Nov' 2017 - present | Director | Aquarius Hotel and Resort Co., Ltd. |
| Nov' 2017 - present | Director | Villa Nakarin Co., Ltd. |
| Nov' 2017 - present | Director | Baanchid tara Co., Ltd. |
| Nov' 2017 - present | Director | Thanon Property Co., Ltd. |
| Nov' 2017 - present | Director | Vitoonthanakorn Co., Ltd. |
| Nov' 2017 - present | Director | Freezone Asset Co., Ltd. |
| Jun'09 - present | Director of Business Incubator | Sripathum University |
| Jun' 2017 - present | Head of Finance | Sripathum University |
| Oct' 2015 - present | Director | AQ Estate PCL. |
| 2005 – May'09 | Head of Finance and Banking | Faculty of Business Administrative, Sripathum University |
| 2004 – 2005 | Professor of Finance and Banking | Faculty of Business Administrative, Sripathum University |

Nature of relationship

Number of Company's share holding: None

To have/have not interest in Parent / Subsidiary / Associate or juristic person with Conflict of interest at present and during the past 2 years

- As the director participated in management, employee, worker or consultant who receives the salary: None
- As the professional service provider: None
- Business relationship: None

Act as a Director/Others at present

- Other Listed Companies: Yes - Non-Listed Companies: Yes - Other juristic person with Conflict of interest: None



Mr. Narongrit Rerkpattanapipat

Independent Director / Audit Committee

Percentage of Shareholding: 0%

Specialized experience: expert in financial audit and accounting standards

Relationship among management: None

Participation in Board of Directors Meeting in 2018: 7/8

Participation in Audit Committee Meeting in 2018: 7/8

Education:

BBA (Accounting), Assumption University

Certified Public Accountant, License no. 8093

- Training in Director Accreditation Program (DAP), Thai Institute of Directors

Work experience:

| Period | Title | Name of / Company |
|----------------|-------------------------|-------------------------------------|
| 2013 – present | Chief Financial Officer | TPM Holding Co., Ltd. |
| 2008 – present | Audit Committee | Simat Technologies PCL. |
| 2005 – 2013 | Senior Audit Manager | PriceWaterHouseCoopers ABAS Limited |
| 1999 – 2005 | Audit Assistant | PriceWaterHouseCoopers ABAS Limited |

Nature of relationship

Number of Company's share holding: None

To have/have not interest in Parent / Subsidiary / Associate or juristic person with Conflict of interest at present and during the past 2 years

- As the director participated in management, employee, worker or consultant who receives the salary:
None
- As the professional service provider: None
- Business relationship: None

Act as a Director/Others at present

- Other Listed Companies: None
 - Non-Listed Companies: None
 - Other juristic person with Conflict of interest: None
-



Mr. Vorachai Charoonprasitporn

Independent Director / Audit Committee

Percentage of Shareholding: 0%

Specialized experience: expert in business management

Relationship among management: None

Participation in Board of Directors Meeting in 2018: 6/8

Participation in Audit Committee Meeting in 2018: 6/8

Remark: According to the Board of Directors Meeting no. 1/2019 on January 29, 2018, Mr. Vorachai Charoonprasitporn was appointed under the board's jurisdiction as audit committee to replace Ms. Kanwara Aurlpokaiyakul who resigned from Independent Director and Audit Committee since November 30, 2018. The said appointment shall take effect since January 29, 2019.

Education:

BBA, Thammasat University

MBA, University of Wisconsin – Milwaukee

- Training in Director Accreditation Program (DAP), Thai Institute of Directors

Work experience:

| Period | Title | Name of / Company |
|----------------|-------------------|--|
| 2014 – Present | Director | Breadtalk Corporation (Thailand) Co., Ltd. |
| 2014 - 2015 | Director | BTM (Thailand) Co., Ltd. |
| 2011 – Present | Managing Director | FR (Thailand) Co., Ltd. |
| 2010 – 2012 | Director | Techbond (Thailand) Co., Ltd. |
| 2000 – Present | Managing Director | Taster Food (Thailand) Co., Ltd. |
| 2009 – Present | Director | Breadtalk (Thailand) Co., Ltd. |
| 2007 – Present | Director | Simat Technologies PCL. |
| 2004 – Present | Director | Idex Technologies Co., Ltd. |
| 2003 – Present | Director | Orisoft (Thailand) Co., Ltd. |

Nature of relationship

Number of Company's share holding: None

To have/have not interest in Parent / Subsidiary / Associate or juristic person with Conflict of interest at present and during the past 2 years

- As the director participated in management, employee, worker or consultant who receives the salary: None
- As the professional service provider: None
- Business relationship: None

Act as a Director/Others at present

- Other Listed Companies: None
- Non-Listed Companies: 8 companies
- Other juristic person with Conflict of interest: None

Executive committee



Mr. Thongkam Manasilapapan

Chairman of Executive Committee

Percentage of Shareholding: 18.82% (Include related person)

Authorized director who can sign on behalf of the Company according to the affidavit

Specialized experience: expert in IT Business

Relationship among management: None

Remark: According to the Board of Directors Meeting no. 2/2019 on March 1, 2019, Mr. Thongkam Manasilapapan was appointed as Chairman of Executive Committee. The appointment shall take effect since March 1, 2019.

Education:

Bachelor of Engineering (Civil Engineering), South East Asia University

Certificate of Managing Information System (Cert. MIS) University of California), USA

Executive MBAs, Chulalongkorn University

- Director Accreditation Program (DAP), Thai Institute of Directors

Work experience:

| Period | Title | Name of / Company |
|----------------|-----------------------|------------------------------|
| 1999 – present | Deputy Chairman / CEO | Simat Technologies PLC |
| 2006 – present | Director | Simat Soft Co., Ltd. |
| 2005 – present | Director | Grand-Flo Berhad |
| 1995 – present | Director | S. Siri Transport Co., Ltd. |
| 2008 – present | Director | Simat Label Co., Ltd. |
| 2008 – present | Director | Sino Trading & Service Corp. |
| 2009 – present | Director | E-Tech IT Sdn., Bhd. |
| 2009 – present | Director | Simat Telecom |



Mr. Narat Saraman

Vice Chairman of Executive Committee

Percentage of Shareholding: 0.09% (Include related person)

Authorized director who can sign on behalf of the Company according to the affidavit

Specialized experience: expert in IT Business

Relationship among management: None


Remark: According to the Board of Directors Meeting no. 2/2019 on March 1, 2019, Mr. Narat Saraman was appointed as Vice Chairman of Executive Committee. The appointment shall take effect since March 1, 2019.

Education:

- Master Degree in major of Science, Kasetsart University
- Bachelor Degree in major of Science, Silapakorn University

Work experience:

| Period | Title | Name of / Company |
|----------------|--|---|
| 2019 – Present | Director | The Thai Federation of ICT Technology Association |
| 2018 – Present | Vice Chairman of the Board of Directors/ Vice Chairman of Executive Committee/ Chief Executive Officer | Simat Technologies PLC |
| 2018-Present | Director | The Computer Association of Thailand |
| 2015-Present | Director | The Software Association of Thailand |
| 2012-Present | Special Consultant in Network Security | Department of Special Investigation |
| 2008-Present | Special Speaker of the Surveillance of IT Network Security System and Computer-related Crime Act | |
| 2006-Present | Founder and Managing Director | Saran Technology Company Limited |
| 2003-Present | Founder and Managing Director | Global Technology Integrated Company Limited |

| | |
|---|--|
|  | <p>Mr. Thammanoon Korkiatwanich Chief Financial Officer Percentage of Shareholding: 0.34% Specialized experience: expert in accounting, finance and financial audit Relationship among management: None Remark: According to the Board of Directors Meeting no. 2/2019 on March 1, 2019, Mr. Thammanoon Korkiatwanich was appointed as Executive Committee. The appointment shall take effect since March 1, 2019.</p> |
| | <p>Education:</p> <ul style="list-style-type: none"> BBA (Accounting), Assumption University MBA, National Institute of Development Administration (NIDA) Certified Public Accountant, License no. 7331 |

Work experience:

| Period | Title | Name of / Company |
|----------------|---------------------------------------|-------------------------------------|
| 2006 – present | Director / Chief Financial Officer | Simat Technologies PCL. |
| 2008 – present | Director | Simat Label Co., Ltd. |
| 2009 – present | Director | Simat Soft Co., Ltd. |
| 2009 - present | Director | Simat Telecom Co., Ltd. |
| 2005 – 2006 | Audit Manager | PriceWaterHouseCoopers ABAS Limited |
| 1999 – 2005 | Audit Assistant | PriceWaterHouseCoopers ABAS Limited |

| | |
|---|--|
|  | <p>Mr. Pakin Pinto Executive Vice President – IT and Broadband Business Percentage of Shareholding: 1.56% (Include related person) Specialized experience: expert in management of IT and Broadband Internet Relationship among management: None Remark: According to the Board of Directors Meeting no. 2/2019 on March 1, 2019, Mr. Pakin Pinto was appointed as Executive Committee. The appointment shall take effect since March 1, 2019.</p> |
| | <p>Education:</p> <ul style="list-style-type: none"> ▪ Diploma Automotive Technology, Holland College, Charlottetown, Prince Edward Island, Canada |

Work experience:

| Period | Title | Name of / Company |
|----------------|---|---|
| 2018 – present | Director | Simat Technologies PCL |
| 2018 - present | Vice President – IT and Broadband Business | Simat Technologies PCL |
| 2015 - 2017 | General Manager-Broadband Business | Simat Technologies PCL |
| 2011 – 2013 | Shop Foreman | Hemphill GM, Prince Edward Island, Canada |

| | | |
|-------------|-------------------------------|--|
| 2009 – 2010 | Parts Specialist | Island Auto Supply, Prince Edward Island, Canada |
| 2007 - 2008 | Assistant Parts Manager | Capital Honda, Prince Edward Island, Canada |
| 2006 - 2007 | Automotive Service Technician | Capital Honda, Prince Edward Island, Canada |



Mr. Siraphop Lamchan

Executive Vice President – Label Business

Percentage of Shareholding: 0%

Specialized experience: expert in management of Label Printing Business

Relationship among management: None

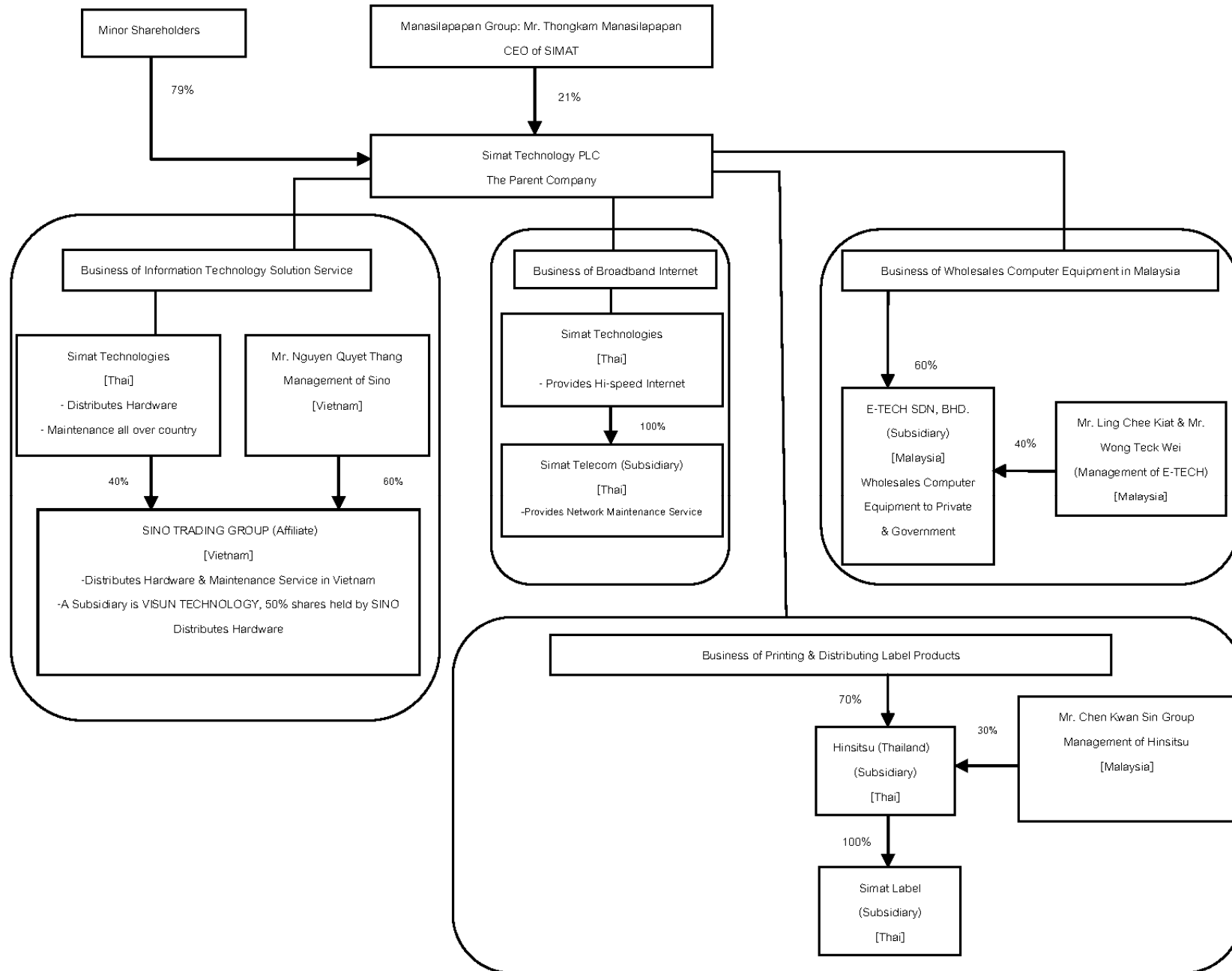
Remark: According to the Board of Directors Meeting no. 2/2019 on March 1, 2019, Mr. Siraphop Lamchan was appointed as Executive Committee. The appointment shall take effect since March 1, 2019.

Education:

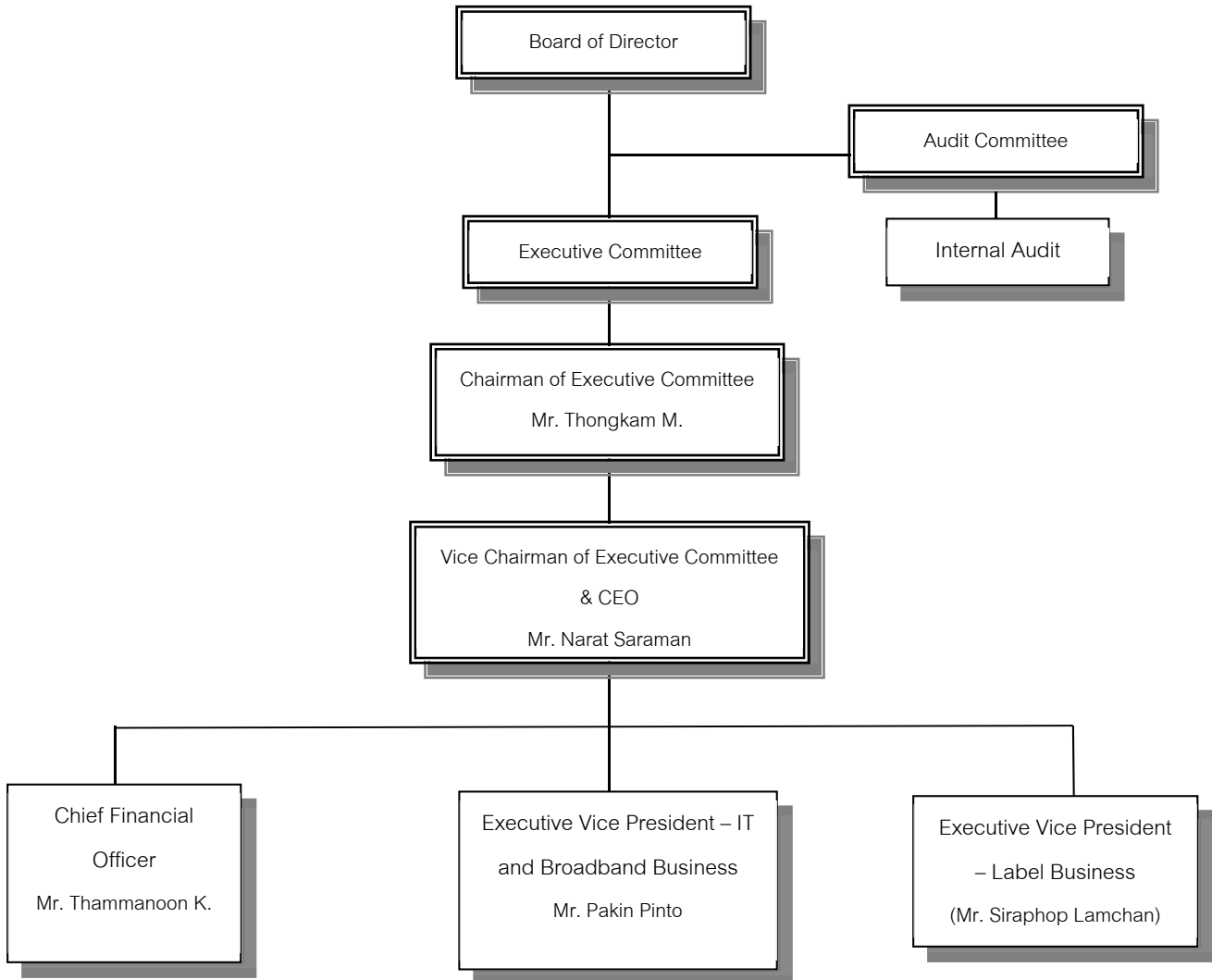
- Bachelor Degree : Science Faculty, Major Statistics, Maharakam University
- Master Degree : BBA – Marketing, Ramkhamhaeng University

Work experience:

| Period | Title | Name of / Company |
|----------------|---------------------------------|---|
| 2018 - present | Vice President – Label Business | Simat Technologies PCL |
| 2017 - present | Managing Director | Simat Label Company Limited |
| 2010 – 2017 | General Manager | Simat Label Company Limited |
| 2005 – 2010 | Sale Manager | Brady Technologies (Thailand) Co., Ltd. |
| 2000 - 2005 | Assistant Sale Manager | Brady Technologies (Thailand) Co., Ltd. |



Organization Chart



Head Office

- Accounting & Finance
- Admin & HRM
- Inventory
- Investor Relation
- Information Technologies
- Programmer
-

IT and Broadband Business

- Sales & Marketing
- Sales Coordinator
- Business Development
- Purchase
- Customer Relation
- Customer Service
- Service operation
- Repair & Maintenance
- Technical Sales Support

Label Business

- Sales & Marketing
- Production
- Quality Control
- Inventory

Major Shareholders and Dividend Policy

Top ten of shareholders and the amount of shares on the closing registration date as of March 26, 2019.

| Item | Shareholders | No. of shares | % |
|------|-------------------------|---------------|---------|
| 1 | Thongkam Manasilapapan | 49,560,729 | 9.43% |
| 2 | Thai NDVR Co., Ltd. | 30,500,000 | 5.80% |
| 3 | Natthapas Manasilapapan | 26,560,520 | 5.05% |
| 4 | Nattapat Rangsan | 25,771,785 | 4.90% |
| 5 | Thanawat Lertwattanak | 25,100,000 | 4.78% |
| 6 | Natthapong Seetavorarat | 24,000,000 | 4.57% |
| 7 | Chutikarn Manasilapapan | 19,400,000 | 3.69% |
| 8 | Natthawut Pinto | 18,864,105 | 3.59% |
| 9 | Thanayous Kositsakul | 13,109,620 | 2.49% |
| 10 | Charin Sirawongtham | 12,063,220 | 2.30% |
| | Others | 280,583,072 | 53.39% |
| | Total | 525,513,051 | 100.00% |

Simat Technologies Public Company Limited has a policy to declare dividends to shareholders at the rate of not less than 50 percent of net profit after deduction of corporate income tax and reserves according to the law. However, the Company may declare dividends at the rate lower than what was mentioned above if it is necessary for the Company to use such net profit for expansion of the Company's operation.

Nature of Business

Business Structure

| | | | | | |
|--|-----------------------------|-------------------------------|-------------------------------|-------------------------------|--|
| Total Information Technologies Solution Services | Broadband Internet Services | Governmental Project Services | Label Printing Business | Silk Screen Printing Business | Distributor of computer equipments in Malaysia |
| Simat Technologies PLC | | | Simat Label | Hinsitsu (Thailand) | E-Tech IT Group |
| The Parent Company | | | Subsidiary (86% Shareholding) | Subsidiary (70% Shareholding) | Subsidiary (60% Shareholding) |

Nature of Products or Services

Total Information Technology Solution Services

The Company provides services of the Total Information Technology Solution by sales of computer hardware, software development and nationwide maintenance services. The target customer groups are the retail business, warehouse, logistics, manufacturing and government project which require the efficient information collection technologies.

- (1) Group of hardware products and software sold together with said hardware. Principal hardware products that the Company provides are mobile or hand-held computers and devices that support barcode and RFID technologies. Hardware devices that the Company provides have operating system for stand-alone usage. The Company has developed particularized software which is MobileNet system. This software enables hand-held computers of the Company to connect with customer's database and other computers from long distance. Typically, the Company will sell MobileNet together with hardware of the Company.
- (2) Group of software products engaged by Simat Soft (subsidiary) focus on software development by design and analysis the program based on the need of particular customers (customized software) including with the software relating to the information technologies which help gather information real time and accurate especially the information about inventories or any other assets with a large number of items and difficult to audit and help organization to manage business efficiently. Simat Soft has the tax privileges under BOI for exemption of corporate income tax for 8 years. BOI and SIPA has the policy to support either government or private sector to develop software to support the expansion of IT market.
- (3) Business of maintenance service providing for hardware device and software sold by the Company and also maintenance of customers' computer devices used with products sold by the Company.
- (4) The service of Software for management of logistic business with cloud solution under the brand "SKY FROG". The target customer is the transport and logistics business.

Manufacturing and sales of label product

Label business is engaged by Simat Label (subsidiary) to provide services of design, develop and conversion of printed objects with glue for customer in manufacturers of electric appliance and electronics with provision and development of specific raw materials and design of production process to meet the specific requirements of the customer need. Revenue is continuous revenue from customer's repetitive order / The order increases as the customer's sale increases since the printed object with glue is attached at the customer's product / Profit is higher than sales of low grade or low price label as the company's product is unique by customer's need such as heat resistance, elastic or low level of tolerance. The target customer group is the manufacturers of smart phones, electric appliances and electronic parts.

Manufacturing and sales of Silk Screen product

Silk Screen printing business operated by Hinsitsu (Thailand) Co., Ltd. (Subsidiary) provides design, develop and produce Silk Screen and sticker label used in Electrical Appliance, electronics and communication equipment for customers in Electrical Appliance and electronics industries by supply and develop raw material as well as design manufacturing process for specific products as required by customers. Revenue is repetitive order since products deemed a part of Electrical Appliance and electronics parts, which must obtain regular orders up to sales volume of products. Customer groups are Electrical Appliance and electronics equipment business.

Wholesale of computer hardware in Malaysia

Wholesale of computer equipment includes computer, notebook, printer and others with big project sales such as government or multinational companies in Malaysia. This business is engaged by E-Tech IT SDN BHD (subsidiary) in which the Company holds 60% of the subsidiary's shares. The subsidiary is the official dealer of the well-known computer manufacturers such as Lenovo, Hewlette Packard, etc. The subsidiary sells computer equipment including desktop computer, notebook, printer and others under the big project to either government project or multinational companies in Malaysia with direct sales or indirect sales through the system integrator or SI. The target customers are the government and multinational companies such as financial institutions and retail business.

Broadband business

Broadband business which provides the hi-speed internet through optical fiber network (FTTx) for city of Nakornratchasima, Chiangmai, Khonkaen and Bangkok Metropolitan under the brand of "Sinet". The target customers are home-use consumer and Small and medium enterprise (SME).

Governmental Project Business

The Company entered into the contract of Project “High Speed Internet in Remote Area (Zone C) Group 4 Northeastern 2” with National Broadcasting and Telecommunication Commission (“NBTC”) at project value of 2,248 MB with project details summarized as follows:

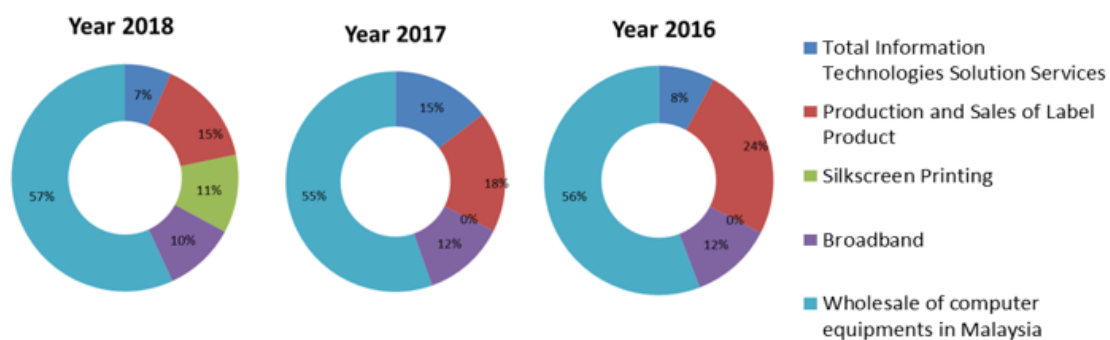
| | |
|----------------------|--|
| Project Name: | High Speed Internet in Remote Area (Zone C) Group 4 Northeastern 2 |
| Target Area: | Comprises of Kalasin, Mahasarakham, Yasothorn, Roi-Ed, Srisaket, Amnat Charoen and Ubon Ratchathani |
| Project Value: | 2,248 MB |
| Scope of Work: | Divided into 5 categories as follows: <ol style="list-style-type: none">1) Provide service of public wi-fi in target villages2) Provide service center building of high speed internet for Universal Service Obligation (USO Net)3) Provide service room of high speed internet for Universal Service Obligation (USO Wrap)4) Provide service of public high speed internet for schools5) Provide service of public high speed internet for Tambon Health Promotion Hospital |
| Operation Period: | Divided into 3 Phases as follows <ol style="list-style-type: none">1) Phase 1 Provide service equipment, installation, test run before services (300 days)2) Phase 2 Continuous Management and Maintenance for 5 years (60 month)3) Phase 3 Delivery equipment after the end of Phase 2 (60 days) |
| Revenue Recognition: | Start revenue recognition in Quarter 1/2019 onwards |

Nature of Business

| Business segment | Country | Operate by | % Holding | Nature of business | Nature of revenue and profit | Main customer group |
|--|----------|--------------------------------|-----------|---|--|--|
| Total Information Technologies Solution Services | Thailand | Parent Company | - | To provide total Information Technologies services including sales of hardware, software development and nationwide maintenance services | Revenue from sales of hardwares increases as the branch expansion increase of main customer group in retail business and the replacement of equipment / Fixed revenue from the maintenance contract / Project base revenue from both government and private project / With total solution including software development and nationwide maintenance services, profit is higher than sales of hardware only | Retail/ Transport and logistic/ FMCG / Manufacturing/ Government project |
| | Vietnam | SINO TRADING Group (Associate) | 40% | Sales of hardwares and maintenance services | | |
| Label Printing Business | Thailand | Simat Label (Subsidiary) | 86% | To provide services of design, develop and conversion of printed objects with glue for customer in manufacturers of electric appliance and electronics with provision and development of specific raw materials and design of production process to meet the specific requirements of the customer need | Continuous revenue from customer's repetitive order / The order increases as the customer's sale increases since the printed object with glue is attached at the customer's product / Profit is higher than sales of low grade or low price label as the company's product is unique by customer's need such as heat resistance, elastic or low level of tolerance | Manufacturers of electric appliances and electronic parts |
| Silk Screen Printing Business | Thailand | Hinsitsu (Thailand) | 70% | A manufacture of Silk-Screen Printing Product such as a control panel of electric appliance for microwave, washing machine, etc. | Continuous revenue from customer's repetitive order / The order increases as the customer's sale increases / High margin products with high skilled and high printing technologies | Manufacturers of electric appliances |
| Internet Broadband | Thailand | Parent Company | - | To provide high-speed internet through fiber optic network in area of Nakornratchasima, Chiangmai, Khonkaen and Bangkok Metropolitan under the brand "SINET" | Repetitive revenue or monthly revenue / Fixed cost is high such as depreciation and the first-time installation cost when first time customer applies / Profit will arise when the number of customer increases above the break-even point | Home-use consumer / Small and medium enterprise (SME) |
| | | Simat Telecom (Subsidiary) | 100% | | | |
| Distributor of computer equipments in Malaysia | Malaysia | E-TECH IT GROUP (Subsidiary) | 60% | Wholesale of computer equipments including computer, notebook, printer and others with big project sales such as government or multinational companies in Malaysia. Sales is done directly or through System Integrator or SI | Huge revenue with limited profit since hardware sales only and by big lot project | Government project/ Multinational companies such as bank, retail |

Revenue Structure

| Revenue Structure by Business | Total Information Technologies Solution Services | Production and Sales of Label Product | Silkscreen Printing | Broadband | Total Domestic | Wholesale of computer equipments in Malaysia | Total |
|-------------------------------|--|---------------------------------------|---------------------|------------|----------------|--|---------------|
| Unit: Million Baht | | | | | | | |
| Year 2018 | 112 7% | 256 15% | 189 11% | 174 10% | 731 43% | 963 57% | 1,694 100% |
| Year 2017 | 221 15% | 269 18% | - 0% | 185 12% | 675 45% | 839 55% | 1,514 100% |
| Year 2016 | 101 8% | 313 25% | - 0% | 148 12% | 562 44% | 710 56% | 1,272 100% |



Industrial Outlook and Competitive Environment

Information technology market in Thailand

- (1) Computer Hardware Market compose of many devices such as desktop computer, notebook, printer, scanner and monitor.
- (2) Computer software market compose of many computer software programs include packaged software and outsourced software
- (3) Computer services market such as computer rental services, hardware consulting services, data processing services, other data processing activities services and other services

According to the economic slowdown environment, it is impact directly to personal and business spending by cutting the budget for IT investment. However, IT solution for reducing the working process trends to be increased due to the cost saving program of business and increase more value added in its business. It is directly supported by government digital master plan 2016-2020, mainly for indicating the digital development direction in the future

Government digital master plan will push more implementation of many digital technology and bring more IT solution for infrastructure, innovation data information, labour and other resource. Eventually, there are mutually support sustainable growth for both IT sector and economics and social development in Thailand.

IT spending for Thailand grew at 3.7% per annum in the past 5 yrs (2015-2019). IT market value will be around 13.6 billion USD in 2019. Most of them are the IT solution sales with both hardware and IT services. In the hardware consumption only, it is shrunk for 0.3%, mainly, due to the cost reduction program for corporate and improve in efficiency in corporate management system. on the other hand, IT service market and software market grew 8.8% and 11.6% respectively. IT sector overall market will grow 6.3% . The contribution in overall growth consists of growth in hardware market, software market and service with 1.9%, 9.0% and 11% respectively. Moreover, increasing in application development and IT infrastructure development , many company and entities gear to use IT additional services for example data center service from outsource.

In 2015, IT services market accounted for 2.77 Billion USD. In 2017 and 2019 IT services market grew to 3.04% and 4.01% respectively. The main player in this segment are CDG, MFEC and LOXLEY with 40%, 12% and 11% market shares respectively.

For SIMAT, IT solution sales decreased significantly due to the lack of major project sales ,slowdown in the overall economics and its rigorous competitive in the market, low margin and thin profit.

In recent year, we focus on

1. Change the platform from services base only to integrated sales and service platform.
2. Focus on project base sales both in private and government sector.

The Broadband Business in Thailand

Fixed Broadband Internet Market

Number of internet subscribers

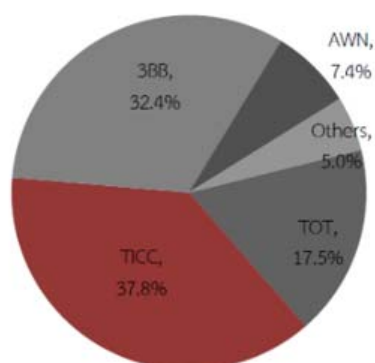
At end of quarter 3/2018, there were 9.08 million subscribers which increased from prior quarter about 1.9%. With consideration of penetration rate of hi-speed internet, there was an increasing trend by 42.47% of household at end of quarter 3/2018 which increased from prior quarter about 2%. IDC research (Thailand) found that fiber optical internet connection has the most portion at 31.3% of total connections following by xDSL at 40.52%, cable broadband at 17.94% and others at 1.83%.

| | 3Q2559 | 4Q2559 | 1Q2560 | 2Q2560 | 3Q2560 | % change YoY | % change QoQ |
|--|---------|---------|---------|---------|---------|-----------------|-----------------|
| Hi-speed internet subscribers ('000 subscribers) | 6,952.7 | 7,218.6 | 7,573.0 | 7,794.5 | 7,884.6 | 13.4% | 1.2% |
| % of fixed line per population | 10.31% | 10.70% | 11.19% | 11.52% | 11.65% | 13.1% | 1.2% |
| % of fixed line per household | 32.60% | 33.85% | 35.51% | 36.55% | 36.97% | 13.4% | 1.2% |
| Portion of hi-speed internet connection separate by type of connection | | | | | | | |
| Cable Broadband | 8.91% | 8.80% | 12.97% | 15.82% | 16.62% | 86.6% | 5.1% |
| Fiber optical | 18.52% | 20.48% | 21.09% | 21.20% | 21.25% | 14.8% | 0.3% |
| Others | 2.90% | 2.91% | 2.51% | 2.33% | 2.18% | -24.9% | -6.5% |
| xDSL | 69.67% | 67.82% | 63.44% | 60.66% | 59.94% | -14.0% | -1.2% |

Number of subscribers and penetration rate of internet per household and portion of hi-speed internet connection

Source: IDC Research (Thailand)

Market structure, market share and competition level



For retail market for high speed internet, there are 3 main competitors comprise of True Internet Corporation (TICC), TOT and Triple three broadband PCL 3BB and AWN

- At the end of Q3/ 2018, TICC leading with 37.8% market shares and second with 32.4% for 3BB. Respectively, third and fourth are for TOT with 17.5% and 7.4%. the rest is for 5% .
- HHI index slightly declined to 2,828 point in Q3/2018

Market Share of High Speed Internet

Source: Academic and Telecommunication Resources

Management Office

| | 3Q2559 | 4Q2559 | 1Q2560 | 2Q2560 | 3Q2560 | % change YoY | % change QoQ |
|-------------------------------------|--------|--------|--------|--------|--------|--------------|--------------|
| Fixed Broadband Market Share | | | | | | | |
| TOT | 18.4% | 17.5% | 17.9% | 17.3% | 17.3% | -6.2% | 0.0% |
| TRUE | 38.2% | 38.4% | 38.1% | 38.0% | 37.9% | -0.9% | -0.4% |
| 3BB | 33.7% | 33.5% | 33.3% | 33.5% | 33.4% | -1.1% | -0.5% |
| AWN | 2.8% | 4.2% | 4.9% | 5.7% | 6.1% | 117.7% | 6.7% |
| Others | 6.8% | 6.4% | 5.7% | 5.5% | 5.4% | -21.0% | -1.2% |

Market share and HHI Index of Fixed Broadband Market as at end of Q3-2017

Source: Education and Group Telecom resource management offices

The overall growth in Q3/ 2018 high speed internet market is 1.8%, accounted for 17,000 million baht.

ARPU is at 615 baht declined QoQ 0.7% and services rate is at 0.02 baht per Kbps, equally QoQ.

| | 3Q2559 | 4Q2559 | 1Q2560 | 2Q2560 | 3Q2560 ^P | % เปลี่ยนแปลง YoY | % เปลี่ยนแปลง QoQ |
|--|--------|--------|--------|--------|---------------------|-------------------|-------------------|
| Revenue of fixed broadband (Million Baht) | 14,900 | 15,000 | 16,100 | 16,600 | 16,800 | 12.8% | 1.2% |
| Average price (Baht/Kbps) | 0.04 | 0.04 | 0.03 | 0.02 | 0.02 | -57.6% | 0.0% |
| ADSL | 0.04 | 0.04 | 0.04 | 0.02 | 0.02 | -51.0% | 0.0% |
| FTTX | 0.03 | 0.03 | 0.01 | 0.01 | 0.01 | -66.7% | 0.0% |
| Average revenue per month per number (Baht/month) | 617 | 596 | 617 | 631 | 642 | 4.1% | 1.7% |
| TOT | 731 | 636 | 681 | 678 | 685 | -6.3% | 1.0% |
| TRUE | 590 | 591 | 600 | 600 | 600 | 1.7% | 0.0% |
| 3BB | 648 | 648 | 648 | 646 | 646 | -0.3% | 0.0% |
| AWN | 498 | 510 | 541 | 600 | 637 | 27.9% | 6.2% |

High Peed Internet Revenue

Source: Education and group telecom resource management offices

In 2018, there had a decreasing in sales for internet broadband due to a fierce competition and declined in overall demand. Consequently , company plans to reduce its B2C activity and stop the unnecessary investment since 2019. We plan to transfer our resources from B2C to B2B and focuses on more stable and longer term income steam.

In 2019, we plan to

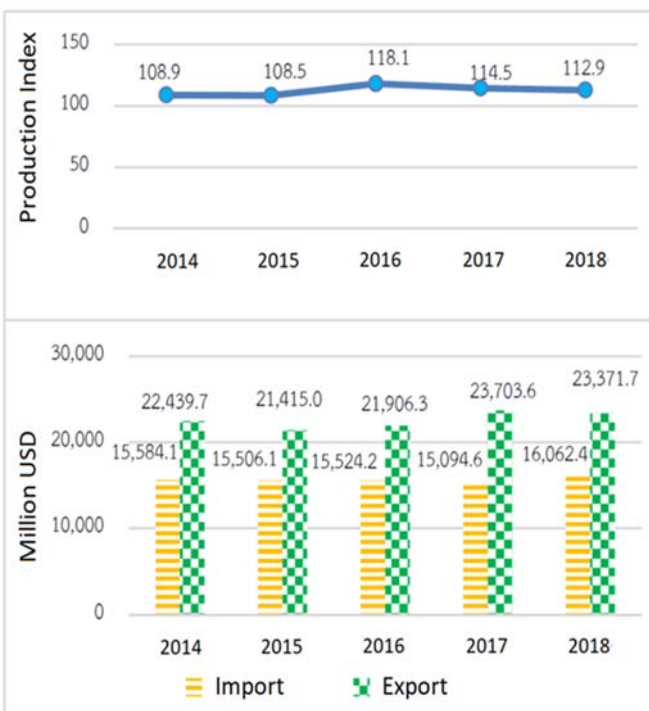
1. Focus on maintaining level of signal quality and after sales service which are the key goal for business
2. Repositioning to good product quality position with a competitive price
3. Reducing B2C and focus B2B and focus in cost reduction

Label market for electronic and Electrical Appliance manufacturing

Electrical Appliance Industry

Overall production in 2018 for home appliances declined 1.6% compared to 2017 attributed to declined in washing machine, refrigerator and electric motor. While there are increasing in air conditioner with the increasing in export to ASEAN Japan and Europe.

Production Index, Domestic Sale, Import and Export of Electrical Appliances



Source : Office of Industrial Economics

Production in Home appliances

The production index is 112.9 slightly declined 1.6% YoY. There are 3 main appliances, washing machine, refrigerator and electric motor decreased in sales 17.5%, 13.7% and 10.1% respectively.

For washing machine and refrigerator, there had some shrinking order from export, especially for America. Additionally, there had some change in model for electric motor and bring down the export.

While, the some appliances had another export direction such as electric fan, thermos bottle, Air conditioner, microwave oven, compressor, electric rice cooker and wire increased for 12.2%, 6.0%, 4.4%, 3.5%, 3.2%, 1.5%, 1.4% and 0.1% respectively due to both export and domestic sales increased especially for air conditioner.

Home appliances Import

In 2018, import accounted for 16,062.4 million USD, increased 6.4% YoY, mainly due to the import of electric control switches, printed circuit board, circuit breaker and other related devices.

Home appliances Export

In 2018, export accounted for 23,371.7 million USD, decreased 1.4% YoY, attributed to declined in America market. These appliances include washing machine, solar panel due to safeguard policy.

While, air conditioner export increased 5.2% in Europe, Japan and ASEAN market.

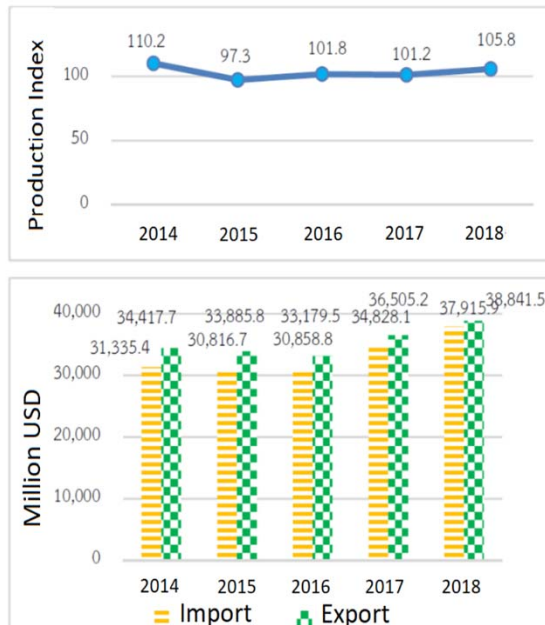
Outlook for home appliances market in 2019

We expect the growth for production and export 4.0% and 5.0% YoY respectively. The supportive are the government stimulus package in the late of 2018 and the general election in 2019. We expect the new government will have more supportive policy for consumption and the release in trade war tension between America and China.

Electronic Industry

There are increasing in production 4.5% YoY in 2018. The main attribute are for HDD, IC, Semiconductor and PCBA due to the increasing demand in world electronic consumption and export in Japan, China, Europe, America and ASEAN

Production Index, Domestic Sale, Import and Export of Electronics



Source : Office of Industrial Economics

Production in Electronic product

Electronic product in 2018 had its production index at 105.8 increased 4.5% YoY. Mainly, it composed of increasing in Monolithic IC, Semiconductor, PCBA and other IC with 9.1%, 6.8%, 4.5%, 4.3% and 0.3% YoY respectively. Furthermore, IC is the important part to develop the high technology product include smartphone and tablet and there are many new advance technology for Semiconductor and increase capacity in HDD to contain it in cloud storage.

Electronic product import

In 2018, the import accounted for 37,915.86 million USD increased 8.9% YoY. The main additional import market still be China ,America and Japan and the main additional product are circuit increased 25.7% and smartphone 60.1% YoY.

Electronic product export

In 2018, export accounted for 38,841.5 million USD , increased 6.4% YoY, attributed to increased in Japan, China, ASEAN, Europe and America. The increasing product attributed to computer and peripherals 10.1% YoY, IC 1.2% YoY and Smart phone 21.0% YoY, especially in Japan.

Outlook for Electronic product market in 2019

In 2019, we expect production and export will increase 6.0% and 7.5% YoY Respectively due to higher demand and need in world electronic product.

Label business had a dramatical growth in the last 3 yrs due to the focus in smartphone label and its accounted for 50% of product sales. We expect to continue our growth in line with the smart phone consumption fantastic growth.

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Risk Factors

Total IT Solution Business

Risk from economy recession and the change of market demand

Nature, cause, effect, trend and action taken

- The economy recession effect the IT Solution business by reduction of purchase orders together with the trend of low pricing hardware makes the customer not interested in maintenance contract.
- This may cause reduction in revenue and net profit.
- In 2018 and 2019, the Company has downsized this business to match with the current market by transferring personnel to the well growing broadband internet business and to maintain some good margin customer groups.

Label Business

Risk from relying on major customer group

Nature, cause, effect, trend and action taken

- The Company supplies label product to the main customer group which is smartphone manufacturer about 50% of total revenue.
- If this customer group is discontinued, it will effect to the revenue and net profit.
- In 2018 and 2019, the Company has expanded this business to other customer group such as electric appliance. The Company targets to have sale proportion of other customer group rather than smartphone manufacturer at least 50% of total revenue.

Broadband Internet Business

Risk from competition

Nature, cause, effect, trend and action taken

- Currently, the business of providing hi-speed broadband internet is highly competitive since competitors invested to expand the fiber optic network in many coverage areas, especially, the major telecommunication provider who provides both mobile internet and fixed broadband and to penetrate the market by low pricing strategy.
- This may cause the reduction of the Company's internet subscribers and effect to revenue and net profit.
- In 2018 and 2019, the Company pays attention to improve and maintain the high quality of internet network as well as the installation and maintenance services which are the core competency of this business. The Company has the market positioning on high quality internet at affordable price rather than low pricing.

Risk from limitation of liquidity and source of fund

Nature, cause, effect, trend and action taken

- Broadband internet is the business that requires high investment for network expansion and installation per new subscriber. The average payback period per each subscriber is around 12 – 14 month. If the new subscribers per month increase so much, the Company may have a liquidity problem.
- In 2018 and 2019, the Company has 2 financing plans:
 - Investment of terminal units at customer site which are optical network unit (ONU) and router will be financed by leasing company
 - Investment of fiber optic wiring for both equipment and labor cost will be financed by financial institution

Risk factor of subsidiary's business in Malaysia

- Risk associated with low margin business

The nature of subsidiary's business in Malaysia emphasizes on the sales and services to large clients with high volume, resulting in low gross margin about 5 – 7% which may impact the performance significantly. The management was aware of the associated risk and adjusted the marketing strategy by focusing on providing sales and services with more value-added.

- Risk from the dependency on government projects

At present, total revenue under subcontractor for government projects is approximately 75% of total revenue with the following risks:

(1) The volatility of income

The revenue of subsidiary could be volatile, depending on amount and size of projects granted. In the event that the government stimulates delays or cancels projects related to information technology, future revenue of the Group may be fluctuated accordingly. However, management believed that the need for information technology from the government would be going on, both for installation and improvement services. In addition, the projects servicing to government units are mostly on contract for 3-year period. Therefore, a subsidiary would be able to manage the procurement of new projects to replace the expiring ones. Moreover, a subsidiary has planned to decrease its dependency on government by emphasizing on large private corporate in banking, financial and insurance sectors, including educational institution.

(2) The long outstanding trade receivables

Generally, government has a relatively long period to complete a certain process on project delivery and payment. A subsidiary had a long collection period of 120 - 160 days. The further delay of receivables payment may cause the subsidiary lacking of working capital, adversely affecting its liquidity and increasing interest payment. However the management improved the handling of government projects by sending team to overview installation process including document supports, which fasten job delivery.

Good Corporate Governance Practice

Good Corporate Governance Practice

The Board of Directors strongly believes and complies with the good corporate governance according to the principle of good corporate governance for listed companies for year 2012 of the Stock Exchange of Thailand and the criteria of the survey project of corporate governance of listed companies (Corporate Governance Report of Thai Listed Companies – CGR) of Thai Institute of Directors (IOD) and the international standard such as ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard). The Company performs the good corporate governance according to the best practice of corporate governance of listed companies for year 2012 as follows:

- Rights of Shareholders
- Equitable Treatment of Shareholders
- Roles and Rights of Stakeholders
- Disclosure and transparency
- Responsibilities of the Board

1. Rights of Shareholders

Shareholders are the owners of the Company and control the Company by appointing the Board of Directors to act as their representatives. Shareholders are eligible to make decisions on any significant corporate changes. Basic rights of Shareholders are buy, sell or transfer shares, share in profit of the Company, obtain of relevant and adequate information of the Company in a timely manner, participate and vote in the shareholders meeting to appoint or remove members, appoint the independent auditor, make decision of dividend payment and other matters that affect the Company such as increase or decrease of capital and amendment to the Company's Article of Association etc. The Company upholds the principle of equitable treatment of shareholders so that all shareholders will be treated equally and fairly. The Company also encourages shareholders to exercise their rights.

In 2017, the Company implemented the followings:

1.1 Shareholder's Meeting

Organized the 2018 annual shareholders meeting on Monday 30th April 2018: 9.30 a.m., IRIS Room VIVA GARDEN Hotel, No 1988, Sukhumvit Road, Bangchak, Phrakhanong, Bangkok

- Distributed the notice calling for shareholders meeting 14 days in advance and attached with agendas and other relevant documents such as minutes of last shareholders meeting, the annual report, preliminary information of the directors who are due to retire and are nominated to directorship for another term and the new director, preliminary information of the auditor, articles of association that relevant to this meeting, proxy form and letter advising the documents needed for attending the meeting and map of the meeting venue.
- Publicized the notice calling for 2018 annual shareholders meeting including with supportive documents on corporate website at least 14 days prior the meeting in order to increase more channel informing information to

shareholders to consider meeting agendas as well as open opportunity for shareholders to send question to the Company for clarification the issue(s) of proposed agendas in advance at ir@simat.co.th or fax no. 0-2326-1014

1.2 Action taken at shareholder's meeting date

- Chairman, Chairman of the Audit Committee, Chief Executive Officer and other directors together 8 persons from the total of 9 persons attended the meeting and listen to the opinions of shareholders on various issues.
- Before the meeting, in accordance with the agendas stipulated in the notice calling for the meeting, Chairman of the meeting had informed shareholders regarding the procedure of the meeting and the voting method for each agenda, which approved unanimously by the shareholders.
- Chairman of the meeting had run the meeting in accordance with the agendas stipulated in the notice calling for the meeting. Provided equal opportunities to shareholders to check the Company's performance as well as to ask, give opinions and provide recommendations. The Company had written down all the major points in the minutes of meeting so that shareholders can investigate them accordingly.
- The voting is by using the ballot for every agenda.
- In order to run the meeting transparently and comply with the good practice of AGM by Securities and Exchange Commission, the Company assigned the lawyer firm, "Thosatham Company Limited", to be in charge of proceeding the AGM transparently and to comply with law and the Company's Articles of Association. The Chairman invited 1 shareholder to act as the witnesses in counting the votes with the inspector.

1.3 Preparation and disclosure of the minute of meeting

- The Company had prepared the minutes of shareholders meeting covered all the major points correctly and accurately. The Company forwarded the minutes of meeting to the Stock Exchange of Thailand as well as disclosed the minutes of meeting on the Company's website within 14 days after the date of the meeting.
- The Company pays attention to the policy to disclose correct and accurate information regularly and on time. The Company had disclosed information and other Company's news to shareholders, investors and other people who are interest in the above-mentioned through various channels provided by the Stock Exchange of Thailand and through the Company's website www.simat.co.th. In addition, the Company has established the Investor Relations office in order to communicate with shareholders, investors and other people who are interested in the above-mentioned. The Investor Relation Office can be contacted through the Coordinator, Mr. Thammanoon Korkiatwanich and Mr. Roengsak Sae-Eung Tel 02-326-0999 ext. 1211 and 1213 or E-mail ir@simat.co.th.

2. Equitable Treatment of Shareholders

The Company aware of the benefits of all shareholders includes major shareholders, minority shareholders and for shareholders who are ordinary person, institute investor, Thai and foreign investors and to be treated equally and fairly for the highest benefit of shareholders with the following procedures.

1.1 Attending shareholders' meeting by proxy

The Company gives right to shareholder who cannot attend the meeting by proxy to grant any independent director who has no interest in the agenda of director election to attend and exercise voting. The Company

distributed proxy letter including relevant documents together with the invitation letter to all shareholders in advance for 14 days and also disclose to the public by Company's website.

1.2 Safeguard of internal information

The Company had adopted the safeguard and investigation system for the use of internal information for inappropriate personal gain. All directors and management must report the changes in holding of the Company's securities to the Security Exchange Commission. All directors, management and employees who involved in the internal information are prohibited to disclose such information to outsider people or people whose job is not involved with the information. Also, all directors, management and employees who involved with the preparation of the financial reports are prohibited to sell or buy the Company's securities one month before the information is disclosed to the public.

1.3 Director's interest

The board of directors and executive committees are required to report their own interest and their connected person which are the interest that related to the management of the Company and subsidiaries when they are appointed as the member of the board or committee and to report once there is any change in their interest.

3. Roles and Rights of Stakeholders.

Stakeholders of the Company will be treated fairly in accordance with their legal rights as specified in relevant laws. The Board of Directors will not do anything in violation of stakeholders' legal rights. Stakeholders include, but are not limited to shareholders, employees, customers, suppliers, competitors, independent auditors and community in the neighborhood of the Company, etc. The Company has adopted the Codes of Conduct so that directors, management and employees can use it as guidelines in running the Company's business. This Codes of Conduct are comprised of

1. Introduction
2. Policy and Guidelines on Conflict of Interests
3. Policy and Guidelines Relative to Shareholders
4. Policy and Guidelines Relative to Employees
5. Policy and Guidelines Relative to Customers
6. Policy and Guidelines Relative to Partners
7. Policy and Guidelines Relative to Creditors
8. Policy and Guidelines Relative to Competitors
9. Policy and Guidelines Relative to Independent Auditors
10. Policy and Guidelines Relative to Social and Environment
11. Implementation and Enforcement

(See details of Codes of Conduct at the Company's website)

In 2017, the Company implemented the Codes of Conduct as follows:

3.1 Policy and Guidelines Relative to Shareholders.

The Company treated all shareholders equally and fairly as per the details mentioned in the Rights of Shareholders and Equitable Treatment of Shareholders (see details at the Company's website)

3.2 Policy and Guideline Relative to Employees

The Company strongly believes that employees are the most valuable resources of the Company, it therefore encourage employees to learn and develop their skills continuously. The Company has provided fair and suitable remunerations to employees by comparing with other companies that have similar size and similar nature of business. Besides, The Company has provided sufficient welfares to employees that reflect the current circumstances. In 2016, the Company had implemented the followings for the employees:

- 1.2.1 In addition to salaries and bonuses that the Company paid to the employees which close to those paid by other companies with similar size and similar nature of business , the Company has arranged to have the Provident Fund for all employees and Group Life Assurance and Group Accident Insurance for onsite service employees.
- 1.2.2 The Company had organized various training courses both in in-house and abroad to improve knowledge and skill of the employees in order to improve the competitive potentiality. There are more than half of the total employees of the Company attended the training.
- 1.2.3 The Company had organized the Orientation Course to all new employees so that they know the policy, corporate culture and operating practices.

3.3 Policy and Guidelines relative to Customers.

The Company realizes the importance of customers to the success of the Company business. It therefore provided diverse and complete ranges of Hardware equipments such as mobile computers, barcode equipments and other hardware related to the Enterprise Data Collection and Collation System which has the high level of quality so that customers can source any kinds of hardware that suit to the customer's need and its operating system. The Company had also provided various kinds of services such as leasing of equipments and the annual maintenance service agreement, etc. so that customers can fully benefit from the Company. In addition, the Company has designed and developed software, which is applied to the mobile computers and other relevant equipments, that provide user-friendly and suitability to customer's operation and able to connect to the customer's IT system in order to give highest satisfaction to customers.

3.4 Policy and Guidelines relative to Partners.

The Company has treated partners fairly and equally under the basis of mutual benefit and exchanged with them the true and correct information as well as strictly complied with all conditions of the agreement made with them. In addition, the Company provided supports and assistance to them in the development of new products and services. All directors, management and employees are prohibited to ask or receive any improper benefit from partners.

3.5 Policy and Guidelines Relative to Creditors

The Company has treated creditors fairly and equally, provided correct, true and on time information to creditors as well as strictly complied with all conditions of the agreement made with them.

3.6 Policy and Guidelines Relative to Competitors

The Company has treated competitors fairly by adhering to the generally accepted practices. Avoid the abusing of confidential information and the breach of righteous rights of the competitors, as well as the dishonest way to destroy competitors.

3.7 Policy and Guidelines Relative to Independent Auditors

The Company realizes the importance of the Independent Auditors as the key mechanism of shareholders in auditing the Management's performance and to ensure that the financial reports are correct, complete and reliable and has given full supports to the Independent Auditors by providing them correct and complete information, as well as providing them convenience during their auditing process. The financial statements for the year 2017 were audited by the Independent Auditor and the Independent auditor expressed an unqualified opinion to the Company's financial statements on the auditor's report.

3.8 Policy and Guidelines Relative to Social and Environment

The Company strongly believes that our business will grow constantly and sustainably only when the social by overall is peaceful and environment is sustainable. The Company therefore realizes the need to be a good corporate citizen as well as to be responsible to the society and environment by providing appropriate contributions in various forms that are suitable and compatible with the Company resources and capabilities. The Company believes that the contributions to society may not necessarily spend a lot of money at each time but rather do it on a regular basis and compatible with the Company's resources as well as let the employee to participate. The Company also believes that good corporate social responsibility programs should have interaction between the givers and the receivers so that the program can proceed smoothly and continuously. The Company has provided contributions to communities nearby and far from the Company. The Company has considered the contributions based on necessity and appropriateness such as donate the computer equipment to schools and temples, etc.

Stakeholder's Channel of Communication

The Company gives a chance to stakeholder to participate by giving advice to the following channels. All the advices shall be gathered to report to the top management and board of directors.

| | |
|-------------------|--|
| Company Secretary | Tel. 0-2326-0999 Ext. 1211 E-mail: thammanoon@simat.co.th |
| Investor Relation | Tel. 0-2326-0999 Ext. 1211 or 1213 E-mail: irsimat@simat.co.th |

In case, the stakeholder would like to contact the board of directors directly and not through the management in order to complain of any breach of right, corruption, illegal or unethical action which relates to the management, the stakeholder can contact the independent director via e-mail board_ac@simat.co.th. The Company also allows the

employees and outside stakeholder can contact, advise, complain and report the illegal or unethical action to e-mail board_director@simat.co.th to engage the followings.

Any employee or stakeholder can advise through the designated channel and the information will be kept as secret and the Company has the procedure to safeguard the informer by proceeding the audit with undisclosed source of information. Moreover, the informer can request for appropriate safeguarding procedures or the Company may provide appropriate safeguarding procedures with no request if the Company considers that the matter may cause any damage or insecure.

In case, any illegal or unethical action is found, the Company will assign the committee to investigate, judge and punish and report to the audit committee and board of director further.

4. Disclosure and Transparency.

The Company has a policy to pay attention to the disclosure and transparency with regard to the corporate governance. In 2018, The Company had disclosed information both the financial information and other information correctly, accurately, transparently and on time, in accordance with the regulations of the stock Exchange Commission and the Stock Exchange of Thailand as follows:

4.1 Had forwarded the financial reports and other reports such as the change of directors and change in securities of the Company held by each director etc. to SEC and Stock Exchange of Thailand within the given time set forth by them.

4.2 Had disclosed the financial status and other information such as nature of business, competitive environment, business risk, the number of security of the Company held by each director and management to SEC and Stock Exchange of Thailand

4.3 Had disclosed the financial information and other information correctly and accurately in the Company's website www.simat.co.th

4.4 The Company has established the Investor Relations office so that shareholders and other persons can contact at

Mr. Thammanoon Korkiatwanich Tel : 02-326-0999 ext. 1211 E-mail: ir@simat.co.th

Mr. Roengsak Sae-Eung Tel : 02-326-0999 ext. 1213 E-mail: ir@simat.co.th

4.5 The Board of Directors had selected the Independent Auditors who are independent and have no conflict of interests with the Company and the auditors have been approved by S.E.C. The Company has appointed the auditors from ANS Audit Co., Ltd. As the Company's auditor for the year 2018 as recommended by the Audit committee as follows:

Mr. Sathien Vongsanan, CPA license no. 3495 or

Mr. Atipong Atipongsakul, CPA license no. 3500 or

Mr. Vichai Ruchitanont, CPA license no. 4054 or

Miss Kulthida Phasurakul, CPA License no. 5946* or

Miss Patcharee Siriwongsilp, CPA License no. 9037*

The audit fee for year 2018 is 2,476,000 Baht which is the rate close to the fee paid by other companies with similar size and similar nature of business,

4.6 The Company audited financial reports have been audited by the Independent Auditor and the independent auditor expressed an unqualified opinion.

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* : According to resolution of the Extra-ordinary General Meeting of Shareholders no.1/2018 on August 3, 2018; Miss Kulthida Phasurakul, CPA License no. 5946 or Miss Patcharee Siriwongsilp, CPA License no. 9037 were additionally appointed to be the auditors who sign on the reviewed and audited reports of the Company.

5. Responsibilities of the Board

The Board of directors is responsible to shareholders in carrying out the Company's business in compliance with the laws and regulations of the Stock Exchange Commission and the Stock Exchange Commission and the Stock Exchange of Thailand, the objectives and articles of association the Company as well as the resolutions of shareholders meeting. The Board of Directors shall perform duties in good faith, with due diligence and care, and for the best interest of the Company and shareholders. In 2017, the Board of Directors has performed its duties as follows.

5.1 Board Structure

Board of directors comprises of the knowledgeable and competent persons who have the important role in determining the Company's policy, business plan for both short-term and long-term including the financial policy, risk management and overall business and also audit and evaluate the Company's operating result.

Currently, the Board of Directors is composed of 9 persons as listed below

| | | |
|----|-------------------------------------|---|
| 1. | Mr. Thongkam Manasilapapan* | Chairman |
| 2. | Mr. Narat Saraman** | Vice Chairman |
| 3. | Mr. Thammanoon Korkiatwanich*** | Director |
| 4. | Mr. Pakin Pinto**** | Director |
| 5. | Mr. Thanayous Kositsakul***** | Director |
| 6. | Mr. Theeranut Tangsathapompong***** | Director |
| 7. | Ms. Ranchana Rachatanavin, Phd. | Independent Director/Chairperson of Audit Committee |
| 8. | Mr. Narongrit Rerkpattanapipat | Independent Director/Audit Committee |
| 9. | Mr. Vorachai Charoonprasitporn***** | Independent Director |

Remark:

* : According to the Board of Directors Meeting no. 1/2018 on February 26, 2018, Mr. Thongkam Manasilapapan was appointed as Chairman to replace Mr. Tan Bak Hong who resigned and this shall take effect since February 26, 2018. Later, resolution of the Board of Directors Meeting no.2/2019 on March 1, 2019; Mr. Thongkam Manasilapapan was appointed as Chairman of Executive committee that shall take effect since March 1, 2019.

** : According to the Extra-ordinary General Meeting of Shareholders no. 1/2018 on August 3, 2018, Mr. Narat Saraman was appointed as new director and Vice Chairman that shall take effect since August 3, 2018.

Later, resolution of the Board of Directors Meeting no.2/2019 on March 1, 2019; Mr. Narat Saraman was appointed as Vice Chairman of Executive committee that shall take effect since March 1, 2019.

Later, resolution of the Board of Directors Meeting no.2/2019 on March 1, 2019; Mr. Narat Saraman was appointed as Vice Chairman of Executive committee that shall take effect since March 1, 2019.

*** : According to resolution of the Board of Directors Meeting no.2/2019 on March 1, 2019; Mr. Thammanoon Korkiatwanich was appointed as Executive committee that shall take effect since March 1, 2019.

**** : According to the Board of Directors Meeting no. 2/2018 on March 22, 2018, Mr. Pakin Pinto was appointed as director under the board's jurisdiction and the appointment shall take effect since March 23, 2018.

***** : According to the Board of Directors Meeting no. 1/2018 on February 26, 2018, Mr. Thanayous Kositsakul and Mr. Theeranut Tangsathapompong was appointed as director under the board's jurisdiction and the appointment shall take effect since February 26, 2018.

***** : According to the Board of Directors Meeting no. 1/2019 on January 29, 2019, Mr. Vorachai Charoonprasitporn was appointed as Audit Committee under the board's jurisdiction and the appointment shall take effect since January 29, 2019.

The Board of Directors is composed of 4 directors who are Executive committee, 3 Independent directors and 2 directors who are not Executive committee.

The Company has 3 independent directors which is one-third of the board and 3 independent directors are audit committees.

The retired directors may be eligible for re-election. There is no limit for number of terms of being the Company director which is subject to the approval of shareholders.

The executive directors must not be the directors in other public companies more than 5 companies. The holding of directorship in other companies mentioned above must be informed to the Board and approved by the Board.

Executive Director is an executive who is appointed as a member of the Board, Non-executive Director is a director who has no position in the Company's management team, and the Independent Director is a director who has no position in the Company's management team and must meet the qualification outlined by the Stock Exchange Commission and the Stock Exchange of Thailand (see details of the definition and qualification of directors in the Corporate Governance Policy at the Company's website)

The Company Secretary also acts as the Secretary of the Board.

5.2 Sub-Committees

The Board of Directors has appointed the Executive committee and Audit Committee to assist the Board in managing the Company by clearly stipulation the duties and responsibilities of each sub-committee. At present, the Company has not established the Remuneration Committee. However, the Company has adopted the consideration for the remuneration of directors and top management by comparing to the remuneration paid by other companies of similar size and similar nature of business.

5.3 Role and Responsibilities of the Board

The Executive committee has regular meeting to consider and manage the Company to grow constantly in accordance with the policy and strategic direction set forth by the Board. The Executive committee had performed its duties and responsibilities as per the following details:

1. Approve payment or become guarantor for the payment for the Company's normal business transactions within the limit or not more than 50 million Baht.
2. Appoint or remove officer of the Company whose rank not higher than the Managing Director.
3. Prepare and establish the policy and strategic direction of the Company for the approval of Board of Director.
4. Establish the Organization Chart and the Management Structure of the Company covering the selection, training, employment and termination of employee of the Company
5. Establish business plan and management authorities, approve the annual business budget and management the Company business in accordance with the business plan and business strategy, and in compliance with the policy and strategic direction approved by Board of Directors
6. Perform other duties assigned by Board of Directors.

The Audit Committee had performed the following duties to oversee the management's work according to the role and responsibilities as assigned by the Board.

1. To verify that the Company has an accurate and adequate financial statements.
2. To verify that the Company has proper and effective internal control and internal audit system and to consider the independence of the internal audit division or any division responsible to internal audit.
3. To verify that the Company complies with the Securities and Exchange Acts, the regulations of the Stock Exchange, or any laws regarding to the business of the Company.
4. To consider, select and propose appointment and remuneration of the auditor who is independent to the Company and to attend the meeting, which has no management's joining, with auditor at least once a year.
5. To consider the connected transaction or conflict of interest transaction and ensure that they are comply with the rules and regulations of the Stock Exchange and are reasonable and most beneficial to the Company.
6. To prepare the Audit Committee's report for disclosure in the annual report of the Company which such report must be signed by the Chairman of Audit Committee.
7. To conduct any other works as assigned by the Board of Directors with consent from the Audit Committee.

5.4 Board of Directors Meeting and Directors' Remuneration

- The Board of Directors has had regular meeting every quarter and may have additional meeting when it is necessary. In every meeting, the Board had clearly fixed the agenda and had sent the notice calling for the meeting which more than 7 days in advance so that the Board of Directors shall have sufficient time to study the information. Minutes of meeting had been written correctly and accurately, and the minutes of meeting that certified by the Board had been kept properly so that the Board of Directors and other involved persons can investigate them accordingly. In 2017, the Board of Directors had 5 meetings and each meeting took approximately 3 hours and the attendance of the Board of Directors is as follows:

| Name | Position | Board of Director Meeting in 2018 | |
|-------------------------------------|--|-----------------------------------|------------|
| | | No. of Meetings | Attendance |
| Mr. Thongkam Manasilapapan | Chairman | 8 | 5 |
| Mr. Narat Saraman* | Vice Chairman | 8 | 3 |
| Mr. Thammanoon Korkiatwanich** | Director | 8 | 7 |
| Mr. Thanayous Kositsakul*** | Director | 8 | 4 |
| Mr. Teeranut Thangsatapornpong*** | Director | 8 | 8 |
| Mr. Pakin Pinto**** | Director | 8 | 6 |
| Ms. Ranchana Rachatanavin, Phd. | Independent Director and Chairperson of Audit Committee | 8 | 7 |
| Mr. Narongrit Rerkpattanapipat | Independent Director and Audit Committee | 8 | 7 |
| Mr. Vorachai Charoonprasitporn***** | Independent Director and Audit Committee | 8 | 6 |

Remark:

*: According to the Extra-ordinary General Meeting of Shareholders no. 1/2018 on August 3, 2018, Mr. Narat Saraman was appointed as new directors and Vice Chairman. The said appointment shall take effect since August 3, 2018.

** Mr. Thammanoon Korkiatwanich holds the position of Company Secretary.

***: According to the Board of Directors Meeting no. 1/2018 on February 26, 2018, Mr. Thanayous Kositsakul and Mr. Teeranut Thangsatapornpong were appointed as directors under the board's jurisdiction. The said appointment shall take effect since February 26, 2018.

****: According to the Board of Directors Meeting no. 2/2018 on March 22, 2018, Mr. Pakin Pinto was appointed as director under the board's jurisdiction. The said appointment shall take effect since March 23, 2018.

*****According to the Board of Directors Meeting no. 1/2019 on January 29, 2018, Mr. Vorachai Charoonprasitporn was appointed under the board's jurisdiction as audit committee to replace Ms. Kanwara Aurlpokaiyakul who resigned from Independent Director and Audit Committee since November 30, 2018. The said appointment shall take effect since January 29, 2019.

The authorized directors who can on act on behalf of the Board of Directors are Mr. Thongkam Manasilapapan or Mr. Thammanoon Korkiatwanich or Mr. Narat Saraman or Mr. Teeranut Thangsatapornpong any two of four jointly sign together and affix the Company seal. Details of the roles, duties and responsibilities can be seen from the Report Form 56-1 and from the Company's website www.simat.co.th

- The Board of Directors had fixed the meeting date in advance since the beginning of the year so that all directors and management can schedule their time efficiently.
- Chairman of the Board and Chief Executive Officer had considered the agendas together.
- Chairman of the Board had provided equal opportunity to each director to express his opinions, and the director who has interest in any agenda must leave the meeting room during the consideration of the agenda.

Audit Committee

The audit committee comprised of

| | |
|---------------------------------|--------------------------------|
| Ms. Ranchana Rajatanavin, Phd. | Chairperson of Audit Committee |
| Mr. Naronrit Rerkpattanapipat | Member of Audit Committee |
| Mr. Vorachai Charoonprasitporn* | Member of Audit Committee |

In 2018, the Audit Committee had 5 meetings and each meeting took approximately 3-4 hours. The attendance of the Audit Committee's as follows:

| Name | Total Meeting | Attendance |
|--|---------------|------------|
| 1. Ranchana Rajatanavin, Phd. (Chairman of Audit Committee) | 8 | 7 |
| 2. Mr. Narongrit Rerkpattanapipat (Audit Committee Member) | 8 | 7 |
| 3. Ms. Kanwara Aurlpokayakul (Audit Committee Member) | 8 | 6 |

* According to the Board of Directors Meeting no. 1/2019 on January 29, 2018, Mr. Vorachai Charoonprasitporn was appointed under the board's jurisdiction as audit committee to replace Ms. Kanwara Aurlpokayakul who resigned from Independent Director and Audit Committee since November 30, 2018. The said appointment shall take effect since January 29, 2019.

5.5 Board Self-Assessment

The Board of Directors has policy to encourage directors and management to constantly develop knowledge and skill. In 2017, Directors and management had regularly participated in various training programs and seminars, such as Executive Accounting and Finance Director attended the training program on Accounting Standards and Practices organized by the Federation of Accounting profession. Company Secretary and the Investor Relations Coordinator attended various training programs organized by the Investor Relations Association and the Stock Exchange of Thailand. The Chief Executive Officer and Managing Director had attended the training program on Sales Conference with Partners and Related Companies in foreign countries.

5.6 Directors' Remuneration

The Company had paid out the remuneration to directors in 2018 in form of gratuity and meeting Allowance as follows.

2 Directors who not act as management

| | |
|----------------------------------|-------------------|
| ■ Mr. Thanayous Kositsakul | 20,000 Baht/month |
| ■ Mr. Teeranut Thangsatapornpong | 20,000 Baht/month |

There is no meeting allowance and bonus for these Directors.

For Independent Director/Audit committee member will receive the meeting allowance and bonus as follows:

| | |
|---|--|
| Chairman of the Audit committee | 10,000 Baht/time (Year 2017: 10,000 Baht/Time) |
| Independent Director/Audit committee member | 7,000 Baht/time (Year 2017: 7,000 Baht/Time) |

Bonus of Independent Director/Audit committee member shall not exceed 100,000 Baht

Total money paid to the Board for year 2018 is 0.74 million baht (Year 2016: 1.32 million baht).

In year 2018, the Company paid out remunerations to management 4* persons total 11.09 million baht. (Year 2017: management 3 persons 9.22 million baht)

* : Mr. Thongkam Manasilapapan was appointed as Chairman of Executive Committee according to resolution of the Board of Directors Meeting No.2/2019 on March 1, 2019 that take effect since March 1, 2019, thus, there was not yet remuneration in year 2018.

Report from Board of Directors Relative to Financial Report

The Board of Directors is responsible for the Company's financial reports and the details appeared in the annual report. The financial reports are prepared in accordance with the generally accepted accounting standards in Thailand, by adopting the appropriate accounting policy and consistent implementation as well as due judgment and best estimation in the financial reports preparation, including the sufficient note and explanation of the financial reports. In addition, the Board of Directors has provided the appropriate and efficient internal control and risk management system to ensure that the financial reports are correct, complete and sufficient to safeguard the Company's assets as well as to protect frauds.

The Board of Directors has appointed the Audit Committee to oversee the Company's accounting policy and the accuracy of the financial reports, including the review of the Company's internal control system and internal audit system, the details of which can be seen from the Audit Committee's report included in the annual report. In addition, the Company's financial reports were audited by the independent auditor of ANS Audit Co., Ltd. The report of the independent auditor is included in the annual report.

The Board of Directors has the opinion that the Company's overall internal control system is satisfactory and can be assured that the financial reports of Simat Technologies Public Company Limited and its subsidiaries for the year ended December 31, 2018 are accurate and fairly stated, as well as in compliance with the relevant laws and regulations.



(Mr. Thongkam Manasilapapan)

Chief Executive Officer

Report from Audit Committee

Audit Committee of Simat Technologies Public Company Limited is composed of the 3 Independent Directors in accordance with the qualifications and rules stipulated by The Stock Exchange of Thailand are as follows:

- | | |
|-----------------------------------|--------------------------------|
| 1. Ms. Ranchana Rajatanavin, Phd. | Chairperson of Audit Committee |
| 2. Mr. Narongrit Rerkpattanapipat | Member of Audit Committee |
| 3. Mr. Vorachai Charoonprasitporn | Member of Audit Committee |

Ms. Ranchana Rajatanavin, PhD. and Mr. Narongrit Rerkpattanapipat are the member who is knowledgeable to review the financial statements as Ms. Ranchana Rajatanavin, PhD. is an expert and consultant in finance and banking major of Sripatum university and Mr. Narongrit is a Certified Public Accountant.

The scopes of authority and function of the audit committee are as follows:

1. To verify that the Company has an accurate and adequate financial statements.
2. To verify that the Company has proper and effective internal control and internal audit system and to consider the independence of the internal audit division or any division responsible to internal audit.
3. To verify that the Company complies with the Securities and Exchange Acts, the regulations of the Stock Exchange, or any laws regarding to the business of the Company.
4. To consider, select and propose appointment and remuneration of the auditor who is independent to the Company and to attend the meeting, which has no management's joining, with auditor at least once a year.
5. To consider the connected transaction or conflict of interest transaction and ensure that they are comply with the rules and regulations of the Stock Exchange and are reasonable and most beneficial to the Company.
6. To prepare the Audit Committee's report for disclosure in the annual report of the Company which such report must be signed by the Chairman of Audit Committee.
7. To conduct any other works as assigned by the Board of Directors with consent from the Audit Committee.

In year 2018, the Audit Committee of the Company has opinions regarding to the following matters:

The Accuracy and Reliability of Financial Reports

The Committee considered the auditor's report, quarterly reviewed financial statements and the annual financial statements audited by the Company's auditor and has an opinion that the Company's financial reports are accurate, complete and reliable.

The Adequacy of Internal Control System

The Committee evaluated the adequacy of the Company's internal control system including the consideration of the internal audit report and has an opinion that the Company's internal control system is adequate, appropriate and satisfactory.

The Compliance with Laws and Relevant regulations

The Committee considered the Company's operation and has an opinion that the Company complies with the Securities and Exchange Acts, the regulations of the Stock Exchange, or any laws regarding to the Company's business correctly and appropriately.

The Appropriateness of Auditor

The Committee considered the independence and appropriateness of auditor and their remuneration and has the resolution to propose to appoint

Mr. Sathien Vongsanan, CPA license no. 3495 or

Mr. Atipong Atipongsakul, CPA license no. 3500 or

Mr. Vichai Ruchitanont, CPA license no. 4054 or

Miss Kulthida Phasurakul, CPA License no. 5946* or

Miss Patcharee Siriwongsilp, CPA License no. 9037*

from ANS Audit Co., Ltd. as the auditor of the Company and subsidiaries for the year 2018 and to propose this appointment for approval to the Board of Director and the Annual General Shareholders' Meeting for year 2018.

Transaction that may cause Conflict of Interest

The Committee considered the connected transactions or transaction that may cause conflict of interest every quarter and has an opinion that the connected transactions for the year 2018 were in the ordinary business condition, reasonable and most beneficial to the Company. In addition, the Committee has not found any transaction that may cause Conflict of Interest which may materially affect the Company's financial position and operating result.

Meeting and Attendance of meeting of Audit Committee

During the year 2018, there are 8 meetings and the statistic of the attendance of meeting for each member is as follow:

| Name | Total Meeting | Attendance |
|--|---------------|------------|
| 1. Ms. Ranchana Rajatanavin, Phd. (Chairman of Audit Committee) | 8 | 7 |
| 2. Mr. Narongrit Rerkpattanapipat (Audit Committee Member) | 8 | 7 |
| 3. Mr. Vorachai Charoonprasitporn (Audit Committee Member) | 8 | 6 |

Comment or Notice from performing on duty

The Committee has not found or noticed any transaction or action that may materially affect the Company's financial position and operating result.



Ranchana Rajatanavin, Ph.D.
Chairman of Audit Committee

Connected transactions

Connected transactions in which occurred during the year 2017 and 2016

| Conflict of interest person/juristic person | Relationship | Nature of transaction | Transaction value ('000 Baht) | | Ending balance ('000 Baht) | | Necessity/Reasonableness and Audit Committees' comment |
|---|--|----------------------------------|-------------------------------|-------|----------------------------|-------------|--|
| | | | 2018 | 2017 | 31 Dec 2018 | 31 Dec 2017 | |
| Grand-flo Spritvest Sdn. Bhd. | Mr. Tan Bak Hong (Director) is a major shareholder of Grand-flo Group Companies | Sales of Hardware (A/R-trade) | 18,536 | 9,077 | 698 | 112 | Goods that the Company and a subsidiary company in Malaysia sold to Grand-flo are the hardware products which sold under normal business condition. |
| | | Purchase of Hardware (A/P-trade) | 16,995 | - | - | - | Goods that the Company and a subsidiary company in Malaysia sold to Grand-flo are the hardware products which purchased under normal business condition. |
| Grand-Flo Solution Berhad | (Mr. Tan Bak Hong resigned from Director since 15 Feb 2018) | Short-term Loan | - | - | - | 10,000 | The Company borrowed from Grand-flo group company with the limit loan amount not over Baht 20 million at interest rate of 5% per annum and payment within June 2018. |
| | | Accrued interest | - | - | - | 252 | Audit committees' comment is that this transaction deemed reasonable since it protects the benefit of the shareholders. |
| | | Interest expense | 478 | 252 | - | - | |
| Label Network Sdn, Bhd. | Mr. Tan Bak Hong is Director of Simat Label (Subsidiary) and Director of Label Network | Dividend Paid (Accrued Dividend) | - | - | 8,471 | 8,471 | Accrued dividend: Dividend paid was payment from profit in year 2016 of Simat Label. Audit committees' comment is that this transaction deemed reasonable since it protects the benefit of the shareholders. |

| Conflict of interest person/juristic person | Relationship | Nature of transaction | Transaction value ('000 Baht) | | Ending balance ('000 Baht) | | Necessity/Reasonableness and Audit Committees' comment |
|---|--|--|-------------------------------|------|----------------------------|-------------|--|
| | | | 2018 | 2017 | 31 Dec 2018 | 31 Dec 2017 | |
| Covermat Co., Ltd. | Mr. Chen Kwan Sin, Director and Shareholder of Hinsitsu (Thailand) (Subsidiary) is shareholder of Covermat | Sales of finished goods (A/R) | 8,482 | - | 3,743 | - | Goods that a subsidiary company sold to Covermat are finished goods which sold under normal business condition. Audit committees' comment is that this transaction deemed reasonable since it protects the benefit of the shareholders. |
| | | Purchase of raw materials (A/P) | 10,146 | - | 2,645 | - | Goods that a subsidiary company purchased from Covermat are raw materials which purchased under normal business condition. Audit committees' comment is that this transaction deemed reasonable since it protects the benefit of the shareholders. |
| Mr. Ling Chee Kiat | Director and shareholder of E-Tech IT (subsidiary) | Guarantee and loan from director with no interest charge | - | - | 5,589 | 5,768 | A subsidiary company in Malaysia received guarantee cash amounting Baht 5.59 million to guarantee the long outstanding debtor balance. Audit committees' comment is that this transaction deemed reasonable since it protects the benefit of the shareholders. |
| Mr. Thongkam Manasilapapan | Director | Short-term loan | - | - | - | 3,000 | The Company received financial support from loan from director at interest rate of 6% per annum. Audit committees' comment is that this transaction deemed reasonable since it protects the benefit of the shareholders. |

Remuneration Paid to Executive Management for the Year Ended December 31, 2018 and 2016 comprises of

| | Unit (Thousand Baht) | | | |
|---|----------------------|--------|-------------------|--------|
| | Consolidated | | Separated Company | |
| | 2018 | 2017 | 2018 | 2017 |
| Short-term benefit | 22,339 | 21,251 | 10,730 | 10,536 |
| Benefit when leave the Company | 333 | 345 | 220 | 165 |
| Total remuneration paid to Executive Management | 27,672 | 21,596 | 10,950 | 10,701 |

Measures or Procedures for Related Transaction Approval

The approval of related transactions shall be in accordance with the laws regarding securities and the stock exchange and regulations, notifications, orders or rules of SET. A person who may have any conflict of interest in the related transactions shall not be allowed to participate in an approval of such transactions.

However, it is necessary for the Company to sell and buy products to/from a related company, therefore, the Board of Directors has established a pricing policy for such transaction as follows:

- (1) Purchases of products from a related company shall comply with the normal trade practice with appropriate prices and conditions. However, the purchasing price shall not be higher than the price that the Company can purchase from other distributors.
- (2) Sale of products to a related company shall comply with the normal trade practice. The Company will sell products to the related company at the price equal to cost plus contribution margin which is not lower than the profit that the Company can make from selling products to other customers.
- (3) Sale of products to a related company, in case that the products are obsolete and cannot be sold to other customers, the Company shall sell such products at the market price of products similar conditions at that time. Selling of obsolete products shall be determined upon the necessity and in the interest of the Company.
- (4) Trading of goods and services between the Company and the related company, in case that there is a joint purchasing from a distributor in order to get a lower price. Such goods and services shall be traded among themselves at the cost price plus transportation cost, tax or other actual necessary expenses.

Related transactions that may occur will have similar conditions with the normal trade practice with reference to appropriate prices and market conditions. However, the Company and/or the Company group shall invite the Audit Committee and/or independent directors to comment on the price including the necessity and appropriateness of such transaction. If there is any transaction related to any person who might has a conflict of interest with the Company in the future, the Company shall perform in accordance with regulations, notifications, and/or rules of the Office of the SEC and/or the SET. The Company may invite an independent specialist or an auditor of the Company to make a comment on such transaction to supplement the Board of Directors or shareholders determination, depending on the circumstance. At all events, the Company group will disclose related transactions in the supplementary notes to the financial statement which is audited by the auditor of the Company.

Significant Financial Information

| Consolidated Balance Sheet Unit: Million Baht | 2017 | | 2016 | | 2015 | | Change | | | |
|---|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|------------|------------|
| | | | | | | | 2017/2016 | | 2016/2015 | |
| Assets | | | | | | | | | | |
| Current assets | | | | | | | | | | |
| Cash and cash equivalent | 36 | 2% | 60 | 4% | 58 | 4% | (24) | -40% | 2 | 3% |
| Trade and other debtors - net | 283 | 19% | 246 | 17% | 305 | 22% | 37 | 15% | (59) | -19% |
| Inventories - net | 92 | 6% | 154 | 10% | 73 | 5% | (62) | -40% | 81 | 111% |
| Total current assets | 411 | 28% | 460 | 31% | 436 | 32% | (49) | -11% | 24 | 6% |
| Non-current asset | | | | | | | | | | |
| Restricted deposit with financial institution | 151 | 10% | 152 | 10% | 132 | 10% | (1) | -1% | 20 | 15% |
| Investment in associate | 33 | 2% | 31 | 2% | 29 | 2% | 2 | 6% | 2 | 7% |
| Plant, property and equipment - net | 87 | 6% | 143 | 10% | 124 | 9% | (56) | -39% | 19 | 15% |
| Optical fiber network and equipment | 649 | 44% | 610 | 41% | 582 | 43% | 39 | 6% | 28 | 5% |
| Goodwill | 45 | 3% | 45 | 3% | 45 | 3% | - | 0% | - | 0% |
| Investment property | 53 | | | | | | 53 | n/a | - | n/a |
| Other non-current assets | 54 | 4% | 34 | 2% | 18 | 1% | 20 | 59% | 16 | 89% |
| Total non-current assets | 1,072 | 72% | 1,015 | 69% | 930 | 68% | 57 | 6% | 85 | 9% |
| Total assets | 1,483 | 100% | 1,475 | 100% | 1,366 | 100% | 8 | 1% | 109 | 8% |
| Liabilities and shareholder's equity | | | | | | | | | | |
| Liabilities | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| Bank over-draft and short-term loan | 277 | 19% | 267 | 18% | 190 | 14% | 10 | 4% | 77 | 41% |
| Trade and other creditors | 222 | 15% | 308 | 21% | 251 | 18% | (86) | -28% | 57 | 23% |
| Current portion of financial lease liabilities due within 1 year | 34 | 2% | 35 | 2% | 13 | 1% | (1) | -3% | 22 | 169% |
| Current portion of long-term loan due within 1 year | 54 | 4% | 60 | 4% | 35 | 3% | (6) | -10% | 25 | 71% |
| Current portion of payable for purchase of investment due within 1 year | 13 | 1% | - | 0% | 15 | 1% | 13 | n/a | (15) | n/a |
| Other current liabilities | 2 | 0% | 12 | 1% | 5 | 0% | (10) | -83% | 7 | 140% |
| Total current liabilities | 602 | 41% | 682 | 46% | 509 | 37% | (80) | -12% | 173 | 34% |
| Non-current liabilities | | | | | | | | | | |
| Financial lease liabilities - net | 28 | 2% | 27 | 2% | 17 | 1% | 1 | 4% | 10 | 59% |
| Long-term loan - net | 45 | 3% | 80 | 5% | 142 | 10% | (35) | -44% | (62) | -44% |
| Other non-current liabilities | 6 | 0% | 5 | 0% | 10 | 1% | 1 | 20% | (5) | -50% |
| Total non-current liabilities | 79 | 5% | 112 | 8% | 169 | 12% | (33) | -29% | (57) | -34% |
| Total liabilities | 681 | 46% | 794 | 54% | 678 | 50% | (113) | -14% | 116 | 17% |
| Shareholder's equity | | | | | | | | | | |
| Paid-up share capital | 437 | 29% | 396 | 27% | 394 | 29% | 41 | 10% | 2 | 1% |
| Paid-in capital in excess of par | 389 | 26% | 309 | 21% | 307 | 22% | 80 | 26% | 2 | 1% |
| Legal reserve | 15 | 1% | 15 | 1% | 15 | 1% | - | 0% | - | 0% |
| Unappropriated retained earnings | (63) | -4% | (62) | -4% | (55) | -4% | (1) | 2% | (7) | 13% |
| Other components | (9) | -1% | (10) | -1% | (7) | -1% | 1 | -10% | (3) | 43% |
| Total equity of the parent company | 769 | 52% | 648 | 44% | 654 | 48% | 121 | 19% | (6) | -1% |
| Non-controlling interests | 33 | 2% | 33 | 2% | 34 | 2% | - | 0% | (1) | -3% |
| Total shareholder's equity | 802 | 54% | 681 | 46% | 688 | 50% | 121 | 18% | (7) | -1% |
| Total liabilities and shareholder's equity | 1,483 | 100% | 1,475 | 100% | 1,366 | 100% | 8 | 1% | 109 | 8% |

| Income Statements Unit: Million Baht | 2017 | | 2016 | | 2015 | | Change | | | |
|---|---------|------|---------|------|---------|------|-----------|-------|-----------|-------|
| | | | | | | | 2017/2016 | | 2016/2015 | |
| Revenue from sales and services | 1,514 | 100% | 1,273 | 100% | 1,391 | 100% | 241 | 19% | (118) | -8% |
| Cost of sales and services | (1,248) | -82% | (1,041) | -82% | (1,232) | -89% | (207) | 20% | 191 | -16% |
| Gross profit | 266 | 18% | 232 | 18% | 159 | 11% | 34 | 15% | 73 | 46% |
| Other income | 16 | 1% | 7 | 1% | 6 | 0% | 9 | 129% | 1 | 17% |
| Selling and administrative expenses | (250) | -17% | (217) | -17% | (204) | -15% | (33) | 15% | (13) | 6% |
| Profit before financial cost and income tax | 32 | 2% | 22 | 2% | (39) | -3% | 10 | 45% | 61 | -156% |
| Financial cost | (32) | -2% | (26) | -2% | (29) | -2% | (6) | 23% | 3 | -10% |
| Share of profit from associate | 2 | 0% | 1 | 0% | 3 | 0% | 1 | 100% | 2 | -67% |
| Profit before income tax | 2 | 0% | (3) | 0% | (65) | -5% | 5 | -167% | 62 | -95% |
| Income tax | (3) | 0% | (0) | 0% | (11) | -1% | (3) | 900% | 11 | -97% |
| Net profit | (1) | 0% | (3) | 0% | (76) | -5% | 2 | -70% | 73 | -96% |
| Portion of non-controlling interest | - | 0% | (9) | -1% | (4) | 0% | 9 | -100% | (5) | 125% |
| Portion of equity holder of the Company | (1) | 0% | (12) | -1% | (80) | -6% | 11 | -92% | 68 | -85% |

| Operating result by business segment | Total Information Technologies Solution Services | Production and Sales of Label Product | Internet Broadband - Upcountry | Total Domestic | Wholesale of computer equipments in Malaysia | Total |
|---|--|---------------------------------------|--------------------------------|----------------|--|---------|
| Unit: Million baht | | | | | | |
| Year 2017 | | | | | | |
| Revenue from sales and services | 221 | 269 | 185 | 675 | 839 | 1,514 |
| Cost of sales and services | (138) | (190) | (147) | (475) | (772) | (1,247) |
| Gross profit | 83 | 79 | 38 | 200 | 67 | 267 |
| Other income | 5 | 2 | 1 | 8 | 8 | 16 |
| Selling and administrative expenses | (73) | (39) | (68) | (180) | (70) | (250) |
| Profit before financial cost and income tax | 15 | 42 | (29) | 28 | 5 | 33 |
| Financial cost | (6) | (3) | (7) | (16) | (17) | (33) |
| Share of profit from associate | 2 | - | - | 2 | - | 2 |
| Profit before income tax | 11 | 39 | (36) | 14 | (12) | 2 |
| Income tax | 1 | (4) | 1 | (2) | (1) | (3) |
| Net profit | 12 | 35 | (35) | 12 | (13) | (1) |
| Portion of equity holder of the Company | | | | | | (1) |
| Year 2016 | | | | | | |
| Revenue from sales and services | 101 | 313 | 148 | 562 | 710 | 1,272 |
| Cost of sales and services | (61) | (202) | (133) | (396) | (643) | (1,039) |
| Gross profit | 40 | 111 | 15 | 166 | 67 | 233 |
| Other income | 1 | 1 | 1 | 3 | 5 | 8 |
| Selling and administrative expenses | (64) | (33) | (64) | (161) | (57) | (218) |
| Profit before financial cost and income tax | (23) | 79 | (48) | 8 | 15 | 23 |
| Financial cost | (4) | (2) | (7) | (13) | (14) | (27) |
| Share of profit from associate | 1 | - | - | 1 | - | 1 |
| Profit before income tax | (26) | 77 | (55) | (4) | 1 | (3) |
| Income tax | 15 | (15) | - | - | (1) | (1) |
| Net profit | (11) | 62 | (55) | (4) | - | (4) |
| Portion of equity holder of the Company | | | | | | (12) |

| IT SOLUTION | 2017 | | 2016 | | 2015 | | 2014 | | CHANGE | | | |
|--------------|------|------|------|------|------|------|------|------|-----------|-------|-----------|------|
| | | | | | | | | | 2017/2016 | | 2016/2015 | |
| REVENUE | 221 | 100% | 101 | 100% | 233 | 100% | 274 | 100% | 120 | 119% | (132) | -57% |
| GROSS PROFIT | 83 | 38% | 40 | 40% | 53 | 23% | 61 | 22% | 43 | 108% | (13) | -25% |
| NET PROFIT | 12 | 5% | (11) | -11% | (25) | -11% | (12) | -4% | 23 | -209% | 14 | -56% |

| LABEL BUSINESS | 2017 | | 2016 | | 2015 | | 2014 | | CHANGE | | | |
|----------------|------|------|------|------|------|------|------|------|-----------|------|-----------|------|
| | | | | | | | | | 2017/2016 | | 2016/2015 | |
| REVENUE | 269 | 100% | 313 | 100% | 161 | 100% | 114 | 100% | (44) | -14% | 152 | 94% |
| GROSS PROFIT | 79 | 29% | 111 | 35% | 51 | 32% | 36 | 32% | (32) | -29% | 60 | 118% |
| NET PROFIT | 35 | 13% | 62 | 20% | 21 | 13% | 14 | 12% | (27) | -44% | 41 | 195% |

| BROADBAND INTERNET | 2017 | | 2016 | | 2015 | | 2014 | | CHANGE | | | |
|--------------------|------|------|------|------|------|-------|------|-------|-----------|------|-----------|-------|
| | | | | | | | | | 2017/2016 | | 2016/2015 | |
| REVENUE | 185 | 100% | 148 | 100% | 65 | 100% | 18 | 100% | 37 | 25% | 83 | 128% |
| GROSS PROFIT | 38 | 21% | 15 | 10% | (22) | -34% | (23) | -128% | 23 | 153% | 37 | -168% |
| NET PROFIT | (35) | -19% | (55) | -37% | (76) | -117% | (57) | -317% | 20 | -36% | 21 | -28% |

| WHOLESALE OF HARDWARE - MALAYSIA | 2017 | | 2016 | | 2015 | | 2014 | | CHANGE | | | |
|----------------------------------|------|------|------|------|------|------|------|------|-----------|---------|-----------|-------|
| | | | | | | | | | 2017/2016 | | 2016/2015 | |
| REVENUE | 839 | 100% | 710 | 100% | 933 | 100% | 898 | 100% | 129 | 18% | (223) | -24% |
| GROSS PROFIT | 67 | 8% | 67 | 9% | 77 | 8% | 61 | 7% | - | 0% | (10) | -13% |
| NET PROFIT | (13) | -2% | - | 0% | 4 | 0% | 4 | 0.4% | (13) | #DIV/0! | (4) | -100% |

Important financial ratios

| Significant Financial Ratio | Unit | 2017 | 2016 | 2015 | Explanation | | | | |
|---------------------------------|------|-------|--------|--------|---|----------------------------------|-----------|----------------------|-----|
| Liquidity Ratio | | | | | | | | | |
| Current Ratio | time | 0.68 | 0.67 | 0.86 | Liquidity ratio is less than 1 time which represents the short-term of liquidity problem as current asset is less than current liability. However, the Company has plan to raise fund by offering and issuing new shares to existing shareholders (Right Offering) to enhance the short-term working capital and liquidity. | | | | |
| Assets Utilization Ratio | | | | | | | | | |
| Accounts Receivable Turnover | time | 6.65 | 5.12 | 4.79 | Accounts receivable, accounts payable and inventory turnover were faster than prior year. At end of year 2015, there is a lot of hardwares purchase at the end of the year which belongs to the sale and implement ERP system project with GHB. However, there is no big lot purchase for this year and the revenue and cost of sale for this project has been recognized in year 2017. | | | | |
| Average Collection Period | day | 55 | 71 | 76 | | | | | |
| Inventory Turnover | time | 10.15 | 9.17 | 12.70 | | | | | |
| Average Sales Period | day | 36 | 40 | 29 | | | | | |
| Accounts Payable Turnover | time | 6.92 | 5.87 | 6.47 | | | | | |
| Average Payment Period | day | 53 | 62 | 56 | | | | | |
| Leverage Ratio | | | | | | | | | |
| Time Interest Earned | time | 1.00 | 0.85 | (1.34) | The ability to pay interest improves as the profitability increases as the IT solution business and the broadband internet business have operating loss less than prior year. Moreover, the profit of label business of a subsidiary continuously positive. The debt to equity ratio improves from prior year. | | | | |
| Debt to Equity | time | 0.85 | 1.17 | 0.99 | | | | | |
| Profitability Ratio | | | | | | | | | |
| Gross Profit Margin | % | 18% | 18% | 11% | The ability to generate profit is close to the prior year but there is an internal change by business segment below: (Million Baht) | | | | |
| Net Profit Margin | % | 0% | 0% | -5% | | Year 2017 | Year 2016 | Change in Net Profit | |
| Return on Assets | % | 0% | 0% | -6% | | IT Solution | +12 | -11 | +23 |
| Return on Equity | % | 0% | -2% | -12% | | Label Printing | +35 | +62 | -27 |
| Basic earnings per share | Baht | - | (0.03) | (0.21) | | Broadband | -35 | -55 | +20 |
| | | | | | | Wholesale of hardware - Malaysia | -13 | - | -13 |
| Total | | | | | | | -1 | -3 | +2 |

Management Discussion and Analysis

Economic Overview

In 2018, Thai GDP grew at 4.1% attributed to private consumption and investment. For the private consumption side, we believe that the end of 5 yrs constraint for holding the first car policy impact the consumption significantly. In line with the increasing in non agricultural household income and income distribution. Additionally, consumer confidence index, additional support policy from government and some industrial sector migration push a positive impact to the overall picture despite to some delay in the projects. Export increased in a diminishing rate in line with the growth in our trade party and reflected to the impact from trade war between China and America ,moreover, declining cycle in electronic product.

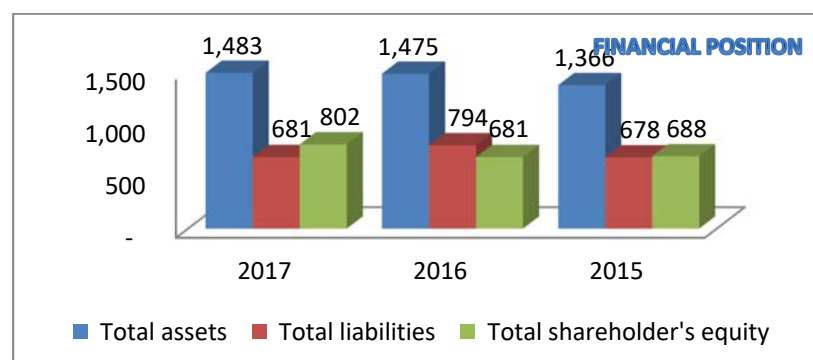
Furthermore, some of the export product directly and indirectly confront with trade barrier policy such as washing machine , solar cell and circuit however some sector had a positive impact from changing order to Thailand such as home appliances and tire. For the service sector side, the declined in Chinese tourists due to ship capsized in Phuket impacted the declined in service sector overall but the rest of tourist are on their good condition.

In 2019, the GDP growth trend to grow in a decreasing rate but yet still in line with its potential. Despite of the volatile in export due to trade war between China and America, the domestic consumption still growing both private and government sector. Inflation will declined due to the decrease in oil price.

(Source: Bank of Thailand)

Overview of the Company's Financial Position and Operating result

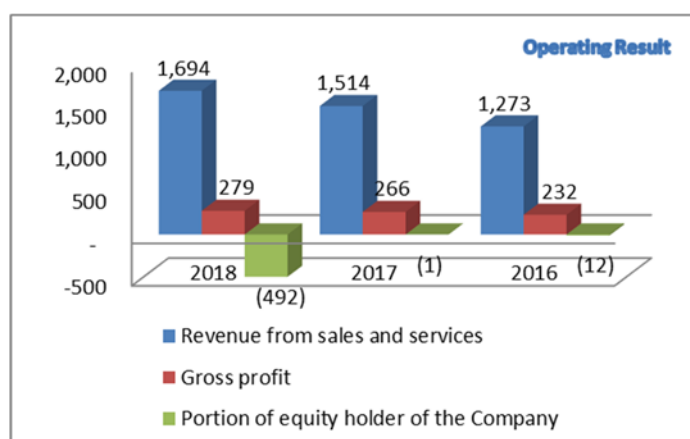
Financial Position



- Total assets as at 31 December 2018 decreased from prior year about Baht 80 million or 5% due to the followings:
 - Increase of trade accounts receivable in Malaysia approx. 80 MB since accounts receivable in Government projects obtained more long time for debt collection from selling computer equipment to Education Ministry of Malaysia.
 - Increase of assets from acquisition of Silk Screen printing business approx. 200 MB.
 - Increase of goodwill at 126 MB from acquisition of silk screen printing business.
 - Decreased of equipment for optical fiber network from provision of impairment of assets at 480 MB.
- Total liabilities as at 31 December 2018 increased approx. 154 MB or 23% from prior year due to the followings:
 - Increase of long-term loan from loan for acquisition of Silk Screen printing business approx. 200 MB. The said loan was outstanding at 177 MB at the end of year 2018.
- Total shareholder's equity as at 31 December 2018 decreased approx. 234 MB or 29% from prior year mainly due to:-
 - Decrease of net loss for the year at 477 MB impacted from loss from impairment of equipment for optical fiber network at 480 MB.
 - Increase from minor shareholders' equity of Silk Screen printing business acquired by the Company at 66 MB.
 - Increase from capital increased to existing shareholders in accordance with proportion and conversion of debentures at 177 MB.
 -

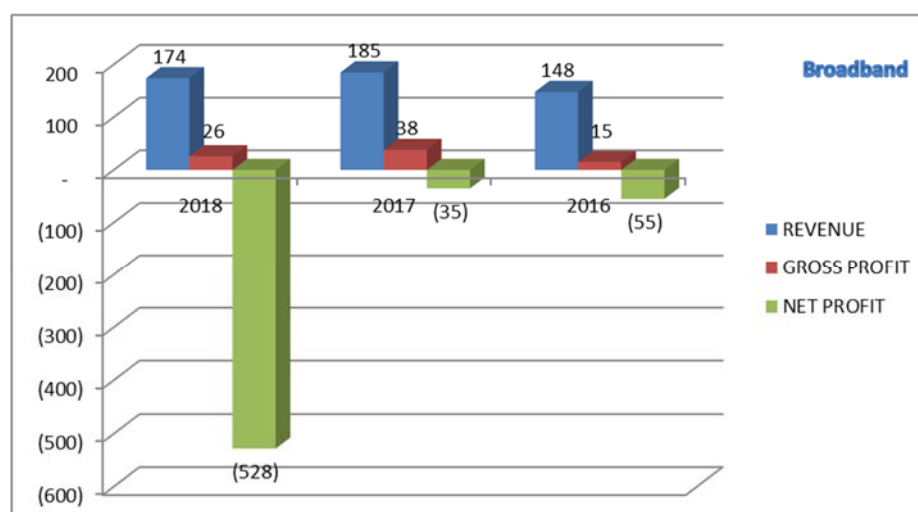
Operating Result

| Jan - Dec 2018 12-months | Thailand | | | | | MaLaysia | Total |
|--|-------------|-------------------|------------------------|-----------------------|-----------------------|--------------------------|-------------|
| | IT Solution | Label Printing | Silkscreen Printing | Government Project | Internet Broadband | Wholesale of computer | |
| Revenues | 112,484 | 256,093 | 188,547 | - | 174,116 | 962,744 | 1,693,985 |
| Cost of sales and services | (80,750) | (180,655) | (117,501) | - | (148,311) | (887,430) | (1,414,647) |
| Gross profit (loss) | 31,735 | 75,437 | 71,045 | - | 25,806 | 75,315 | 279,338 |
| Gain (loss) on exchange rate | (105) | 234 | 46 | - | - | - | 175 |
| Gain on sale of investment | 18,188 | - | - | - | - | - | 18,188 |
| Other income | (1,825) | 1,566 | 1,889 | - | 675 | 12,809 | 15,114 |
| Selling expenses | (10,874) | (9,144) | (1,642) | (309) | (23,271) | (7,161) | (52,400) |
| Administrative expense | (42,145) | (31,100) | (29,552) | (5,890) | (44,632) | (59,530) | (212,849) |
| Loss on impairment of assets | - | - | - | - | (480,000) | - | (480,000) |
| Finance cost | (433) | (3,141) | (5,317) | - | (7,683) | (16,373) | (32,948) |
| Profit sharing from associate | 696 | - | - | - | - | - | 696 |
| Profit (loss) before income tax | (4,763) | 33,852 | 36,470 | (6,199) | (529,106) | 5,060 | (464,687) |
| Income tax | (806) | (5,561) | (4,110) | - | 833 | (1,967) | (11,610) |
| Net profit (loss) | (5,569) | 28,292 | 32,359 | (6,199) | (528,273) | 3,093 | (476,297) |
| Profit (loss) attributable to | | | | | | | |
| Equity holders of the Company | | | | | | | (492,522) |
| Non-controlling interests | | | | | | | 16,225 |
| | | | | | | | (476,297) |
| <p>Remark 1: Silkscreen printing business is Hinsitsu (Thailand) which is just acquired by the Company on 31 May 2018 and the Company recognized revenue and profit since 1 June 2018.</p> <p>2: Government project, the Company just won the bidding of the project of internet service to remote area - Zone Northeast 2 on 13 December 2018 and has signed the contract with NBTC on 30 January 2019. The project value is THB 2,248 million with the term of 6 years and the Company will recognize revenue since Quarter 1 year 2019 onward</p> | | | | | | | |
| Jan - Dec 2017 12-months | Thailand | | | | | MaLaysia | Total |
| | IT Solution | Label Printing | Silkscreen Printing | Government Project | Internet Broadband | Wholesale of computer | |
| Revenues | 221,488 | 268,880 | - | - | 184,778 | 839,212 | 1,514,358 |
| Cost of sales and services | (138,215) | (189,839) | - | - | (147,811) | (772,034) | (1,247,899) |
| Gross profit (loss) | 83,273 | 79,041 | - | - | 36,967 | 67,178 | 266,459 |
| Gain (loss) on exchange rate | 134 | 1,479 | - | - | - | - | 1,613 |
| Gain on sale of investment | - | - | - | - | - | - | - |
| Other income | 4,587 | 991 | - | - | 1,033 | 8,335 | 14,946 |
| Selling expenses | (10,439) | (9,797) | - | - | (24,394) | (8,867) | (53,497) |
| Administrative expense | (62,696) | (29,544) | - | - | (43,763) | (61,006) | (197,009) |
| Loss on impairment of assets | - | - | - | - | - | - | - |
| Finance cost | (5,602) | (2,617) | - | - | (6,839) | (16,776) | (31,834) |
| Profit sharing from associate | 1,697 | - | - | - | - | - | 1,697 |
| Profit (loss) before income tax | 10,955 | 39,553 | - | - | (36,997) | (11,136) | 2,375 |
| Income tax | 1,245 | (4,394) | - | - | 1,288 | (1,425) | (3,286) |
| Net profit (loss) | 12,199 | 35,159 | - | - | (35,708) | (12,561) | (911) |
| Profit (loss) attributable to | | | | | | | |
| Equity holders of the Company | | | | | | | (851) |
| Non-controlling interests | | | | | | | (60) |
| | | | | | | | (911) |



Summary

The consolidated net loss (portion of the parent company) for the year 2018 was Baht 492.52 million while last year there was a net loss of Baht 0.85 million. The significant change came from the provision for impairment of the internet network for consumer market about Baht 480 million. The change of the operating performance of each business is as below.



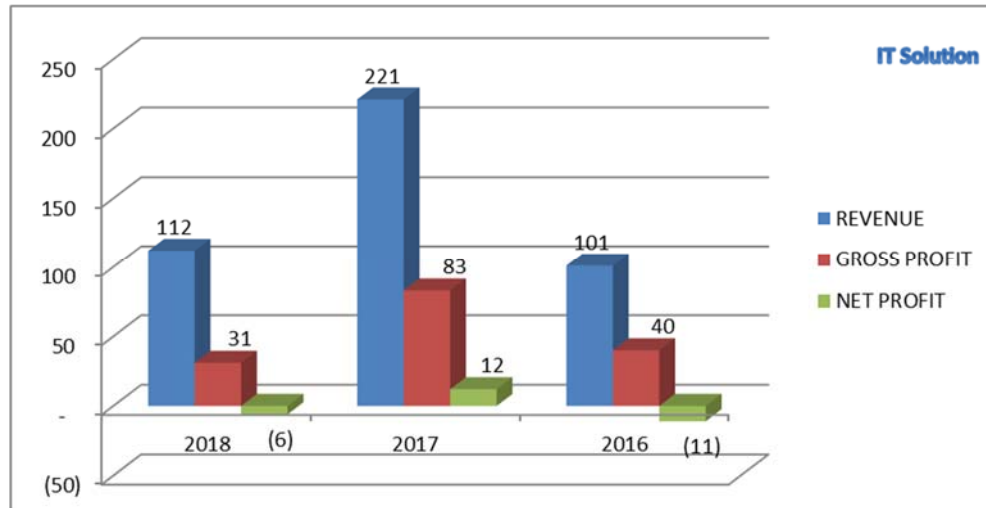
- Broadband business had net loss for the year 2018 of Baht 528 million which loss increased from prior year due to the provision for impairment of the internet network for consumer market about Baht 480 million and the internet revenue decreased 6% from prior year. With exclusion of provision for impairment, the net loss for the year 2018 was about Baht 48 million which include the depreciation expense of Baht 54 million therefore the operating profit before depreciation was Baht 6 million. While the net loss for the year 2017 was Baht 36 million which include the depreciation expense of Baht 48 million therefore the operating profit before depreciation was Baht 12 million.

The provision for impairment of the internet network for consumer market

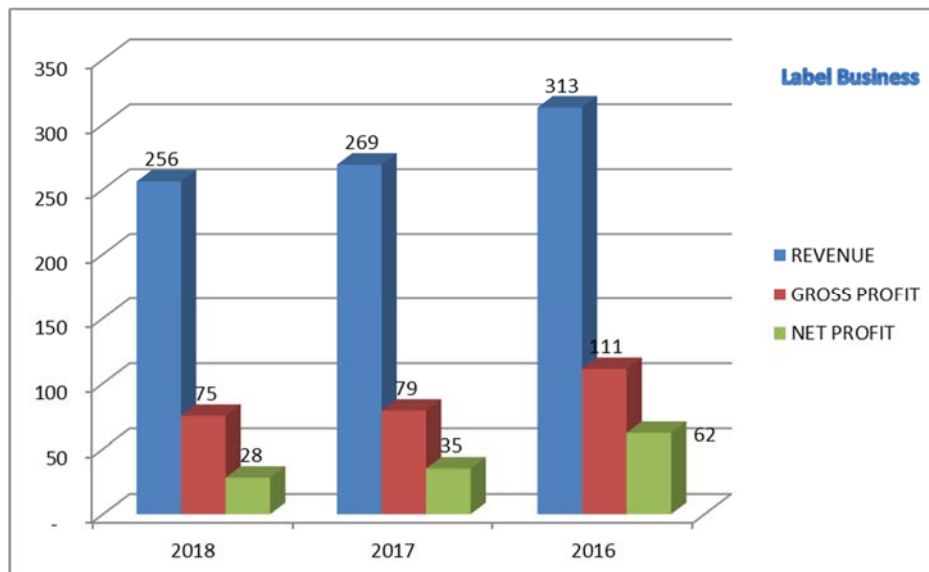
- The reason to provide the provision for impairment of the internet network for consumer market for Baht 480 million because the Broadband consumer market has intense competition and the demand declined with the risk of technological change. In addition, the downward trend of monthly internet revenue and the average package price is coincide with the Company's business plan to reduce the size of broadband business for consumer market with the policy of no investment of this business segment since year 2019. To reduce the number of staffs and retain the optimum number of staff to accommodate the retention of the existing customers. Some of staffs will be transferred to work in the new business, the government project. The business downsizing was applied for broadband

consumer market only and the Company still expand business for broadband business market which has long-term contract with repetitive fixed income.

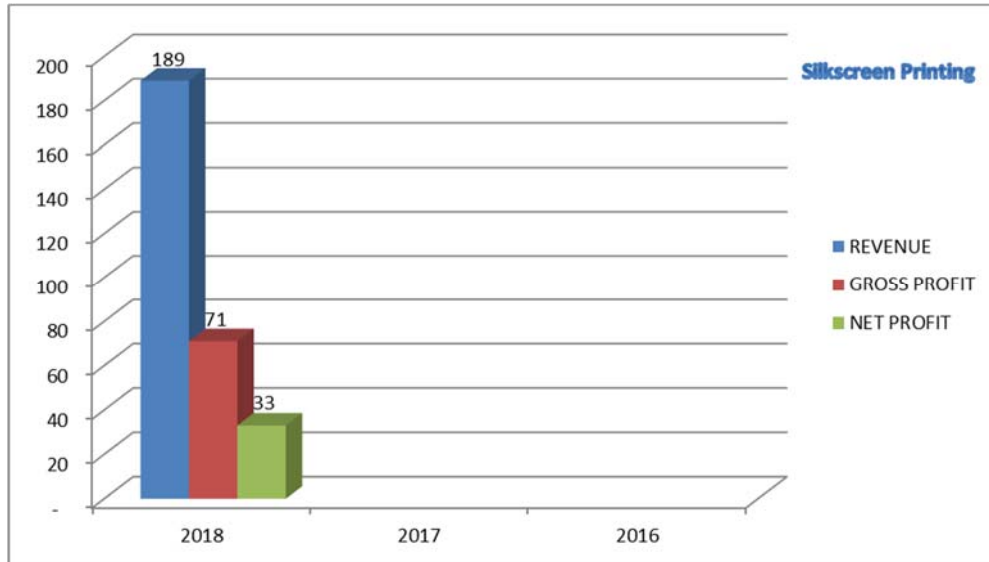
- The net book value of the internet network before provision of impairment is Baht 630 million with the recognition of depreciation expense for the year 2018 of Baht 54 million. After provision for impairment, the net book value will reduce to Baht 150 million and the new depreciation expense to be recognized in the future will reduce about 80% of the old depreciation. This will help improve the operating performance as the burden of depreciation relieved. - In 2019, the Company shall transfer the staff and downsize the business as planned.



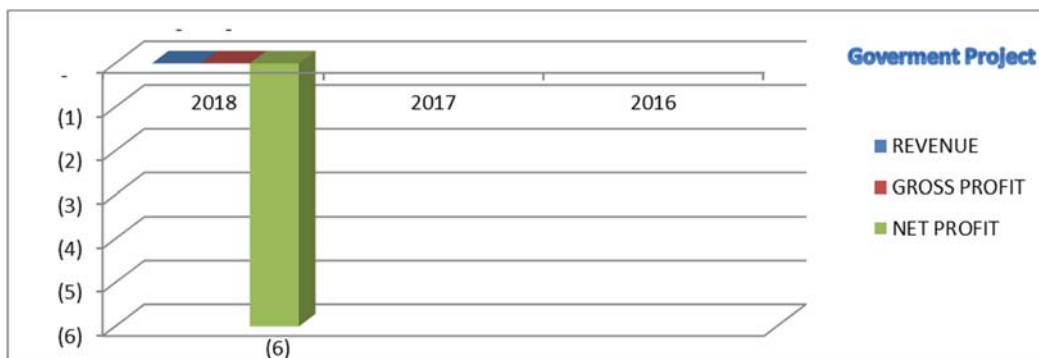
- IT Solution Business had net loss of Baht 5.56 million. The revenue and profit decreased significantly due to, last year, there was the revenue and profit recognition of the sale & implementation of ERP for Government Housing Bank (GHB) while, this year, there is no government project as last year although there was a gain on sale of investment of a subsidiary for Baht 18 million. In this year, the Company shall focus more on the installation and hardware maintenance service and focus more on expanding business with government project.



- Label Printing Business had net profit of Baht 28 million. Net profit decreased 20% as revenue decreased 5%. Revenue decreased as the manufacturing of precision stamping for smartphone had less purchase orders.

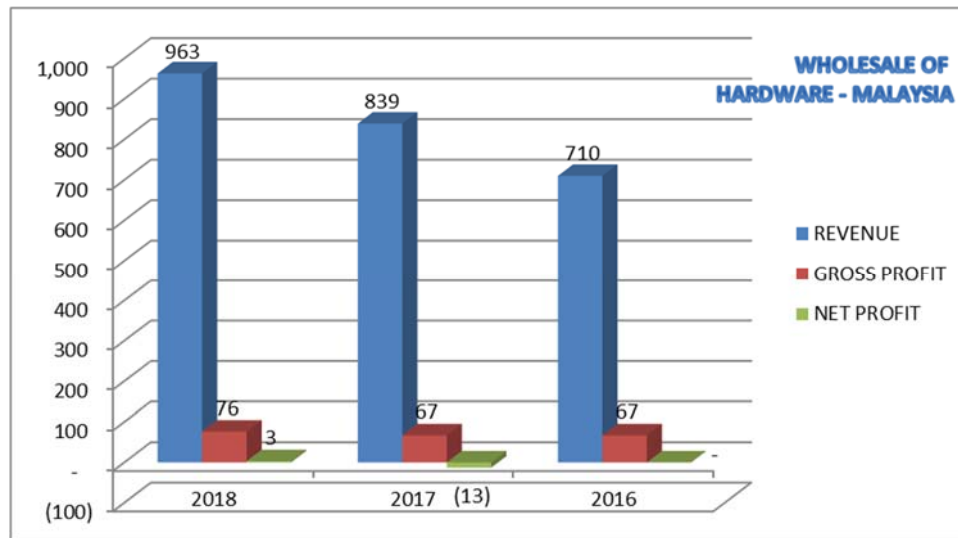


- Silk Screen Printing business is the new business which the Company acquired since June 2018, recognized 7 month profit of Baht 32 million which the company holds 70% shareholding therefore recognized profit of Baht 22 million to the parent company. This business normally generates revenue more than Baht 300 million a year with the satisfied profit margin.



- Government project is the new business which the Company just won the bidding of the project of internet service to remote area - Zone Northeast 2 on 13 December 2018 and has signed the contract with NBTC on 30 January 2019¹. The project value is THB 2,248 million with the term of 6 years and the Company will recognize revenue since Quarter 1 year 2019 onward. During the bidding process in

Quarter 4 of year 2018, the Company has incurred the financing cost, administrative expenses and bank guarantee fee of Baht 6 million for bidding the project of internet service to remote area for 2 contracts.



- Wholesale of computer hardware in Malaysia had the revenue and net profit improved a lot as the increase in numbers of sale from the delivery of big lots of hardware to Ministry of Education of Malaysia. However, in Quarter 4 of year 2018, there were provision for bad debt expense of Baht 5 million and provision for decline in value of inventories of Baht 4 million.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Independent Auditor's Report

To the Shareholders and the Board of Directors of Simat Technologies Public Company Limited

Qualified Opinion

I have audited the consolidated and separate financial statements of Simat Technologies Public Company Limited and its subsidiaries, and of Simat Technologies Public Company Limited, respectively, which comprise the consolidated and separate statements of financial position as at December 31, 2018, the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects to the consolidated financial statements of the matter as mentioned in Basis for Qualified Opinion section, the accompanying consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial position of the Simat Technologies Public Company Limited and its subsidiaries, and of Simat Technologies Public Company Limited, respectively, as at December 31, 2018, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Qualified Opinion

1. As described in Note 4 to the Financial Statements, I was unable to conduct my audit regarding the fair value appraisal of the identifiable assets acquired and liabilities assumed from the acquisition of a new subsidiary. At the reporting date, the Company was examining the valuation of the subsidiary from independent appraisers and to appraise the fair value of the identifiable assets acquired and liabilities assumed; and the allocation of acquisition-date fair value. However, the Company provisionally estimated the fair values of the consideration received from the acquired businesses; measured components of non-controlling interests at fair value by considering the information from an independent financial advisor's report; appropriately considered the current situation and then recorded the difference between the purchase price and the value of consideration received in the account "Goodwill" amounting to Baht 125.98 million. Consequently, if I were able to conduct my audit regarding the fair value of the consideration received

from the acquired businesses, I may have noted some evidence to indicate that adjustments to the consolidated financial information were necessary.

2. I was unable to conduct my audit regarding the operating results for the year ended December 31, 2018 of the new subsidiary from acquisition business, because the subsidiary is still in the process of preparation unit cost of inventory as at May 31, 2018 (acquisition date) amounted Baht 19.83 million, and as at December 31, 2018, amounted Baht 19.94 million. In addition, I have not yet received the confirmation reply from certain suppliers to ensure the appropriateness of the accounts payable balance as at May 31, 2018 and December 31, 2018 of Baht 3.38 million and Baht 5.24 million respectively. I could not satisfy myself by means of the other audit procedures for these transactions. Therefore, I am unable to identify whether there is any necessary adjustment. The net profit of the said subsidiary included in the consolidated financial statements for the year 2018 amounted Baht 37.68 million.
3. According to Note to Financial Statements No.10, the Company's consolidated financial statements as at December 31, 2018, and for the year then ended, included an investment in an associate company, accounted for according to the equity method, amounting to Baht 33.25 million, and share of profits from such company amounted to Baht 0.70 million. The Company recorded the investment and share of profits from such investment based on financial statements prepared by the management of an associate company, which is still under the audit process by the associate company's auditor. However, I could not satisfy myself by means of the other audit procedures for this transaction. Therefore, I am unable to identify whether there is any necessary adjustment.

I conducted my audit in accordance with Thai Standards on auditing (TSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters, except with respect to the matter as mentioned in Basis for Qualified Opinion section.

Carrying amounts of fiber optic equipment**Risk**

According to Note to Financial Statements No.16, the Company invested in fiber optic network equipment at a net book value of Baht 176 million as at December 31, 2018. The Company started a broadband internet service via the fiber optic network equipment in late 2013. Currently, the Company has not reached a breakeven point with the broadband internet service. The carrying amount of the equipment depends on the future economic benefits from the Company's operations. Determination of the net realizable value of the equipment requires significant judgment by Management.

Auditor's response

I inquired with Management to obtain an understanding of the Company's policy to determine the allowance for impairment of the fiber optic network equipment. I also considered the appropriateness of the allowance for impairment of the fiber optic network equipment by verifying Management's cash flow projection. Such verification of the cash flow projection included an assessment of the appropriateness of significant assumptions made by Management, such as customer growth rates, internet service rates, other expense projections, and the discount rate.

Valuation of goodwill**Risk**

According to Note to Financial Statements No.11, as of December 31, 2018, the Group Company had goodwill, exceeding the fair value of the identifiable net assets of a subsidiary acquired by the Company of Baht 45 million in the consolidated financial statements. Evaluation of the impairment of goodwill requires significant judgment by Management.

Auditor's response

I assessed the appropriateness of the goodwill's net book value by considering the cash flow projection prepared by Management of the subsidiary. I assessed the reasonableness of subsidiary management's significant assumptions by comparing the growth rate of the revenues and expenses with the current and historical data, and by comparing the discount rate with the subsidiary's weighted average cost of capital.

Allowance for doubtful accounts**Risk**

According to Note to Financial Statements No.6, a subsidiary in Malaysia had a net balance of trade receivables, as at December 31, 2018, of RM 27.55 million (equivalent to Baht 212 million) that comprised a balance of trade receivables for more than 1 year in the amount of RM 6.05 million (equivalent to Baht 46.07 million). Management of the subsidiary provided an allowance for doubtful accounts based on the age of the receivables and historical data about their respective payments in order to reflect its recoverable amounts. The allowance for the doubtful accounts requires significant judgment by the subsidiary's management.

Auditor's response

I reviewed the working papers prepared by the auditor of the subsidiary in Malaysia (the component auditor). The component auditor tested the appropriateness of aging reports prepared by the subsidiary's management. The component auditor then checked the recoverability of outstanding receivables through examination of subsequent cash collections. In addition, I inquired with the component auditor to obtain an understanding of the nature of the accounts receivable and to consider the appropriateness of the subsidiary's policy for the allowance for doubtful accounts based on the age of each account receivable as per the aging report. I then considered the appropriateness of the supporting evidence used to determine accounts receivable as being overdue for more than 1 year and their future collectability.

Deferred tax assets**Risk**

According to Note to Financial Statements No. 17, the Company has deferred tax assets from tax losses in the amount of Baht 15 million. The utilization of deferred tax assets is based on the future results of operations and its tax planning. This requires significant judgment by Management.

Auditor's response

I verified net realizable value of the deferred tax assets by assessing the appropriateness of the forecasted pre-tax profit used for the planned utilization of deferred tax assets based on review of the significant assumptions used by Management for its forecast of its pre-tax profit. I also compared the forecasted revenue growth rate and the change in forecasted expenses with the current and historical data. Then, I tested the computation of the deferred tax assets.

Emphasis of matter

According to Note to Financial Statements No.16

On February 22, 2013, the Company cancelled a service contract with CAT Telecom Public Company Limited ("CAT") for the rental of optical fiber cable network equipment in Nakorn Ratchasima and Chiang Mai provinces. As a result, the Company is now a service provider instead of a lessor. In addition, as discussed in Note to Financial Statements No 38, the Company filed a lawsuit against CAT.

My opinion is not express qualified opinion with respect to this matter.

Other

The accompanying consolidated and separate statements of Simat Technologies Public Company Limited and its subsidiaries, and of Simat Technologies Public Company Limited, respectively, as at December 31, 2017, which have been presented herewith for comparative purposes were audited by another auditor of our firm, whose report dated February 26, 2018, expressed a qualified opinion related to investments in an associated company.

Other information

Management is responsible for the other information. The other information comprises the information include in Annual Report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The Annual Report for the year is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the Annual Report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement

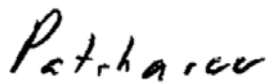
resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Patcharee Siriwongsin

Certified Public Accountant Registration Number 9037

ANS Audit Company Limited

Bangkok, March 1, 2019

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

| | | Unit: Thousands Baht | | | | |
|---------------------------|---|----------------------|------------------|------------------|----------------|----------------|
| | | CONSOLIDATED F/S | | SEPARATE F/S | | |
| | | DECEMBER | DECEMBER | DECEMBER | DECEMBER | |
| Notes | | 31, 2018 | 31, 2017 | 31, 2018 | 31, 2017 | |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| | Cash and cash equivalents | 5 | 72,343 | 35,613 | 6,503 | 18,695 |
| | Trade and other current receivables - net | 6,7 | 394,986 | 282,966 | 62,080 | 96,840 |
| | Short-term loan to related company | 7 | - | - | - | 896 |
| | Inventories - net | 8 | 150,466 | 92,499 | 17,817 | 20,011 |
| | Total Current Assets | | 617,795 | 411,078 | 86,400 | 136,442 |
| NON-CURRENT ASSETS | | | | | | |
| | Restricted deposits with banks | 9,20 | 149,790 | 151,124 | 49,545 | 25,750 |
| | Investments in associated company | 10 | 33,254 | 32,557 | 21,274 | 21,274 |
| | Investments in subsidiary companies - net | 4,11 | - | - | 376,955 | 96,955 |
| | Investment property - net | 12 | 50,679 | 53,439 | - | - |
| | Property and equipment - net | 13 | 135,566 | 85,812 | 13,390 | 15,562 |
| | Equipment and computer software | | | | | |
| | for lease - net | 14 | 1 | 1 | 1 | 1 |
| | Software development cost for sales - net | 15 | 1,647 | 1,374 | 511 | 123 |
| | Fiber optic network equipment - net | 16 | 175,999 | 649,128 | 175,999 | 649,128 |
| | Goodwill | 4 | 170,675 | 44,693 | - | - |
| | Deferred tax assets | 17 | 24,079 | 22,675 | 21,020 | 21,230 |
| | Deposits | | 8,957 | 10,636 | 8,957 | 10,331 |
| | Prepayment - maintenance project | | 14,081 | 13,069 | 14,081 | 13,069 |
| | Prepayment - fixed assets | | 3,651 | - | 3,651 | - |
| | Other non-current assets | | 16,811 | 7,793 | 9,617 | 6,796 |
| | Total Non-Current Assets | | 785,190 | 1,072,301 | 695,001 | 860,219 |
| | TOTAL ASSETS | | 1,402,985 | 1,483,379 | 781,401 | 996,661 |

The accompanying notes form an integral part of these financial statements.

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

| | | Unit: Thousands Baht | | | | |
|---|---|----------------------|----------------|----------------|----------------|----------------|
| | | CONSOLIDATED F/S | | SEPARATE F/S | | |
| | | DECEMBER | DECEMBER | DECEMBER | DECEMBER | |
| Notes | | 31, 2018 | 31, 2017 | 31, 2018 | 31, 2017 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| | Bank overdraft and short-term loan from | | | | | |
| | financial institutions | 18 | 213,245 | 242,441 | 19,166 | 41,318 |
| | Trade and other current payables | 7,19 | 297,299 | 221,947 | 72,128 | 87,429 |
| | Current portion of liabilities under | | | | | |
| | financial lease and hire purchase agreements | 21 | 32,004 | 33,662 | 23,819 | 24,355 |
| | Current portion of long-term loan from | | | | | |
| | financial institutions | 22 | 47,520 | 53,951 | 45,889 | 52,347 |
| | Short-term loans from a company and other persons | 23 | 10,000 | 35,000 | 10,000 | 35,000 |
| | Short-term loan from related companies and director | 7 | - | 13,000 | 113,320 | 32,800 |
| | Accrued income tax | | 8,328 | 2,032 | - | - |
| | Total Current Liabilities | | 608,396 | 602,033 | 284,322 | 273,249 |
| NON-CURRENT LIABILITIES | | | | | | |
| | Liabilities under financial lease and hire purchase | | | | | |
| | agreements - net | 21 | 22,748 | 28,462 | 12,288 | 21,262 |
| | Long-term loan from financial institutions- net | 22 | 174,603 | 45,227 | 136,667 | 4,370 |
| | Deferred tax liabilities | 17 | 1,178 | 770 | - | - |
| | Convertible debentures | 24 | 17,500 | - | 17,500 | - |
| | Non-current provisions for employee benefits | 25 | 10,219 | 5,110 | 2,566 | 2,808 |
| | Total Non-Current Liabilities | | 226,248 | 79,569 | 169,021 | 28,440 |
| | TOTAL LIABILITIES | | 834,644 | 681,602 | 453,343 | 301,689 |

The accompanying notes form an integral part of these financial statements.

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

| | | Unit: Thousands Baht | | | |
|--|----|----------------------|-----------|--------------|-----------|
| | | CONSOLIDATED F/S | | SEPARATE F/S | |
| | | DECEMBER | DECEMBER | DECEMBER | DECEMBER |
| Notes | | 31, 2018 | 31, 2017 | 31, 2018 | 31, 2017 |
| LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED) | | | | | |
| SHAREHOLDERS EQUITY | | | | | |
| Share capital | 26 | | | | |
| Registered | | | | | |
| Common shares 816,618,970 shares of Baht 1 each | | 816,619 | 516,551 | 816,619 | 516,551 |
| | | | | | |
| (December 31, 2017, Common shares 516,550,596 shares of Baht 1 each) | | | | | |
| Issued and fully paid-up | | | | | |
| Common shares 525,513,051 shares of Baht 1 each | | 525,513 | 436,924 | 525,513 | 436,924 |
| | | | | | |
| (December 31, 2017, Common shares 436,924,252 shares of Baht 1 each) | | | | | |
| Paid in capital in excess of par value | | 477,262 | 389,289 | 477,262 | 389,289 |
| Reserve for share-based payments | 37 | 3,121 | 2,235 | 3,121 | 2,235 |
| Discount on capital from change in proportion of investment in subsidiary company | | (2,314) | (2,314) | - | - |
| Retained earnings | | | | | |
| Appropriated | | | | | |
| Legal reserve | 27 | 15,141 | 15,141 | 15,141 | 15,141 |
| Unappropriated | | (554,754) | (63,182) | (692,979) | (148,617) |
| Other components of equity | | | | | |
| Currency translation differences | | (10,259) | (9,334) | - | - |
| Total equity of the parent company | | 453,710 | 768,759 | 328,058 | 694,972 |
| Non-controlling interests | 11 | 114,631 | 33,018 | - | - |
| TOTAL SHAREHOLDERS EQUITY | | 568,341 | 801,777 | 328,058 | 694,972 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 1,402,985 | 1,483,379 | 781,401 | 996,661 |

The accompanying notes form an integral part of these financial statements.

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2018

| Unit: Thousands Baht | | | | | |
|---|-------|------------------|--------------|------------------|-----------------|
| | Notes | CONSOLIDATED F/S | | SEPARATE F/S | |
| | | 2018 | 2017 | 2018 | 2017 |
| Revenues from sales and services | | 1,693,984 | 1,514,358 | 282,366 | 399,703 |
| Cost of sales and services | 25 | (1,414,646) | (1,247,899) | (226,970) | (286,111) |
| Gross profit | | 279,338 | 266,459 | 55,396 | 113,592 |
| Gain (loss) on exchange rate - net | | 175 | 1,613 | (104) | 137 |
| Other income | | 15,114 | 14,946 | 4,167 | 9,329 |
| Gain on sale of investment | 11 | 18,188 | - | 17,000 | - |
| Selling expenses | 25 | (52,400) | (53,497) | (34,407) | (34,363) |
| Administrative expenses | 25 | (212,850) | (197,009) | (91,633) | (106,730) |
| Finance cost | | (32,949) | (31,834) | (15,759) | (12,834) |
| Revenues from sales and services | 16 | (480,000) | - | (480,000) | - |
| Equity in net profit of associated company | 10 | 697 | 1,697 | - | - |
| Profit (loss) before income tax | | (464,687) | 2,375 | (545,340) | (30,869) |
| Income tax benefit (expense) | 17,33 | (11,610) | (3,286) | 27 | 2,533 |
| LOSS FOR THE YEARS | | (476,297) | (911) | (545,313) | (28,336) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS | | | | | |
| Foreign currency translation differences | | (1,545) | 172 | - | - |
| ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS | | | | | |
| Gain on remeasurements of defined benefit plans | | 1,188 | - | 1,188 | - |
| Income tax relating to components of other comprehensive | | | | | |
| income on gain on remeasurements of defined benefit plans | | (237) | - | (237) | - |
| OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEARS | | (594) | 172 | 951 | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEARS | | (476,891) | (739) | (544,362) | (28,336) |
| Income (loss) attributable to : | | | | | |
| Equity holders of the Company | | (492,523) | (851) | (545,313) | (28,336) |
| Non-controlling interests | 11 | 16,226 | (60) | - | - |
| | | (476,297) | (911) | (545,313) | (28,336) |

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2018

| | | Unit: Thousands Baht | | | |
|-------|---|----------------------|----------------|------------------|-----------------|
| | | CONSOLIDATED F/S | | SEPARATE F/S | |
| Notes | | 2018 | 2017 | 2018 | 2017 |
| | Total comprehensive income (loss) attributable to : | | | | |
| | Equity holders of the Company | (492,497) | (749) | (544,362) | (28,336) |
| | Non-controlling interests | 15,606 | 10 | - | - |
| | | <u>(476,891)</u> | <u>(739)</u> | <u>(544,362)</u> | <u>(28,336)</u> |
| | EARNINGS (LOSS) PER SHARE : | | | | |
| | | | | | 29 |
| | Basic earnings (loss) per share (Baht) | (1.01) | (0.002) | (1.12) | (0.07) |
| | Diluted earnings (loss) per share (Baht) | <u>(1.01)</u> | <u>(0.002)</u> | <u>(1.12)</u> | <u>(0.07)</u> |

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

| Unit: Thousands Baht | | | | | | | | | | | | | |
|--|-----------------------|----------------------------------|---------------------------------|---|---------------|------------------------------|--------------|---------------------------------|---|----------------------------------|------------------------------------|---------------------------|-------|
| CONSOLIDATED F/S | | | | | | | | | | | | | |
| Equity attributable to equity holders of the Company | | | | | | | | | | | | | |
| Notes | Paid-up share capital | Paid-in capital in excess of par | Reserve for share-based payment | Discount on capital from change in proportion of investment in subsidiary company | Legal reserve | Retained earnings (deficits) | | Other components of equity | | | Total equity of the parent company | Non-controlling interests | Total |
| | | | | | | Unappropriated | Appropriated | Translating financial statement | Gain on remeasurements of defined benefit plans | Total Other components of equity | | | |
| Balance as at December 31, 2017 | 436,924 | 389,289 | 2,235 | (2,314) | 15,141 | (63,182) | (9,334) | - | (9,334) | 768,759 | 33,018 | 801,777 | |
| Changes in equity for the year : | | | | | | | | | | | | | |
| Reserve for share-based payment | 37 | - | 886 | - | - | - | - | - | - | 886 | - | 886 | |
| Common share subscription | 26 | 87,385 | 86,677 | - | - | - | - | - | - | 174,062 | - | 174,062 | |
| Acquisition of subsidiary | 4 | - | - | - | - | - | - | - | - | - | 66,007 | 66,007 | |
| Issue of shares capital on exercise of convertible debenture | 24 | 1,204 | 1,296 | - | - | - | - | - | - | 2,500 | - | 2,500 | |
| Transfer to retained earnings (deficit) | | - | - | - | - | 951 | - | (951) | (951) | - | - | - | |
| Total comprehensive profit (loss) for the year | | - | - | - | - | (492,523) | (925) | 951 | 26 | (492,497) | 15,606 | (476,891) | |
| Balance as at December 31, 2018 | 525,513 | 477,262 | 3,121 | (2,314) | 15,141 | (554,754) | (10,259) | - | (10,259) | 453,710 | 114,631 | 568,341 | |
| Balance as at December 31, 2016 | 395,742 | 308,863 | 2,228 | (2,314) | 15,141 | (62,331) | (9,436) | - | (9,436) | 647,893 | 33,008 | 680,901 | |
| Changes in equity for the year : | | | | | | | | | | | | | |
| Increase in capital | 26 | 39,720 | 78,942 | - | - | - | - | - | - | 118,662 | - | 118,662 | |
| Reserve for share-based payment | 37 | - | 1,323 | - | - | - | - | - | - | 1,323 | - | 1,323 | |
| Common share subscription | 26 | 1,462 | 1,484 | (1,316) | - | - | - | - | - | 1,630 | - | 1,630 | |
| Total comprehensive profit (loss) for the year | | - | - | - | - | (851) | 102 | - | 102 | (749) | 10 | (739) | |
| Balance as at December 31, 2017 | 436,924 | 389,289 | 2,235 | (2,314) | 15,141 | (63,182) | (9,334) | - | (9,334) | 768,759 | 33,018 | 801,777 | |

The accompanying notes form an integral part of these financial statements.

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

| Unit: Thousands Baht | | | | | | | | |
|---|-------|--------------------------|-------------------------------------|---------------------------------------|-------------------|------------------|--|-----------------|
| SEPARATE F/S | | | | | | | | |
| | Notes | Paid-up share capital | Paid-in capital in excess of par | Reserve for share-based payment | Retained earnings | | Other components of equity | Total Equity |
| | | | | | Legal reserve | Unappropriated | Other comprehensive income (loss) Gain on remeasurements of defined benefit plans | |
| Balance as at December 31, 2017 | | 436,924 | 389,289 | 2,235 | 15,141 | (148,617) | - | 694,972 |
| Changes in equity for the year : | | | | | | | | |
| Reserve for share-based payment | 37 | - | - | 886 | - | - | - | 886 |
| Common share subscription | 26 | 87,385 | 86,677 | - | - | - | - | 174,062 |
| Issue of share capital on exercise of convertible debenture | 24 | 1,204 | 1,296 | - | - | - | - | 2,500 |
| Transfer to retained earnings (deficit) | | - | - | - | - | 951 | (951) | - |
| Total comprehensive loss for the year | | - | - | - | - | (545,313) | 951 | (544,362) |
| Balance as at December 31, 2018 | | <u>525,513</u> | <u>477,262</u> | <u>3,121</u> | <u>15,141</u> | <u>(692,979)</u> | <u>-</u> | <u>328,058</u> |
| Balance as at December 31, 2016 | | 395,742 | 308,863 | 2,228 | 15,141 | (120,281) | - | 601,693 |
| Changes in equity for the year : | | | | | | | | |
| Increase in capital | 26 | 39,720 | 78,942 | - | - | - | - | 118,662 |
| Reserve for share-based payment | 37 | - | - | 1,323 | - | - | - | 1,323 |
| Common share subscription | 26 | 1,462 | 1,484 | (1,316) | - | - | - | 1,630 |
| Total comprehensive loss for the year | | - | - | - | - | (28,336) | - | (28,336) |
| Balance as at December 31, 2017 | | <u>436,924</u> | <u>389,289</u> | <u>2,235</u> | <u>15,141</u> | <u>(148,617)</u> | <u>-</u> | <u>694,972</u> |

The accompanying notes form an integral part of these financial statements.

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2018

| | Unit: Thousands Baht | | | |
|--|----------------------|----------|--------------|----------|
| | CONSOLIDATED F/S | | SEPARATE F/S | |
| | 2018 | 2017 | 2018 | 2017 |
| Cash Flows from Operating Activities | | | | |
| Profit (loss) before income tax expenses | (464,687) | 2,375 | (545,340) | (30,869) |
| Adjustments to reconcile net profit (loss) to net cash provided from (paid by) operating activities: | | | | |
| Depreciation and amortization | 80,957 | 70,852 | 58,952 | 55,959 |
| Amortisation of investment property | 1,133 | 1,117 | - | - |
| Allowance for decline values of inventories | (783) | 7,581 | (6,978) | 5,831 |
| Allowance for impairment loss fiber optic network equipments | 480,000 | - | 480,000 | - |
| Equity in net profit of associated company | (697) | (1,697) | - | - |
| Unrealized (gain) loss on foreign exchange rate | (93) | 24 | (7) | (2) |
| Reversal allowance for impairment of investment in subsidiary | - | - | (3,000) | - |
| Fair value gain on other investment | (869) | - | - | - |
| Gain on disposal of equipment | (669) | (4,035) | (59) | (4,050) |
| Gain on sale of investment in subsidiary | (18,188) | - | (17,000) | - |
| Allowance for doubtful accounts | 6,473 | 14,948 | 5,284 | 6,442 |
| Provision for employee benefit | 1,898 | 1,144 | 945 | 388 |
| Reserve for share based payment | 886 | 1,323 | 886 | 1,323 |
| Interest expense | 32,949 | 28,083 | 15,759 | 10,250 |
| Interest income | (3,119) | (4,069) | (185) | (360) |
| Write off prepaid income tax | - | 191 | - | - |
| Cash provided from (used in) operating activities before changes in operating assets and liabilities : | 115,191 | 117,837 | (10,743) | 44,912 |
| Decrease (increase) in operating assets: | | | | |
| Trade and other current receivables | (29,412) | (52,490) | 30,956 | (57,145) |
| Inventories | (47,634) | 3,991 | (8,390) | 21,105 |
| Other non-current assets | 326 | (13,765) | 361 | (13,857) |

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

| | Unit: Thousands Baht | | | |
|--|----------------------|----------|--------------|----------|
| | CONSOLIDATED F/S | | SEPARATE F/S | |
| | 2018 | 2017 | 2018 | 2017 |
| Increase (decrease) in operating liabilities: | | | | |
| Trade and other current payables | (79,380) | (96,165) | (15,254) | (42,373) |
| Cash received (paid) from operations | (40,909) | (40,592) | (3,070) | (47,358) |
| Interest paid | (37,061) | (22,616) | (17,972) | (5,227) |
| Interest received | 3,788 | 4,069 | 876 | 716 |
| Income tax paid | (8,650) | (21,434) | (2,821) | (3,807) |
| Received income tax | 912 | 1,647 | - | 1,647 |
| Net cash used in operating activities | (81,920) | (78,926) | (22,987) | (54,029) |
| Cash flows from investing activities: | | | | |
| Dividend Received | - | - | - | 16,529 |
| Increase in investment in subsidiary-net | (46,313) | - | (280,000) | - |
| Increase in loan to related companies | - | - | - | (1,086) |
| Decrease in loan to related companies | - | - | - | 4,693 |
| Decrease in loan from other company | 1,000 | - | 896 | - |
| Increase in loan from other company | (1,000) | - | - | - |
| Increase in restricted deposit with banks | (2,339) | 2,068 | (23,795) | (1,500) |
| Cash payment for fiber optical network equipment | (29,395) | (13,961) | (29,395) | (13,961) |
| Proceeds from disposal of equipment | 666 | 8,604 | 63 | 2,374 |
| Proceeds from disposal of investment in subsidiary | 19,546 | - | 20,000 | - |
| Cash payment for acquisition of equipment and software computer | (7,195) | (5,296) | (555) | (288) |
| Net cash from (used in) investing activities | (65,030) | (8,585) | (312,786) | 6,761 |

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

| | Unit: Thousands Baht | | | |
|--|----------------------|-----------|--------------|-----------|
| | CONSOLIDATED F/S | | SEPARATE F/S | |
| | 2018 | 2017 | 2018 | 2017 |
| Cash flows from financing activities: | | | | |
| Cash receipt from increase in share capital | 174,770 | 118,662 | 174,770 | 118,662 |
| Cash receipt from common share subscription | - | 1,630 | - | 1,630 |
| Paid loan from related companies and director | (35,982) | (21,000) | (71,982) | (40,901) |
| Received loan from related companies and director | 23,060 | 39,089 | 152,502 | 73,701 |
| Cash payment for issuing stocks | (708) | - | (708) | - |
| Increase (decrease) in bank overdraft and short-term loan | | | | |
| from financial institution - net | (21,706) | 69,090 | (22,152) | (1,447) |
| Received short-term loans from a company and other persons | 60,000 | 149,000 | 60,000 | 149,000 |
| Paid short-term loans from a company and other persons | (85,000) | (249,000) | (85,000) | (249,000) |
| Received loan from financial institution | 219,888 | 80,000 | 219,888 | 80,000 |
| Paid loan from financial institution | (95,627) | (81,355) | (94,049) | (79,609) |
| Repayment of liabilities under financial | | | | |
| lease agreements | (40,380) | (42,964) | (29,688) | (30,087) |
| Dividend paid from subsidiaries | (32,000) | - | - | - |
| Issuance of convertible debenture | 20,000 | - | 20,000 | - |
| Net cash from financing activities | 186,315 | 63,152 | 323,581 | 21,949 |
| Net increase (decrease) in cash and cash equivalents | 39,365 | (24,359) | (12,192) | (25,319) |
| Effect of foreign exchange rate changes | (2,635) | 123 | - | - |
| Cash and cash equivalents, Beginning of year | 35,613 | 59,849 | 18,695 | 44,014 |
| Cash and cash equivalents, End of year | 72,343 | 35,613 | 6,503 | 18,695 |

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Non - cash transactions :

For the year ended December 31, 2018

The Company transferred inventories to equipment totaling Baht 17.56 million.

The Company entered into financial lease agreement to pay fixed assets payable in the amount of Baht 20.18 million to be paid by installments under financial lease agreement in the amount of Baht 29.49 million.

The subsidiary purchased machine and equipment in the total cost amount of Baht 13.71 million by installments under financial lease agreement in the amount of Baht 12.83 million and cash payment asset payable amount of Baht 0.88 million.

Issued and fully paid-up shares capital increase from exercise of convertible debenture amount of Baht 2.50 million.

For the year ended December 31, 2017

The Company transferred inventories to equipment totaling Baht 50.58 million.

The Company entered into financial lease agreement to pay fixed assets payable in the amount of Baht 31.29 million to be paid by installments under financial lease agreement in the amount of Baht 29.49 million and offset proceeds from disposal of equipment amount of Baht 1.8 million.

The subsidiary purchased machine in the total cost amount of Baht 10.93 million by installments under financial lease agreement in the amount of Baht 10.93 million.

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. GENERAL INFORMATION

The Company registered as a limited company with the Ministry of Commerce in the year 1999. The Company registered the changes of its status to a public company and the change of its name to “Simat Technologies Public Company Limited” with the Ministry of Commerce on July 18, 2006. The Company is engaged in the trade of computer hardware, software and network accessories and computer information technology system development.

The Company’s registered head office is located at 123 Soi Chalongkrung 31, Ladkrabang Industrial Estate, Chalongkrung Road, Lamplatew Sub-district, Ladkrabang District, Bangkok. The company has 3 branches as follows, Branch is located at 179/69-70, Soi Mittapam 4, Naimuang, Muang Nakhon Ratchasima ,Nakhon Ratchasima.

Branch is located at 68 Moo 4, Nong Hoi, Muang Chiang Mai ,Chiangmai.

Branch is located at 251/7-8 Thepharak Road,Nai Muang, Mueang Khon Kaen, Khon Kaen.

2. BASIS FOR PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”) and applicable rules and regulations of the Securities and Exchange Commission.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated October 11, 2017, issued under the Accounting Act B.E. 2543.

The accompanying financial statements have been prepared in the Thai language and expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language, an English version of the financial statements has been provided by translating from the Thai version of the financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

The preparation of the financial statements in conformity with Thai Financial Reporting Standards (“TFRS”) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.

Basis of preparation of consolidation financial statements

- a.) The consolidated financial statements include the financial statements of Simat Technologies Public Company Limited and subsidiaries as follow:

| Subsidiary companies | Percentage of shareholding / Voting rights hold | | Type of businesses |
|---|--|----------|--|
| | December | December | |
| | 31, 2018 | 31, 2017 | |
| <u>Subsidiaries directly held by the Company</u> | | | |
| Simat Soft Co., Ltd. | - | 100.00 | Production, development, modifying, sale consulting and advising service of computer software. |
| Simat Label Co., Ltd. | 85.88 | 85.88 | Wholesaler for barcode, productions and RFID, papers and related supplies. |
| Simat Telecom Co., Ltd. | 100.00 | 100.00 | Sales of hardware, software and telecommunication services |
| Hinsitsu (Thailand) Co., Ltd. | 70.00 | - | Produce and sales of sticker and silk screen printing |
| E-Tech IT Sdn, Bhd. (Malaysia) | 60.00 | 60.00 | Sales of computer hardware, software and maintenance services |
| <u>Subsidiaries held by Hinsitsu (Thailand) Co., Ltd.</u> | | | |
| Hinsitsu Screen Presicion (Thailand) Company Limited | 100 | - | Produce and sales of sticker and label, raw materials for making stickers. |

- b.) The Company is deemed to have control over an investee or subsidiary if it has rights to, or is exposed to, variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c.) Subsidiaries are fully consolidated as from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d.) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e.) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

- f.) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

New financial reporting standards

- (a) Financial reporting standards that became effective in the current year

During the year 2018, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) and new accounting treatment guidance which are effective for fiscal years beginning on or after January 1, 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

- (b) Financial reporting standards that will become effective for fiscal years beginning on or after January 1, 2019

During the year 2018, the Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) including new accounting treatment guidance, which are effective for fiscal years beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

| | |
|-------------------------|--|
| TAS 11 (revised 2017) | Construction contracts |
| TAS 18 (revised 2017) | Revenue |
| TSIC 31 (revised 2017) | Revenue - Barter Transactions Involving Advertising Services |
| TFRIC 13 (revised 2017) | Customer Loyalty Programmes |
| TFRIC 15 (revised 2017) | Agreements for the Construction of Real Estate |
| TFRIC 18 (revised 2017) | Transfers of Assets from Customers |

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

- (c) Financial reporting standards related to the set of financial instruments that will become effective for fiscal years beginning on or after January 1, 2020

During the year 2018, the Federation of Accounting Professions issued the set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

| | |
|--------|------------------------------------|
| TFRS 7 | Financial Instruments: Disclosures |
| TFRS 9 | Financial Instruments |

Accounting standard:

| | |
|--------|-------------------------------------|
| TAS 32 | Financial Instruments: Presentation |
|--------|-------------------------------------|

Financial Reporting Standard Interpretations:

| | |
|----------|---|
| TFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| TFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments with an original maturity of three months or less and not subject to withdrawal restrictions. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

Trade and other current receivable

Trade and other current receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the moving-average basis. Net realizable value is the estimated selling price in the ordinary course of the business less the estimated costs necessary to make the sale.

Work in process comprise of cost of raw material, hardware and related software, cost is determined on the moving-average basis. Direct cost, other cost and overhead for installation equipments and cables which is allocated based on normal operating capacity.

Investment in subsidiaries and associate company

Investments in associated company is accounted for in the consolidated financial statements by the equity method of accounting. Investment in subsidiaries and associated company are accounted for in the separate financial statements by the cost method of accounting, and adjusted impairment, if any. Provisions for impairment are taken up in the accounts to adjust the value of investment whenever necessary.

Investment property

Investment property is property which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less accumulated depreciation and less allowance for impairment loss (if any).

Depreciation

Depreciation is computed by the straight-line method based on the useful lives of assets of 50 years or, if shorter, over the remaining period of the lease.

Depreciation is included in determining operating result and no depreciation is provided on investment property in progress.

Repairs and maintenance are charged in profit or loss during the financial years in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Reclassification to property and equipment

When the use of a property changes such that it is reclassified as property and equipment, its cost and accumulated depreciation at the date of reclassification becomes its cost for subsequent accounting.

Property and equipment

Owned assets

Property and equipment are stated at cost less accumulated depreciation and impairment losses of assets (if any).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Leased assets

Leases in terms of which the Group substantially assume all the risk and rewards of ownership are classified as finance leases. Property and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. The estimated useful lives are as follows:

| | <u>Useful life (years)</u> |
|------------------------|----------------------------|
| Office equipment | 1 – 10 |
| Tools and equipment | 3 – 15 |
| Furniture and fixtures | 5 – 10 |
| Motor vehicles | 5 – 10 |
| Machinery | 5 – 15 |
| Renovation | 3 - 10 |

No depreciation is provided on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Equipment and computer software for lease

Equipment and computer software for lease are stated at cost, net of accumulated amortization.

Amortization is calculated on the straight-line method over their agreement.

Software development cost for sales

Software development cost for sales is recognized at cost, comprising various related direct expenses of acquisition.

Amortization is charged to the statement of comprehensive income using the straight-line method for 5 years.

Fiber optic network equipment

The company depreciated fiber-optic network equipment on a straight line basis over the estimated useful lives of the assets as follows.

| | <u>Useful life (number of years)</u> |
|---|--------------------------------------|
| Devices outside the fiber optic network | 5 - 35 |
| Fiber optic network equipment | 3 - 35 |

Goodwill

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of share of the identifiable net assets which the Company acquired. Goodwill is measured at cost and impairment is considered when there is an indication.

Computer programs

Computer program are stated at cost, net of accumulated amortization.

Amortization is calculated on the straight-line method over their estimated useful lives of 3 years.

Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. Intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

Trade and other current payable

Trade and other current payable are stated at cost.

Employee benefits

Short-term benefits

The Group recognizes salaries, wages, bonus and social security contribution as expenses on an accrual basis.

Post-employment benefits - defined contribution plan

The Group has established a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by the contribution from employees and the Group. Contributions to the provident fund are charged in profit or loss in the period to which they relate.

Post-employment benefits - defined benefit plan

The employee benefits liabilities in relation to the severance payment under the labor law and is recognised as a charge to results of operations over the employee's service period. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Group through the service period up to the retirement age and the amount is discounted to determine the present value. The reference discount rate is the yield rate of government bonds as at the reporting date. The calculation is based on the actuarial technique using the Projected Unit Credit Method.

When the employee benefits are improved, the portion of the increased benefit relating to past service rendered by employee is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested.

When the actuarial assumptions are changed, the Group recognize actuarial gains or losses in other comprehensive income in the period in which they arise.

Lease agreements

Finance Leases

The leases of assets, which the substantial all the risk and reward associated with the ownership of the assets have been transferred to the lessee, title may or may not eventually be transferred to the lessee under the finance lease arrangements, are classified as finance leases. The lessee is to record the finance lease as an asset and obligation at an amount to the fair value of the leased asset or the present value of the minimum lease payment whichever is lower. The interest expense is charged to profit or loss over the lease period. The leased asset is depreciated over the useful life.

Operating Leases

The leases of assets, which the substantial all the risk and reward associated with the ownership of the assets have not been transferred to the lessee, are classified as operating leases. The payments made under operating leases are charged to the profit or loss on a straight - line method over the period of the lease agreements.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Revenues and expenses recognition

Sale is recognized when delivery has taken place and the transfer of risks and rewards has been completed.

Service income is recognized when service has been rendered and the amount of the revenue can be measured.

Revenue on sales and installation of systems is recognized by the percentage of completion method.

Revenue from board band service is recognized based on the term of contract.

Rental income, other income, interest income and expenses are recognized on an accrual basis.

Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established.

Foreign currencies**Functional and presentation currency**

The financial statements of each entity within the Group are presented in the functional currency of the primary economic environment in which the entity operates. The financial statements of the Group are presented in Thai Baht, the presentation currency in accordance with the regulatory requirements in Thailand. The functional currency of the Company and its subsidiaries in Thailand is Thai Baht. Functional currencies of its foreign operation are Malaysia Ringgit and Vietnam Dong.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies using the exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting period date are translated into the functional currency using the exchange rate at the end of reporting period date. Gain or losses on translation are recognized in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies at the end of reporting period date are translated into the functional currency using the exchange rate at the date of transaction.

Translation of the Group's financial statements

The financial statements of the Group are translated into the presentation currency as follows:

- The Group's assets and liabilities are translated at the closing rate as at the end of reporting period date.
- The Group's revenues and expenses are translated at the average exchange rates during the periods which approximate to the exchange rates at the dates of transactions; and
- Share capital is translated at historical rates.

Exchange differences on translating financial information are recognized in the other comprehensive income and presented in the exchange differences as a separate component of shareholders' equity until the disposal of the foreign operation.

Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that they relate to items recognised directly in shareholders' equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of reporting period date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences:

- Initial recognition of goodwill;
- Initial recognition of assets or liabilities in a transaction that is not a business combination and that neither affects accounting nor taxable profit or loss;
- Differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the end of reporting period date.

In determining the amounts of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at the end of reporting period date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (loss) per share and diluted earnings (loss) per share

Earnings (loss) per share are determined by dividing the net income (loss) for the year by the weighted average number of shares outstanding during the year and the effect of increased shares from exercise warrants during the year.

Diluted earnings (loss) per share are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares including the effect of increased shares from exercise warrants.

Segment information

Segment information is presented in respect of the Company and subsidiary businesses. The primary format and business segments are based on the Company and subsidiary management and internal reporting structure.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Group apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Group measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 The information cannot be observed, for example information regarding estimate cash flows in the future by the Company.

At the end of each reporting period, the Group determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ from these estimate. Significant judgments and estimates are as follows:

Allowance for doubtful accounts for receivables and loans

In determining an allowance for doubtful accounts for receivables and loans, the management needs to exercise judgment and make estimates based upon, among other things, past collection history, current financial status of the debts, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in value of inventory

Allowances for diminution in the value of inventory accounts are intended to adjust the value of inventory for probable credit losses. The management uses judgment to estimate losses, based on an analysis of inventory aging, taking into account the current situation with respect to sales of inventory items, on a specific basis. However, the use of different estimates and assumptions could affect the amounts of allowance for diminution in value of inventory in the future.

Impairment of investment

Management reviews the impairment of investments in subsidiaries and associate company by considering the operating result and the future business plan of the subsidiaries and associate company. Such consideration is based on Management's judgment.

Impairment of goodwill

The Company reviews goodwill from investments in subsidiary to determine whether or not it is impaired. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates.

Impairment of assets

The management performed an impairment review in respect of assets, which consisted of investments and other assets whenever events or changes in circumstances indicate that the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use (calculated from the estimated future discounted cash flows) is less than the carrying amount.

The preparation of the estimated future discounted cash flows requires the management to make forecasts of future revenues and expenses, and appropriate discount rates and other assumptions.

Investment property, equipment and depreciation/ computer software and amortization

In determining depreciation of investment property, equipment and amortization of software computer, the management is required to make estimates of the useful lives and residual values of the assets and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review investment property, equipment and software computer for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Provisions

In determining provision, the management needs to exercise judgement and make estimates based upon consideration of probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both), liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

4. ACQUISITION OF A COMPANY

Shares Acquisition of Hinsitsu (Thailand) Co., Ltd. “HTC”.

The Company acquired the shares of HTC in accordance with conditions in the Sale Purchase Agreement, along with conditions precedent. Details of shares acquisition of HTC are as follows:

| | Number of shares held | (%) |
|-------------------------------|-----------------------|-----|
| Hinsitsu (Thailand) Co., Ltd. | | |
| - Ordinary shares | 700,000 | 70 |

On May 18, 2018, the Company acquired 2 shares of HTC from existing shareholders, at the price of Baht 400 per share.

On May 31, 2018, the Company acquired shares of HTC from existing shareholders and newly issued shares, totaling 699,998 shares, at the price of Baht 400 per share. As at May 31, 2018, the Company holds a total 700,000 shares of HTC, totaling Baht 280 million, representing 70% of total shares. As at June 1, 2018, HTC registered such transaction with Department of Business Development, Ministry of Commerce.

A loan of Baht 200 million from a financial institution will fund part of the total purchase price, while the remaining Baht 80 million come from the issue and offer of new ordinary shares to existing shareholders in proportion to their respective shareholding (Rights Offering).

The Company recognised the business combination transactions according to Thai Financing Reporting Standards (“TFRS”) No. 3 (revised 2017) Business Combinations. The following summarizes the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed:

Consideration transferred

(million Baht)

| | |
|---|-----------------------|
| Cash Paid | 280 |
| Total | 280 |
| Identifiable assets acquired and liabilities assumed | |
| | (million Baht) |
| Cash and cash equivalents | 234 |
| Trade accounts receivable | 83 |
| Inventories | 37 |
| Other current assets | 5 |
| Plant and equipment | 59 |
| Other non-current assets | 1 |
| Trade accounts payable | (119) |
| Other current liabilities | (76) |
| Non-current provisions for employee benefits | (4) |
| Net assets | 220 |
| Non-controlling interests of the acquiree (based on fair value) | (66) |
| Equity in Hinsitsu (Thailand) Co., Ltd. and subsidiary company | 154 |
| Goodwill | 126 |
| Consideration transferred | 280 |

As a matter of policy, the Company, on an ongoing basis, reviews the fair value of identifiable assets acquired; such as property, plant and equipment, intellectual property and information technology, etc., and liabilities assumed; and allocation of the fair value as of acquisition date. In accordance with TFRS No. 3 (revised 2017), if new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above provisional fair values, or any additional assets or liabilities that existed at the acquisition date, then the acquisition accounting will be revised.

To prepare the consolidated financial statements for the year ended December 31, 2018, the Company provisionally estimated the fair values of the consideration received from the acquired businesses; measured components of non-controlling interests at fair value by considering the information from an independent financial advisor's report; appropriately considered the current situation; and then recorded the difference between the purchase price and the value of consideration received in the account "Goodwill" in the amount of Baht 125.98 million.

Currently, the Company was examining the valuation of the subsidiary from independent appraiser to appraise the fair value of the assets and liabilities acquired.

Operations of New Subsidiaries after Acquisition Date

The Company included new subsidiary, Hinsitsu (Thailand) Co., Ltd. and its subsidiary, during the period from June 1, 2018 to December 31, 2018 in the preparation of the consolidated statement of income for the year ended December 31, 2018. Significant details are as follows:

| | Unit : Million Baht |
|--|---------------------|
| | For the year ended |
| | December 31, 2018 |
| Revenue from sale of goods | 188 |
| Profit for the year attributable to equity holders of the Company | 26 |

If the acquisition had occurred on January 1, 2018, management estimates that revenue from the sale of goods and profit for the year attributable to equity holders of the Company for the year ended December 31, 2018 would be as follows:

| | Unit : Million Baht |
|--|---------------------|
| | For the year ended |
| | December 31, 2018 |
| Revenue from sale of goods | 333 |
| Profit for the year attributable to equity holders of the Company | 11 |

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2018 and 2017 are as follows:

| | Unit: Thousands Baht | | | |
|---|-----------------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Cash on hand | 1,927 | 1,800 | 1,619 | 1,553 |
| Cash at banks | | | | |
| Current account | 33,061 | 32,337 | 4,859 | 15,803 |
| Savings account | 37,348 | 34 | 18 | 34 |
| Fixed deposits with maturities of less than 3 months | 7 | 1,442 | 7 | 1,305 |
| Total | <u>72,343</u> | <u>35,613</u> | <u>6,503</u> | <u>18,695</u> |

6. TRADE AND OTHER CURRENT RECEIVABLES – NET

Trade and other current receivables - net as at December 31, 2018 and 2017 are as follows:

| | Unit: Thousands Baht | | | |
|---|-----------------------------------|----------|-------------------------------|----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Trade receivables | | | | |
| Trade receivable others parties | 417,439 | 295,383 | 59,990 | 77,649 |
| Trade receivable related party | 3,743 | - | - | - |
| <u>Less</u> Allowance for doubtful accounts | (62,967) | (58,039) | (17,408) | (12,124) |
| Total trade receivables – net | 358,215 | 237,344 | 42,582 | 65,525 |
| Other current receivables | | | | |
| Other current receivable related parties | 698 | 112 | 433 | 1,762 |
| Deposit | 1,260 | 1,848 | - | - |
| Accrued income | 3,558 | 24,317 | 1,757 | 24,241 |
| Value added tax receivables | 1,730 | 2,274 | - | - |
| Prepaid expenses | 17,251 | 10,154 | 13,681 | 3,585 |
| Advances to customer | 3,950 | 3,834 | 408 | 430 |
| Others | 8,324 | 3,083 | 3,219 | 1,297 |
| Total other current receivables | 36,771 | 45,622 | 19,498 | 31,315 |
| Total trade and other current receivables - net | 394,986 | 282,966 | 62,080 | 96,840 |

As at December 31, 2018 and 2017, a portion of the trade receivables of the Company and its local subsidiary were discounted to financial institutions. The Company and its local subsidiary still guaranteed the total amount of discounted trade receivables (Note 18).

As at December 31, 2018 and 2017 the Group had outstanding balances of trade receivable aged by the following numbers of months:

| Ages of receivable | Unit: Thousands Baht | | | |
|---|-----------------------------------|----------|-------------------------------|----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Trade Receivable - Other | | | | |
| Not yet due | 126,016 | 93,472 | 17,566 | 16,111 |
| Past due: | | | | |
| Less than 3 months | 88,494 | 129,641 | 19,739 | 48,965 |
| Over 3 months but not over 6 months | 132,220 | 9,842 | 4,358 | 1,655 |
| Over 6 months but not over 12 months | 10,712 | 3,566 | 5,075 | 3,720 |
| Over 12 months | 59,997 | 58,862 | 13,252 | 7,198 |
| Total | 417,439 | 295,383 | 59,990 | 77,649 |
| <u>Less</u> Allowance for doubtful accounts | (62,967) | (58,039) | (17,408) | (12,124) |
| Total trade receivable other - net | 354,472 | 237,344 | 42,582 | 65,525 |
| Trade receivables - related parties | | | | |
| Not yet due | 1,891 | - | - | - |
| Past due: | | | | |
| Less than 3 months | 1,852 | - | - | - |
| Total trade receivable - related parties | 3,743 | - | - | - |
| Total trade receivable - net | 358,215 | 237,344 | 42,582 | 65,525 |

As at December 31, 2018 and 2017, a portion of receivables past due over 12 months are attributable to a subsidiary company in Malaysia as follows:

| | Unit: Million Baht | |
|---|--------------------|-------|
| | 2018 | 2017 |
| Allowance for doubtful accounts has been provided | 45.46 | 45.72 |
| Considered as collectible | 0.61 | 5.76 |
| Total | 46.07 | 51.48 |

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are those parties linked to the Group and the Company as shareholders or by common shareholders or directors. Transactions with related parties are conducted at prices based on market values or, where no market value exists, at contractually agreed prices.

Relationships with related parties that control the Company or are being controlled by the Company or have transactions with the Group were as follows:

| Name of entity | Country of Incorporation/nationality | Nature of relationships |
|---|---|---|
| Simat Soft Co., Ltd. | Thailand | Subsidiary, 100% shareholding, and co-directors are representatives of the Company |
| Simat Label Co., Ltd. | Thailand | Subsidiary, 85.88 shareholding, and co-directors are representatives of the Company |
| Simat Telecom Co., Ltd. | Thailand | Subsidiary, 100% shareholding, and co-directors are representatives of the Company |
| Hinsitsu (Thailand) Co.,Ltd | Thailand | Subsidiary, 70% shareholding, and co-directors are representatives of the Company |
| Hinsitsu Screen Presicion (Thailand) Company Limited | Thailand | Held by a subsidiary |
| E-Tech IT Sdn, Bhd. | Malaysia | Subsidiary, 60% shareholding |
| Covermat Co., Ltd | Thailand | Common director |
| Grand-flo Spityvest Sdn, Bhd. | Malaysia | Common director |
| Kopacklabels Press Sdn, Bhd. | Malaysia | Common director |
| Grand-flo Solution Sdn, Bhd. | Malaysia | Common director |
| Label Network Sdn, Bhd. | Malaysia | Common director |
| Grand-flo Electronic Systems Sdn, Bhd. | Malaysia | Common director |

On November 7, 2017, Grand-Flo Solution Berhad, the major shareholder, has sold all the Company's 48,899,373 shares, or its 12.31% stake, to the new investor group.

Sales and purchases of goods and services

Sales and purchases of goods from related parties are made under the terms of general trade practice, with prices approximate the market. Balances with related parties as at December 31, 2018 and 2017, are summarized below:

| | Unit: Thousands Baht | | | |
|---|-----------------------------------|------|-------------------------------|-------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Trade receivables – related party | | | | |
| Covermat Co., Ltd | 3,743 | - | - | - |
| Total | 3,743 | - | - | - |
| Other current receivables – related parties | | | | |
| Simat Label Co., Ltd. | - | - | 433 | 964 |
| Simat Soft Co., Ltd. | - | - | - | 698 |
| Simat Telecom Co., Ltd. | - | - | - | 100 |
| Grand-flo Spritvest Sdn, Bhd. | 698 | 112 | - | - |
| Total | 698 | 112 | 433 | 1,762 |
| Short-term loans to related parties | | | | |
| Simat Soft Co., Ltd. | - | - | - | 896 |
| Total | - | - | - | 896 |
| Trade payables – related parties | | | | |
| Simat Label Co., Ltd. | - | - | - | 12 |
| Simat Soft Co., Ltd. | - | - | - | 456 |
| Simat Telecom Co., Ltd | - | - | 1,284 | 1,605 |
| Covermat Co., Ltd | 2,645 | - | - | - |
| Total | 2,645 | - | 1,284 | 2,073 |
| Other current payables -related parties | | | | |
| Simat Label Co., Ltd. | - | - | 4,916 | 1,452 |
| Total | - | - | 4,916 | 1,452 |
| Other current payable related person | | | | |

| | Unit: Thousands Baht | | | |
|--|-----------------------------------|--------|-------------------------------|--------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Mr. Ling Chee Kiat | 5,589 | 5,768 | - | - |
| Total | 5,589 | 5,768 | - | - |
| Short-term loan from related parties and director | | | | |
| Simat Label Co., Ltd. | - | - | 37,200 | 19,800 |
| Simat Telecom Co., Ltd | - | - | 1,620 | - |
| Hinsitsu (Thailand) Co., Ltd. | - | - | 74,500 | - |
| Grand-flo Solution Sdn, Bhd. | - | 10,000 | - | 10,000 |
| Director | - | 3,000 | - | 3,000 |
| Total | - | 13,000 | 113,320 | 32,800 |
| Accrued interest expenses – related parties and director | | | | |
| Grand-flo Solution Sdn, Bhd. | - | 252 | - | 252 |
| E-Tech IT Sdn, Bhd. | - | - | - | 78 |
| Simat Label Co., Ltd. | - | - | 1,364 | 377 |
| Simat Telecom Co., Ltd. | - | - | 29 | - |
| Hinsitsu (Thailand) Co., Ltd. | - | - | 961 | - |
| Director | 76 | - | 76 | - |
| Total | 76 | 252 | 2,430 | 707 |
| Dividend payable | | | | |
| Label Network Sdn, Bhd. | 8,471 | 8,471 | - | - |
| Total | 8,471 | 8,471 | - | - |

Short-term loans to related party

During the year 2017, the Company provided additional loans to related party in the total amount of Baht 1.09 million and received loans in the total amount of Baht 4.69 million. Therefore, as at December 31, 2017, the Company had short-term loans to related party totaling Baht 0.90 million, bearing interest at the rates of 6% per annum. Such loans are unguaranteed, and are due on call.

Short-term loan from related parties and a director

During the year 2018, the Company had loans from related parties in the total amount of Baht 152.50 million, of which it has repaid Baht 71.98 million. Thus, as at December 31, 2018, the Company had loans from related parties and a director in the total amount of Baht 113.32 million, bearing interest at the rates of 4.75%-6% per annum. Such loans are unguaranteed, and are due on call.

During the year 2017, the Company had loans from related parties and director in the total amount of Baht 78.21 million, of which it has repaid Baht 45.41 million. Thus, as at December 31, 2017, the Company had loans from related parties and a director in the total amount of Baht 32.80 million, bearing interest at the rates of 0% -6% per annum. Such loans are unguaranteed, and are due on call.

Transactions with related person and parties for the years ended December 31, 2018 and 2017 are summarized below:

| | | Unit: Thousands Baht | | | |
|--|-------------------------|-----------------------------------|--------|-------------------------------|-------|
| Transactions with related person and companies | Pricing policy | Consolidated financial statements | | Separate financial statements | |
| | | 2018 | 2017 | 2018 | 2017 |
| Sales of inventories | At market value | 27,018 | 9,077 | - | - |
| Interest income | At the rate of 6% | - | - | - | 136 |
| Other income | Contract and at cost | - | - | 3,000 | 4,466 |
| Purchase of inventories | At market value | 27,140 | 19,250 | 44 | 29 |
| Software service cost | Mutually agreed price | - | - | - | 1,046 |
| Other expenses | At cost | - | - | 2,526 | 1,234 |
| Interest expenses | At the rate of 4.75%-6% | 478 | 252 | 2,832 | 393 |
| Maintenance broadband | Contract | - | - | 2,400 | 3,600 |

Compensation of key management personnel

The Compensation of key management personnel for the years ended December 31, 2018 and 2017 as follows:

| | Unit : Thousand Baht | | | |
|--|------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial | | Separate financial statements | |
| | statements | | | |
| | 2018 | 2017 | 2018 | 2017 |
| Short-term benefits | 22,339 | 21,251 | 10,730 | 10,536 |
| Post-employment benefits | 333 | 345 | 220 | 165 |
| Total Compensation to key management personnel | <u>22,672</u> | <u>21,596</u> | <u>10,950</u> | <u>10,701</u> |

8. INVENTORIES –NET

Inventories as at December 31, 2018 and 2017 are as follows:

| | Unit: Thousands Baht | | | |
|---|-----------------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Finished goods | 100,512 | 83,629 | 20,702 | 29,879 |
| Work in process | 5,359 | 2,074 | - | - |
| Raw materials | 61,984 | 25,272 | - | - |
| Goods in transit | 149 | 38 | 5 | - |
| Total | 168,004 | 111,013 | 20,707 | 29,879 |
| <u>Less</u> Allowance for decline values of inventories | (17,538) | (18,514) | (2,890) | (9,868) |
| Inventories – net | <u>150,466</u> | <u>92,499</u> | <u>17,817</u> | <u>20,011</u> |

9. RESTRICTED DEPOSITS WITH BANKS

As at December 31, 2018 and 2017, the Company's and subsidiary's fixed deposits totaling Baht 149.79 million and Baht 151.12 million, respectively, in consolidated financial statements, and Baht 49.55 million and Baht 25.75 million, respectively, in separate financial statements, have been pledged with banks as collaterals for bank overdrafts facilities, short-term loan, long-term loans, factoring of trade receivables, forward exchange contracts and letter of guarantee for the Company and its subsidiaries. These fixed deposits bear interest at 0.80% - 3.20% per annum.

10. INVESTMENTS IN ASSOCIATE COMPANY

Investments in associated companies as at December 31, 2018 and 2017 are as follows:

| Name of Associate company | Incorporation | Type of business | Unit: Thousand Baht | | | | | | | |
|---|---------------|---|---|------|-----------------|--------|-----------------------------------|--------|-------------------------------|--------|
| | | | % of share holding / Voting rights held | | Paid-up capital | | Consolidated financial statements | | Separate financial statements | |
| | | | 2018 | 2017 | 2018 | 2017 | Equity method | | Cost method | |
| | | | | | | 2018 | 2017 | 2018 | 2017 | |
| Sino Trading – Services Corporation (Shares held by Simat Technologies PCL.) | Vietnam | Trading of computer hardware, software and network and network accessories and computer information technology system development | 40 | 40 | 12,600 | 12,600 | 33,254 | 32,557 | 21,274 | 21,274 |
| Total investments in associated company | | | | | | | 33,254 | 32,557 | 21,274 | 21,274 |

During the years, the Company recognized share of profits from investment in the consolidated financial statements as follows :

| <u>Name of Associate company</u> | Unit: Thousand Baht | |
|-------------------------------------|-----------------------------------|-------|
| | Consolidated financial statements | |
| | Share of profits from investments | |
| | in associate company | |
| | 2018 | 2017 |
| Sino Trading – Services Corporation | 697 | 1,697 |
| Total | 697 | 1,697 |

Shares of profit from investment in an associate company, included in the consolidated statement of profit or loss for the year ended December 31, 2018 and 2017 was calculated based on financial statements prepared by the management of its associate company and not yet audited by its auditor.

The shares of associate company are not publicly listed on a stock exchange and, hence, published price quotes are not available. The aggregate amounts of the associate company in the consolidated financial statement for the years ended December 31, 2018 and 2017, can be summarized as follows:

| | Unit: Thousand Baht | |
|-----------------------------------|---------------------|---------|
| | 2018 | 2017 |
| As at December 31 | | |
| Current assets | 48,404 | 60,198 |
| Non-current assets | 849 | 2,575 |
| Current liabilities | 12,690 | 25,162 |
| Non-current liabilities | 1,556 | 2,009 |
| For the years ended December 31 | | |
| Revenue | 111,674 | 109,940 |
| Profit for the years | 1,741 | 4,054 |
| Other comprehensive income (loss) | - | - |
| Total comprehensive income (loss) | 1,741 | 4,054 |

Reconciliation of financial information above with the equity method from the book value of associate company recognized in the consolidated financial statements is as follows:

| | Unit: Thousand Baht | |
|--|---------------------|--------|
| | 2018 | 2017 |
| Net assets of the associate company | 35,007 | 35,369 |
| Proportion of shares held by the Company in associate company (%) | 40 | 40 |
| Net assets of the associate company by proportion of shares | 14,003 | 14,148 |
| Goodwill | 13,717 | 13,717 |
| Foreign currency translation differences | 5,534 | 4,692 |
| Book value of investment value with the equity method in the associate company | 33,254 | 32,557 |

11. INVESTMENTS IN SUBSIDIARY COMPANIES - NET

Investments in subsidiary companies as at December 31, 2018 and 2017 are as follows:

| Name of subsidiary companies | Incorporation | Type of business | % of share holding / Voting rights held | | Unit: Thousand Baht | | | |
|--|---------------|--|---|--------|-------------------------------|-------------|----------------|---------------|
| | | | 2018 | 2017 | Separate financial statements | | 2018 | 2017 |
| | | | | | Paid-up capital | Cost method | | |
| Simat Soft Co. Ltd. | Thailand | Produce, develop, modify, consulting and advising services sell of software. | - | 100.00 | - | 3,000 | - | 3,000 |
| Simat Label Co. Ltd. | Thailand | Wholesaler for barcode, productions and RFID, paper and related supplies. | 85.88 | 85.88 | 34,000 | 34,000 | 29,200 | 29,200 |
| Simat Telecom Co., Ltd. | Thailand | Sale of hardware, software and telecommunication services. | 100.00 | 100.00 | 5,000 | 5,000 | 5,000 | 5,000 |
| E-Tech IT Sdn, Bhd. | Malaysia | Sale of computer hardware, software and maintenance. | 60.00 | 60.00 | 57,003 | 57,003 | 67,755 | 67,755 |
| Hinsitsu (Thailand) Co., Ltd | Thailand | Produce and sales of sticker and silk screen printing | 70.00 | - | 100,000 | - | 280,000 | - |
| <u>Less</u> Allowance for impairment of investment | | | | | | | (5,000) | (8,000) |
| Total investments in subsidiary companies - net | | | | | | | <u>376,955</u> | <u>96,955</u> |

The company is under the control of the Group's subsidiary, the financial information of which is included in the consolidated financial statement as follows:

| | Type of Business | Proportion of investment (%) | |
|---|--------------------------|------------------------------|------|
| | | 2018 | 2017 |
| Hinsitsu Screen Precision (Thailand) Co., Ltd. | Research and development | | |
| (Shares held by Hinsitsu (Thailand) Co., Ltd. 100%) | silk screen printing | 70 | - |

The financial statements for the years ended December 31, 2018 and 2017 of E-Tech IT Sdn. Bhd., as included in the consolidated financial statement, were audited by SJ GRANT THORNTON.

The significant non-controlling interests of the subsidiary companies are as follows:

| Name of Subsidiary companies | Country of incorporation and main location of business | Ownership and voting rights held by non-controlling interests | Unit : Thousand Baht | |
|------------------------------|--|---|---|---------------------------------------|
| | | | Comprehensive income (loss) for non-controlling interests | Accumulated Non-controlling interests |
| Simat Label Co. Ltd. | Thailand | 14.12 | 3,995 | 18,131 |
| E-Tech IT Sdn, Bhd. | Malaysia | 40 | 617 | 19,500 |
| Hinsitsu (Thailand) Co., Ltd | Thailand | 30 | 10,994 | 77,000 |
| Total | | | 15,606 | 114,631 |

The financial information of the subsidiary companies before eliminated transactions is as follows:

| | Unit : Thousand Baht | | | | Total |
|---------------------------|----------------------|-------------------------------|---------------------|----------------------------|---------|
| | Simat Label Co. Ltd. | Hinsitsu (Thailand) Co., Ltd. | E-Tech IT Sdn, Bhd. | Other subsidiary companies | |
| As at December 31, 2018 | | | | | |
| Current assets | 134,779 | 230,382 | 378,769 | 2,945 | 746,875 |
| Non-current assets | 73,905 | 47,308 | 60,087 | 204 | 181,504 |
| Current liabilities | 70,496 | 26,504 | 349,321 | 92 | 446,413 |
| Non-current liabilities | 11,655 | 4,911 | 40,661 | - | 57,227 |
| Non-controlling interests | 18,131 | 77,000 | 19,500 | - | 114,631 |

| | Unit : Thousand Baht | | | | |
|--|----------------------|------------|-----------|------------|-----------|
| | Simat Label | Hinsitsu | E-Tech IT | Other | |
| | Co. Ltd. | (Thailand) | Sdn, Bhd. | subsidiary | Total |
| | Co. Ltd. | Co., Ltd. | Sdn, Bhd. | companies | Total |
| For the year ended December 31, 2018 | | | | | |
| Revenue | 256,094 | 188,547 | 962,746 | 2,400 | 1,409,787 |
| Net profit (loss) for the year of non- controlling interests | 3,995 | 10,994 | 617 | - | 15,606 |
| Other comprehensive income of non-controlling interests | 3,995 | 10,994 | 617 | - | 15,606 |
| Dividend paid for non-controlling interests | - | - | - | - | - |
| Cash flows from (used in) | | | | | |
| Operating activities | 22,193 | (86,224) | 2,628 | 1,265 | (60,138) |
| Investment activities | (19,168) | (77,792) | 21,158 | (1,620) | (77,422) |
| Financing activities | (4,451) | (32,000) | (7,075) | - | (43,526) |
| Net cash increase (decrease) | (1,426) | (196,016) | 16,711 | (355) | (181,086) |

E-Tech Sdn, Bhd.

On December 1, 2009, the Company invested in common share of E-Tech IT Sdn, Bhd. (Malaysia) of 2,400,000 shares equivalent to 60% of the registered capital of such company at cost of Baht 67.75 million. This investment incurred the goodwill of Baht 44.69 million. The Company will treat the goodwill arising from acquisition as impaired when there is a significant or prolonged decline in the fair value below their cost. The determination of what is “significant” or “prolonged” requires management judgment.

Hinsitsu (Thailand) Co., Ltd.

Hinsitsu (Thailand) Co., Ltd.’s ordinary shares totaled 0.70 million shares is pledged as collateral for long-term loan from financial institution. (See note No.22)

Disposal in subsidiary company

On June 14, 2018, the Board of Directors’ Meeting approved to sell 299,994 ordinary shares of Simat Soft Co., Ltd. to another company, totaling Baht 20 million. Regarding the opinion of Board of Director, the subsidiary’s business is not related with the core business of the Company; which focuses on the business of broadband and business of label and silk screen printing. Such shares were transferred on June 29, 2018. As a result, Simat Soft Co., Ltd. is no longer a subsidiary.

12. INVESTMENT PROPERTY-NET

Investment property as at December 31, 2018 and 2017 are as follows:

| | <u>Unit : Thousand Baht</u> |
|--|-------------------------------|
| | <u>Consolidated financial</u> |
| | <u>statements</u> |
| | <u>Building</u> |
| <u>Cost</u> | |
| As at December 31, 2017 | 56,941 |
| Foreign currency translation differences | (1,765) |
| As at December 31, 2018 | <u>55,176</u> |
| <u>Accumulate depreciation</u> | |
| As at December 31, 2017 | (3,502) |
| Depreciation for the year | (1,133) |
| Foreign currency translation differences | 138 |
| As at December 31, 2018 | <u>(4,497)</u> |
| <u>Net book value</u> | |
| As at December 31, 2017 | <u>53,439</u> |
| As at December 31, 2018 | <u>50,679</u> |

Investment property comprises buildings that are leased, each for a period of 3 years.

The Company considered appraising fair value of building by the management of subsidiary. The building, appraised according to the market approach method, had a market value of RM 13.80 million (equivalent to Baht 106.21 million).

Said investment property is pledged as collateral for the subsidiary's commitment.

13. PROPERTY AND EQUIPMENT - NET

During the years ended December 31, 2018 and 2017 the Company and subsidiary have the following movements in the property and equipment - net:

| | Unit : Thousand Baht | | | | | | |
|--|-----------------------------------|------------------------|--------------------------|----------------|-----------|------------|---------|
| | Consolidated financial statements | | | | | | |
| | Office equipment | Tools and equipment | Furniture and fixture | Motor vehicles | Machinery | Renovation | Total |
| Cost | | | | | | | |
| As at December 31, 2017 | 57,632 | 43,496 | 16,808 | 33,848 | 76,128 | 4,055 | 231,967 |
| Increase from acquisitions of subsidiary | 6,837 | 2,375 | 264 | 8,859 | 80,128 | - | 98,463 |
| Increase/ Transfer | 1,789 | 1,286 | 304 | 2,562 | 10,077 | 175 | 16,193 |
| Decrease from disposal of subsidiary. | (356) | (1,235) | (6) | - | - | - | (1,597) |
| Decrease/ Transfer | (191) | - | (94) | (2,168) | - | - | (2,453) |
| Foreign currency translation differences | (679) | - | (53) | (110) | - | - | (842) |
| As at December 31, 2018 | 65,032 | 45,922 | 17,223 | 42,991 | 166,333 | 4,230 | 341,731 |

Unit : Thousand Baht

| Consolidated financial statements | | | | | | | |
|--|---------------------|-----------------------|----------------|-----------|------------|---------|-----------|
| Office equipment | Tools and equipment | Furniture and fixture | Motor vehicles | Machinery | Renovation | Total | |
| Accumulated depreciation | | | | | | | |
| As at December 31, 2017 | (44,841) | (35,509) | (15,766) | (24,306) | (24,495) | (1,238) | (146,155) |
| Increase from acquisitions of subsidiary | (5,212) | (2,075) | (170) | (6,314) | (26,223) | - | (39,994) |
| Increase/ Transfer | (5,749) | (2,644) | (461) | (2,193) | (12,599) | (808) | (24,454) |
| Decrease from disposal of subsidiary. | 192 | 1,211 | - | - | - | - | 1,403 |
| Decrease/ Transfer | 182 | - | 94 | 2,168 | - | - | 2,444 |
| Foreign currency translation differences | 499 | - | 47 | 45 | - | - | 591 |
| As at December 31, 2018 | (54,929) | (39,017) | (16,256) | (30,600) | (63,317) | (2,046) | (206,165) |
| Net book value | | | | | | | |
| As at December 31, 2017 | 12,791 | 7,987 | 1,042 | 9,542 | 51,633 | 2,817 | 85,812 |
| As at December 31, 2018 | 10,103 | 6,905 | 967 | 12,391 | 103,016 | 2,184 | 135,566 |

| | Unit : Thousand Baht | |
|------------------------------------|----------------------|--------|
| | 2018 | 2017 |
| Under the ownership of the company | 50,776 | 50,513 |
| Under the finance leases | 84,790 | 35,299 |
| Plant and equipment – net | 135,566 | 85,812 |

As at December 31, 2018 and 2017, the Group's equipment and vehicles amounting to Baht 99.70 million and Baht 90.89 million, respectively, are fully depreciated but still in use.

| | Unit : Thousand Baht | | | | | |
|--------------------------|-------------------------------|---------------------|-----------------------|----------------|------------|----------|
| | Separate financial statements | | | | | |
| | Office equipment | Tools and equipment | Furniture and fixture | Motor vehicles | Renovation | Total |
| Cost | | | | | | |
| As at December 31, 2017 | 30,978 | 32,498 | 13,468 | 30,667 | 2,089 | 109,700 |
| Increase/ Transfer | 368 | 968 | 69 | - | - | 1,405 |
| Decrease/ Transfer | (70) | - | (94) | - | - | (164) |
| As at December 31, 2018 | 31,276 | 33,466 | 13,443 | 30,667 | 2,089 | 110,941 |
| Accumulated depreciation | | | | | | |
| As at December 31, 2017 | (28,643) | (30,023) | (13,187) | (21,297) | (988) | (94,138) |
| Increase/ Transfer | (1,042) | (990) | (123) | (1,144) | (278) | (3,577) |
| Decrease/ Transfer | 70 | - | 94 | - | - | 164 |
| As at December 31, 2018 | (29,615) | (31,013) | (13,216) | (22,441) | (1,266) | (97,551) |
| Net book value | | | | | | |
| As at December 31, 2017 | 2,335 | 2,475 | 281 | 9,370 | 1,101 | 15,562 |
| As at December 31, 2018 | 1,661 | 2,453 | 227 | 8,226 | 823 | 13,390 |

| | Unit : Thousand Baht | |
|------------------------------------|----------------------|--------|
| | 2018 | 2017 |
| Under the ownership of the company | 5,606 | 6,706 |
| Under the finance leases | 7,784 | 8,856 |
| Plant and equipment - net | 13,390 | 15,562 |

As at December 31, 2018 and 2017, the Company's equipment and vehicles amounting to Baht 87.60 million and Baht 83.84 million, respectively, are fully depreciated but still in use.

14. EQUIPMENT AND COMPUTER SOFTWARE FOR LEASE - NET

During the years ended December 31, 2018, and 2017 the Company and subsidiary have following movements in equipment and computer software for lease:

| | Unit: Thousands Baht | | |
|--|--|-----------------------|----------------------------|
| | Consolidated and Separate financial statements | | |
| | As at December 31, 2017 | Increase/ Transfer | As at December 31, 2018 |
| Cost | 40,962 | - | 40,962 |
| Accumulated Depreciation | (40,961) | - | (40,961) |
| Equipment and computer software for lease – net | <u>1</u> | | <u>1</u> |

As at December 31, 2018 and 2017, the Group's equipment and computer software for lease amounting to Baht 40.96 million both of years are fully depreciated but still in use.

15. SOFTWARE DEVELOPMENT COST FOR SALES - NET

During the years ended December 31, 2018 and 2017, the Company has software development cost for sale. Movements in software development cost for sales during the year were as follows:

| | Unit: Thousands Baht | | | |
|--|-----------------------------------|-----------------------|-----------------------|----------------------------|
| | Consolidated financial statements | | | |
| | As at December 31, 2017 | Increase/ Transfer | Decrease/ Transfer | As at December 31, 2018 |
| Software cost for sales | 6,231 | 814 | (814) | 6,231 |
| Accumulated Depreciation | (4,857) | (238) | 511 | (4,584) |
| Cost for software development for sales – net | <u>1,374</u> | | | <u>1,647</u> |

| | Unit: Thousands Baht | | |
|--|------------------------------|--------------------|----------------|
| | Separate financial statement | | |
| | As at December | | As at December |
| | 31, 2017 | Increase/ Transfer | 31, 2018 |
| Software cost for sales | 4,360 | 477 | 4,837 |
| Accumulated Depreciation | (4,237) | (89) | (4,326) |
| Cost for software development for sales – net | 123 | | 511 |

16. FIBER OPTIC NETWORK EQUIPMENT - NET

During the years ended December 31, 2018 and 2017, the Company had the following movements in Fiber optic network equipment.

| | Unit: Thousands Baht | | | |
|---|--|-----------------------|-----------------------|-------------------------------|
| | Consolidated and separate financial statements | | | |
| | As at December 31, 2017 | Increase/ Transfer | Disposal/ Transfer | As at December 31, 2018 |
| Cost | | | | |
| Devices outside the fiber optic network | 564,964 | 9,206 | - | 574,170 |
| Fiber optic network equipment | 238,667 | 52,955 | (53) | 291,569 |
| Total cost | 803,631 | 62,161 | (53) | 865,739 |
| Accumulated depreciation | | | | |
| Devices outside the fiber optic network | (86,781) | (22,179) | - | (108,960) |
| Fiber optic network equipment | (67,722) | (33,107) | 49 | (100,780) |
| Total accumulated depreciation | (154,503) | (55,286) | 49 | (209,740) |
| Impairment | | | | |
| Impairment loss of asset | - | (480,000) | - | (480,000) |
| Fiber optic network equipment - net | 649,128 | (473,125) | (4) | 175,999 |

Fiber optic network equipment before allowance for impairment loss

| | Unit: Thousands Baht | |
|------------------------------------|----------------------|----------------|
| | 2018 | 2017 |
| Under the ownership of the company | 603,080 | 582,632 |
| Under the finance leases | 52,919 | 66,496 |
| Fiber optic network equipment | <u>655,999</u> | <u>649,128</u> |

In year 2011, the Company has entered into the service contract for rental of optical fiber cable network equipment in Nakornratchasima and Chiangmai province to CAT Telecom Public Company Limited with the term of 60 months. Both projects were approved by the Extraordinary Shareholder's Meeting No. 1/2011 dated July 29, 2011, with the total cost of project not exceeding Baht 520 million.

On February 22, 2013, the Company cancelled the service contract for rental of optical fiber cable network equipment in Nakornratchasima and Chiangmai province with CAT Telecom Public Company Limited ("CAT") since CAT has not proceeded the receipt of project according to the condition of the contract and ignored to take any action to comply with the contract although the Company had sent the warning letter to CAT several times. Therefore, the Company reserved the right to cancel the contract and the cancellation letter had been already sent to CAT. (See note 38)

17. DEFERRED TAX

Deferred tax as at December 31, 2018 and 2017 consisted of:

| | Unit: Thousands Baht | | | |
|---|-----------------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Deferred tax assets | 24,079 | 22,675 | 21,020 | 21,230 |
| Deferred tax liabilities | (1,178) | (770) | - | - |
| Deferred tax assets (liabilities) - net | <u>22,901</u> | <u>21,905</u> | <u>21,020</u> | <u>21,230</u> |

Movements in deferred tax assets and deferred tax liabilities during the years were as follows:

| | Unit: Thousands Baht | | | | |
|--|-----------------------------------|--------------------------|------------------------|-------------------------------------|-------------------------------|
| | Consolidated financial statements | | | | |
| | Movement increase (decrease) | | | | |
| | As at December 31, 2017 | As at May 31, 2018 | Statement of income | Other of comprehensive income | As at December 31, 2018 |
| Deferred tax assets : | | | | | |
| Allowance for doubtful accounts | 2,445 | - | 1,057 | - | 3,502 |
| Allowance for devaluation of inventories | 2,961 | - | (874) | - | 2,087 |
| Provision for employee benefit obligations | 999 | 893 | 388 | (237) | 2,043 |
| Reserve for share-based payment | 447 | - | 177 | - | 624 |
| Tax losses | 15,823 | - | - | - | 15,823 |
| Total deferred tax assets | <u>22,675</u> | <u>893</u> | <u>748</u> | <u>(237)</u> | <u>24,079</u> |
| Deferred tax liabilities : | | | | | |
| Depreciation | (770) | - | (408) | - | (1,178) |
| Total deferred tax liabilities | <u>(770)</u> | <u>-</u> | <u>(408)</u> | <u>-</u> | <u>(1,178)</u> |

| | Unit: Thousands Baht | | | |
|---|-------------------------------|------------------------------|-------------------------------------|-------------------------------|
| | Separate financial statements | | | |
| | As at December 31, 2017 | Movement increase (decrease) | | As at December 31, 2018 |
| | | Statement of income | Other of comprehensive income | |
| Deferred tax assets : | | | | |
| Allowance for doubtful accounts | 2,425 | 1,057 | - | 3,482 |
| Allowance for devaluation of inventories | 1,973 | (1,396) | - | 577 |
| Provision for employee benefit obligations | 562 | 189 | (237) | 514 |
| Reserve for share-based payment | 447 | 177 | - | 624 |
| Tax losses | 15,823 | - | - | 15,823 |
| Total deferred tax assets | <u>21,230</u> | <u>27</u> | <u>(237)</u> | <u>21,020</u> |

The Company has allowance for impairment loss of Fiber optic network equipment. Due to the uncertainty of their utilization, therefore, Management has decided not to recognize the allowance for devalue of Fiber optic network equipment as deferred tax. Unrecognized loss is total Baht 480 million.

Income tax expense for the years ended December 31, 2018 and 2017 are as follows:

| | Unit: Thousands Baht | | | |
|-----------------------------------|-----------------------------------|--------------|-------------------------------|----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Income tax expenses for the years | 11,950 | 6,438 | - | - |
| Deferred income taxes | (340) | (3,152) | (27) | (2,533) |
| Corporate income tax (benefit) | <u>11,610</u> | <u>3,286</u> | <u>(27)</u> | <u>(2,533)</u> |

Income tax rates for the years ended December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|--|----------|----------|
| The Company and subsidiaries in Thailand | 0% – 20% | 0% – 20% |
| Subsidiary in Malaysia | 24% | 24% |

18. BANK OVERDRAFT AND SHORT-TERM LOAN FROM FINANCIAL INSTITUTIONS

Bank overdraft and short-term loan from financial institution as at December 31, 2018 and 2017 are as follows:

| | Unit: Thousands Baht | | | |
|--|-----------------------------------|----------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Bank overdraft | 18,982 | 5,306 | 15,734 | - |
| Short-term loans | 8,081 | 52,050 | - | 40,000 |
| Trust receipt | 186,182 | 185,085 | 3,432 | 1,318 |
| Total bank overdraft and short-term loan from financial institution | <u>213,245</u> | <u>242,441</u> | <u>19,166</u> | <u>41,318</u> |

As at December 31, 2018 and 2017, the Company and its local subsidiary has the liability from Factoring agreement with a financial institution that included in short-term loans from financial institutions and trust receipt totaling amount of Baht 11.51 million and Baht 12.05 million, respectively. (Note 6).

As at December 31, 2018 and 2017, bank overdraft and short-term loan from financial institutions, bear interest as presented in Note No.20.

19. TRADE AND OTHER CURRENT PAYABLES

Trade and other current payables as at December 31, 2018 and 2017 are as follows:

| | Unit: Thousands Baht | | | |
|---|--------------------------------------|----------------|----------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Trade payables | | | | |
| Trade payable – other parties | 125,586 | 123,960 | 24,804 | 34,133 |
| Trade payable related parties | 2,645 | - | 1,284 | 2,073 |
| Accrued project cost | 87,651 | - | - | - |
| Total trade payables | <u>215,882</u> | <u>123,960</u> | <u>26,088</u> | <u>36,206</u> |
| Other current payables | | | | |
| Other current payable related party | - | - | 4,916 | 1,452 |
| Other current payable related persons | 5,589 | 5,768 | - | - |
| Accrued interest expenses – relates parties and director | 76 | 252 | 2,430 | 707 |

| | Unit: Thousands Baht | | | |
|--|------------------------|---------|--------------------|--------|
| | Consolidated financial | | Separate financial | |
| | statements | | statements | |
| Others | | | | |
| Deferred revenues | 16,882 | 16,158 | 16,819 | 16,029 |
| Accrued expenses | 32,966 | 55,914 | 15,142 | 25,197 |
| Accrued Dividend payable | 8,471 | 8,471 | - | - |
| Deposit payable – Ftx | 4,893 | 5,905 | 4,893 | 5,905 |
| Other | 12,540 | 5,519 | 1,840 | 1,933 |
| Total other current payables | 81,417 | 97,987 | 46,040 | 51,223 |
| Total trade and other current payables | 297,299 | 221,947 | 72,128 | 87,429 |

20. CREDIT FACILITIES

As at December 31, 2018 and 2017, the Company and its subsidiaries have credit facilities with financial institution as follows:

| Type of credit limit | Unit: Million Baht | | | |
|--|-----------------------------------|---|---------------|---|
| | Consolidated financial statements | | | |
| | 2018 | | 2017 | |
| Limit | Interest rate | Limit | Interest rate | |
| Bank overdraft | 30 | F/D+2.00%,MOR, BLR+1.75%-2.00% | 31 | F/D+2.00%,MOR, BLR+1.75%-2.00% |
| Liabilities under trust receipt agreements, letters of credit, and others | 96 | 4.5%-4.7%, BLR+1.5%- 2.00% | 165 | 4.5%-4.7%, BLR+1.5%- 2.00% |
| Factoring of accounts receivable for governmental projects | 308 | BLR+1.5% + 0.15% of sinking fund which allotted from 1.5% of collected | 318 | BLR+1.5% + 0.15% of sinking fund which allotted from 1.5% of collected |
| Factoring of accounts receivable | 75 | MOR – 0.5% | 75 | MOR – 0.5% |
| Forward exchange contracts | 67 | - | 64 | - |
| Promissory note | - | - | 40 | MOR – 1.5% |

| Type of credit limit | Unit: Million Baht | | | |
|--|-------------------------------|---------------------|---------------|---------------------|
| | Separate financial statements | | | |
| | 2018 | | 2017 | |
| Limit | Interest rate | Limit | Interest rate | |
| Bank overdrafts | 20 | F/D Rate+2.00%, MOR | 20 | F/D Rate+2.00%, MOR |
| Liabilities under trust receipt agreements, letters of credit, and others | 34 | 4.5%-5% | 9 | 4.5%-4.7% |
| Factoring of accounts receivable | 55 | MOR – 0.5% | 55 | MOR – 0.5% |
| Promissory note | - | - | 40 | MOR - 1.5% |

All credit facilities are collateralized by pledge of the Company's and the subsidiary's fixed deposits, accounts receivable factoring arrangements, as well as by the subsidiary's buildings, Further, all credit facilities are guaranteed by the Company's and the subsidiary's directors.

21. LIABILITIES UNDER FINANCIAL LEASE AND HIRE PURCHASE AGREEMENTS–NET

Liabilities under financial lease and hire purchase agreements as at December 31, 2018 and 2017 are as follows:

| | Unit: Thousands Baht | | | |
|--|-----------------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Due not later than one year | | | | |
| Minimum payments | 33,960 | 36,406 | 25,216 | 26,367 |
| Deferred interest | (1,956) | (2,744) | (1,397) | (2,012) |
| Liabilities under financial lease – net | <u>32,004</u> | <u>33,662</u> | <u>23,819</u> | <u>24,355</u> |
| Due later than one year but not later than five years | | | | |
| Minimum payments | 23,439 | 29,891 | 12,687 | 22,415 |
| Deferred interest | (691) | (1,429) | (399) | (1,153) |
| Liabilities under financial lease – net | <u>22,748</u> | <u>28,462</u> | <u>12,288</u> | <u>21,262</u> |
| Net book value of equipment under finance leases agreements | <u>54,752</u> | <u>62,124</u> | <u>36,107</u> | <u>45,617</u> |

22. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS – NET

Long-term loans from financial institutions as at December 31, 2018 and 2017 are as follows:

| | | Unit: Thousands Baht | | | |
|-----------------------------|-----------------------------------|------------------------|---------------|----------------------|--------------|
| | | Consolidated financial | | Separate | |
| | | statements | | financial statements | |
| | | 2018 | 2017 | 2018 | 2017 |
| Long-term loans from banks | | | | | |
| <u>Less</u> | current portion of long-term | 222,123 | 99,178 | 182,556 | 56,717 |
| | loans from financial institutions | (47,520) | (53,951) | (45,889) | (52,347) |
| Total long-term loans - net | | <u>174,603</u> | <u>45,227</u> | <u>136,667</u> | <u>4,370</u> |

On March 14, 2018, the Company had entered into loan agreements with a local bank in amount of Baht 20 million, interest rate at MLR – 1% per annum, due within 14 months from the first withdrawn. Such loan will be paid within October 2018.

On May 17, 2018, the Company had entered into loan agreements with a local bank in amount of Bath 200 million, interest rate MLR – 1.5% per annum, for the purpose of acquisition Hinsitsu (Thailand) Co.,Ltd., due within 5 years from the first drawdown. Such loan will be repaid within May 2023 and is guaranteed by Hinsitsu (Thailand) Co., Ltd.'s ordinary shares totaled 0.70 million shares.

23. SHORT-TERM LOANS FROM A COMPANY AND OTHER PERSONS

On December 31, 2018, the Company had short-term loans from other persons by issuing a bill of exchange in the amount of Baht 10 million, bearing interest at the rates of 6.5% per annum, due in March 2019. Such loans are guaranteed by the Company's ordinary shares held.

On December 31, 2017, the Company had short-term loans from a company and other persons by issuing a bill of exchange in the amount of Baht 35 million, bearing interest at the rates of 5.5% -6.2% per annum, due on February 2018. Such bill of exchange is uncollateralized.

24. CONVERTIBLE DEBENTURES

On April 30, 2018, Annual General Shareholders' Meeting for the year 2018 of the Company approved the issue of convertible debentures in the maximum amount of Baht 500 million. The Meeting also approved to increase its registered capital to support the conversion of the convertible debentures.

The Company will issue the convertible debentures from time-to-time according to the terms and conditions set forth in the Convertible Debentures Agreement until reaching the Baht 500 million threshold. The issued convertible debentures will mature three years from the date of their date of issue. Therefore, all such issued convertible debentures will reach maturity on the same date, unless the holder exercises its conversion rights before the maturity date.

On October 1, 2018, the Company entered into a Convertible Debentures Agreement with Advance Opportunities Fund I, on a private placement basis, in the maximum amount of Baht 500 million, with interest 1.00% per annum.

On October 9, 2018, the Company made its initial issue of convertible debentures, 20,000 shares in all, at a par value of Baht 1,000, totaling Baht 20 million, to Advance Opportunities Fund I, pursuant to the Convertible Debentures Agreement. Said issued convertible debentures will mature on October 8, 2021, unless Advance Opportunities Fund I exercises the conversion right before the maturity date.

Key terms and conditions of the convertible debentures are as follows:

| | |
|---------------------------------------|--|
| Type of debentures | : Name-registered certificate, unsecured and unsubordinated convertible debentures |
| Maturity | : 3 years, commencing from the issue date |
| Volume of issue | : Baht 500 million |
| Maturity date | : October 8, 2021 |
| Early redemption right of the holder | : None |
| Early redemption right of the Company | : The Company has the right to redeem the convertible debentures prior to the maturity date as provided in the terms and conditions |
| Coupon | : Fixed rate at 1.00 percent per annum for the entire term of the convertible debentures |
| Repayment of principal | : One time repayment on the maturity date |
| Conversion price | : 90 percent or 92 percent of weighted average price per share of the Company shares for at least 7 consecutive business days, but not exceeding 15 consecutive business days immediately preceding the relevant exercise date |

Conversion right exercise

On October 9, 2018, Advance Opportunities Fund I exercised its conversion right under the first tranche of the convertible debentures, for 2,500 shares, totaling Baht 2.5 million, at the conversion price of Baht 2.0765 per share and the outstanding balance of convertible debentures in the amount of 17,500 shares, totaling Baht 17.5 million.

The Company issued 1,203,948 shares at a par value of Baht 1.00 for said exercise of conversion rights.

On October 24, 2018, the Company registered the increase of paid-up capital of Baht 1,203,948 with the Department of Business Development, Ministry of Commerce.

25. NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFITS

Movement of the present value of non-current provisions for employee benefits for the years ended December 31, 2018 and 2017 were as follows:

| | Unit: Thousand Baht | | | |
|---|-----------------------------------|-------|------------------------------|-------|
| | Post-employment benefit plan | | | |
| | Consolidated financial statements | | Separate financial statement | |
| | 2018 | 2017 | 2018 | 2017 |
| Employee benefit at beginning of years | 5,110 | 3,966 | 2,808 | 2,420 |
| Included in profit or loss: | | | | |
| Employee benefits from investment in subsidiary | 4,465 | - | - | - |
| Current service cost | 1,125 | 1,017 | 380 | 313 |
| Past service cost | 479 | - | 479 | - |
| Interest cost | 227 | 127 | 86 | 75 |
| Included in other comprehensive income: | | | | |
| Actuarial (gains) losses arising from | | | | |
| Financial assumptions changes | 240 | - | 240 | - |
| Experience adjustments | (1,427) | - | (1,427) | - |
| Benefit paid during the years | - | - | - | - |
| Employee benefit obligations at end of years | 10,219 | 5,110 | 2,566 | 2,808 |

Employee benefit expenses in profit or loss for the years ended December 31, 2018 and 2017, consisted of:

| | Unit: Thousand Baht | | | |
|---------------------------------|-----------------------------------|-------|------------------------------|------|
| | Consolidated financial statements | | Separate financial statement | |
| | 2018 | 2017 | 2018 | 2017 |
| | Cost of sales and services | - | - | - |
| Selling expenses | - | - | - | - |
| Administrative expenses | 1,832 | 1,144 | 945 | 388 |
| Total employee benefit expenses | 1,832 | 1,144 | 945 | 388 |

The actuarial assumption of discount rate is estimated from weighted average of yield rate of government bonds as at the end of reporting date that reflects the estimated timing of benefit payments.

The actuarial assumption of mortality rate for reasonable estimation of probability of retirement in the future is estimated from mortality table.

On December 13, 2018 The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act

stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate. This change is considered a post-employment benefits plan amendment. The Company has recorded the effect of such change by recognizing the past service cost as an expense in the earnings statement in 2018 however, certain subsidiary company is in the process of evaluating the impact to the financial statements when the law is effective.

Principal actuarial assumptions as at December 31, 2018 (represented by the weighted-average) consisted of:

| | (Percentage %)/annum | |
|-------------------------------------|---|---|
| | Consolidated financial statements | Separate financial statements |
| Discount rate | 3.06 - 3.19 | 3.19 |
| Long term inflation | 2.75 | 2.75 |
| Future monthly salary increase rate | 4.00 - 6.00 | 4.00 |
| Mortality rate | 105% of Thai Mortality Ordinary Tables of 2017 | 105% of Thai Mortality Ordinary Tables of 2017 |
| Turnover rate | | |
| Under 25 years old | 34.38- 45.84 | 45.84 |
| 25 - 29 years old | 25.79 - 34.38 | 34.38 |
| 30 - 34 years old | 17.19 - 22.92 | 22.92 |
| 35 – 39 years old | 11.46 - 15.28 | 15.28 |
| 40 - 44 years old | 8.6 - 11.46 | 11.46 |
| 45 - 49 years old | 5.73 - 7.64 | 7.64 |
| 50 - 60 years old | 2.87 - 3.82 | 3.82 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, 2018 are summarised below:

| | Unit: Thousand Baht | |
|-------------------------|---|------------------------------|
| | Change of the present value of the employee benefit obligations | |
| | Consolidated financial statement | Separate financial statement |
| Discount rate | | |
| Increase 50 Basis point | 2,359 - 4,666 | 2,359 |
| Decrease 50 Basis point | 2,792 – 5,176 | 2,792 |
| Salary increase rate | | |

| Unit: Thousand Baht | | |
|---|------------------------|------------------------------|
| Change of the present value of the employee benefit obligations | | |
| | Consolidated financial | |
| | statement | Separate financial statement |
| Increase 1% | 3,017 - 5,435 | 3,017 |
| Decrease 1% | 2,185 - 4,453 | 2,186 |
| Turnover rate | | |
| Increase 20% | 2,012 - 4,317 | 2,012 |
| Decrease 20% | 2,565 - 4,911 | 3,329 |

As at December 31, 2018, the maturity analysis of undiscounted cash flows of benefit payments was as follows:

| Unit: Baht | | |
|--------------------------|------------------------|------------------------------|
| | Consolidated financial | |
| | statement | Separate financial statement |
| Within 1 year | - | - |
| Over 1 and up to 5 years | 19,034 - 128,135 | 80,018 |
| Over 5 years | 3,769,285 - 6,879,322 | 4,412,886 |

26. SHARE CAPITAL

Registered capital

Year 2018

26.1.1 According to Annual General Shareholders' Meeting for the year 2018 held on April 30, 2018, the meeting approved the increase of the registered capital from the existing registered capital of Baht 516,550,596 to Baht 816,618,970 by issuing 300,068,374 new shares at the par value of Baht 1 each.

Year 2017

26.1.2 On August 11, 2017, the Company decreased its registered capital from the existing registered capital of Baht 477,234,076 to Baht 476,830,596 at the par value of Baht 1 each to write off the remaining share of 403,480 shares from the exercise of ESOP No. 1 warrant which is already expired.

26.1.3 On August 11, 2017, the Company increased its registered capital from the existing registered capital of Baht 476,830,596 to Baht 516,550,596, divided into 516,550,596 shares at the par value of Baht 1 each to accommodate the capital increase by General Mandate.

Board of Directors' Meeting (No. 3/2017), held on August 11, 2017, approved the capital increase by General Mandate by issuing the new ordinary shares of 39,720,000 shares, at the par value of Baht 1 each to the private placement. The offering price will be not less than 90% of the weighted average market price of the Company's shares and Board of Director's Meeting (No.4/2017), held on November 1, 2017 approved the date of subscription and offering on November 1, 2017 and due of payment within December 31, 2017.

Issued and paid up capital

Year 2018

- 26.2.1 The Company paid-up share capital increase from the previous sum of Baht 436,924,252 to the new sum of Baht 524,309,103 due to offer of 87,384,851 ordinary shares by existing shareholders in proportion to their respective shareholding on May 30, 2018.
- 26.2.2 The Company issued 1,203,948 shares at a par value of Baht 1.00 for said exercise of conversion rights. On October 24, 2018, the Company registered the increase of paid-up capital of Baht 1,203,948 with the Department of Business Development, Ministry of Commerce.

Year 2017

- 26.2.3 The Company paid-up share capital increase from the previous sum of Baht 394,742,431 to the new sum of Baht 397,204,252 as warrant holders purchased 906,107 units or 1,461,821 ordinary shares of the Company (ESOP) on May 8, 2017.
- 26.2.4 The Company paid-up share capital increase from the previous sum of Baht 397,204,252 to the new sum of Baht 436,924,252 due to offer of 39,720,000 ordinary shares by private placement on November 1, 2017.
27. LEGAL RESERVE

Under the Public Company Limited Act B.E. 2535, the Company is required to set aside at least 5% of its net profit after deduction of deficit (if any) as a legal reserve until the reserve reaches 10% of the registered capital.

28. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2018 and 2017 as follows:

| | Unit: Thousand Baht | | | |
|---|----------------------------------|-----------|------------------------------|---------|
| | Consolidated financial statement | | Separate financial statement | |
| | 2018 | 2017 | 2018 | 2017 |
| Changes in inventories | (22,674) | 57,050 | 9,177 | 71,684 |
| Purchase of goods | 1,153,712 | 1,108,670 | 43,097 | 113,266 |
| Salary and wages and other employee benefits | 249,378 | 203,391 | 103,502 | 101,462 |
| Depreciation and amortisation | 79,976 | 71,969 | 58,952 | 55,959 |
| Doubtful debts | 6,473 | 15,377 | 5,284 | 6,442 |
| (Reversal) impairment loss on inventories | (782) | 7,036 | (6,978) | 5,831 |
| Cost of warranty | 2,780 | 2,714 | 2,780 | 2,714 |
| Rental expense | 32,516 | 30,542 | 21,773 | 23,427 |
| Purchase of software | 3,296 | 11,000 | 3,296 | 11,000 |
| Share-based payment | 886 | 1,323 | 886 | 1,323 |

29. BASIC (LOSS) AND DILUTED EARNINGS (LOSS) PER SHARE

Basic (loss) and diluted earnings (loss) per share are calculated as follows:

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------|-------------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net loss attributable to shareholders of the parent (Thousands Baht) | <u>(492,523)</u> | <u>(851)</u> | <u>(545,313)</u> | <u>(28,336)</u> |
| Number of ordinary shares outstanding at beginning of years (Thousands shares) | 436,924 | 395,742 | 436,924 | 395,742 |
| Effect of increasing share capital | <u>49,836</u> | <u>3,556</u> | <u>49,836</u> | <u>3,556</u> |
| Weighted average number of ordinary shares outstanding during the years (basic) (Thousands shares) | <u>486,760</u> | <u>399,298</u> | <u>486,760</u> | <u>399,298</u> |
| Basic loss per share (Baht) | <u>(1.01)</u> | <u>(0.002)</u> | <u>(1.12)</u> | <u>(0.07)</u> |
| Number of ordinary shares outstanding (basic) (Thousands shares) | 486,760 | 399,298 | 486,760 | 399,298 |

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|---------|-------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Effect of ESOP to be exercised | - | 342 | - | 342 |
| Weighted average number of ordinary shares outstanding during the years (diluted) (Thousands shares) | 486,760 | 399,640 | 486,760 | 399,640 |
| Diluted loss per share (Baht) | (1.01) | (0.002) | (1.12) | (0.07) |

30. PROVIDENT FUND

On June 20, 2006, the Company and local subsidiaries and their employees jointly established a provident fund plan as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. Employees and the Company and its subsidiaries contribute to the fund at the rate of 3 percent of employee salaries. The provident fund will be paid to the employees upon termination of employment in accordance with fund rules. The fund is managed by Thanachart Bank.

During the years ended December 31, 2018 and 2017, the Company and local subsidiaries contributed a total of Baht 1.55 million and Baht 1.51 million, respectively, to the fund.

31. DISCLOSURE OF FINANCIAL INSTRUMENTS

Foreign Currency Risk

The Company and subsidiaries are exposed to foreign currency risks primarily related to accounts payable. The Company and subsidiaries do not entered forward exchange contracts for trading or speculation purpose.

Interest Rate Risk

The interest rate risk is related to future movements in market interest rates that will affect the results of the Company and subsidiary's operations and their cash flows. The Company and subsidiaries are exposed to interest rate risk primarily related to deposits with banks and borrowings from financial institutions as follows:

| Unit : Million Baht | | | | |
|------------------------------------|---------------|------------|------------------------------|-------|
| Consolidated financial statements | | | | |
| 2018 | | | | |
| | Floating rate | Fixed rate | Non – interest bearing | Total |
| Financial assets/liabilities | | | | |
| Cash and cash equivalents | 37 | - | 35 | 72 |
| Restricted deposits with banks | 150 | - | - | 150 |
| Bank overdraft and short-term loan | | | | |
| from financial institutions | 191 | 22 | - | 213 |
| Short-term loan | - | 10 | - | 10 |
| Long-term loan | 222 | - | - | 222 |

| Unit : Million Baht | | | | |
|------------------------------------|---------------|------------|------------------------------|-------|
| Consolidated financial statements | | | | |
| 2017 | | | | |
| | Floating rate | Fixed rate | Non – interest bearing | Total |
| Financial assets/liabilities | | | | |
| Cash and cash equivalents | - | 1 | 34 | 35 |
| Restricted deposits with banks | 33 | - | 118 | 151 |
| Bank overdraft and short-term loan | | | | |
| from financial institutions | 233 | - | - | 233 |
| Short-term loan | - | 35 | - | 35 |
| Long-term loan | 42 | 57 | - | 99 |

Unit : Million Baht

| Separate financial statements | | | | |
|------------------------------------|---------------|------------|------------------------------|-------|
| 2018 | | | | |
| | Floating rate | Fixed rate | Non – interest bearing | Total |
| Financial assets/liabilities | | | | |
| Cash and cash equivalents | - | - | 6 | 6 |
| Restricted deposits with banks | 49 | - | - | 49 |
| Bank overdraft and short-term loan | | | | |
| from financial institution | 16 | 3 | - | 19 |
| Short-term loan | - | 10 | - | 10 |
| Long-term loan | 183 | - | - | 183 |

Unit : Million Baht

| Separate financial statements | | | | |
|------------------------------------|---------------|------------|------------------------------|-------|
| 2017 | | | | |
| | Floating rate | Fixed rate | Non – interest bearing | Total |
| Financial assets/liabilities | | | | |
| Cash and cash equivalents | - | 1 | 17 | 18 |
| Restricted deposits with banks | 26 | - | - | 26 |
| Bank overdraft and short-term loan | | | | |
| from financial institution | 40 | - | - | 40 |
| Short-term loan | - | 35 | - | 35 |
| Long-term loan | - | 56 | - | 56 |

Financial assets with fixed interest rates as of December 31, 2018 and 2017, and the period of time from the balance sheet date to their maturity dates are as follows:

| Unit: Million Baht | | | | | |
|---|--------------|---------------|-------------|-------|---------------|
| Consolidated financial statement | | | | | |
| 2018 | | | | | |
| At call | 1 - 6 months | 7 - 12 months | Over 1 year | Total | Interest rate |
| Financial assets/liabilities | | | | | |
| Bank overdraft and short-term loan from financial institution | | | | | |
| - | 22 | - | - | 22 | 3.98%-5.28% |

| Unit: Million Baht | | | | | |
|----------------------------------|--------------|---------------|-------------|-------|---------------|
| Consolidated financial statement | | | | | |
| 2017 | | | | | |
| At call | 1 - 6 months | 7 - 12 months | Over 1 year | Total | Interest rate |
| Financial assets/liabilities | | | | | |
| Long-term loan | | | | | |
| - | - | - | 57 | 57 | 6.10%-6.40% |

| Unit: Million Baht | | | | | |
|---|--------------|---------------|-------------|-------|---------------|
| Separate financial statements | | | | | |
| 2018 | | | | | |
| At call | 1 - 6 months | 7 - 12 months | Over 1 year | Total | Interest rate |
| Financial assets/liabilities | | | | | |
| Bank overdraft and short-term loan from financial institution | | | | | |
| - | 3 | - | - | 3 | 4.5%-5% |

| Unit: Million Baht | | | | | |
|-------------------------------|--------------|---------------|-------------|-------|---------------|
| Separate financial statements | | | | | |
| 2017 | | | | | |
| At call | 1 - 6 months | 7 - 12 months | Over 1 year | Total | Interest rate |
| Financial assets/liabilities | | | | | |
| Long-term loan | | | | | |
| - | - | - | 57 | 57 | 6.10%-6.40% |

Credit Risk

The Group provides credit term for many trade transactions. The Group manages its exposure to credit risk by closely monitoring collection of accounts receivable and focusing on overdue accounts. The Group will consider the provision for accounts receivable on amounts which may prove to be uncollectible. Currently, the Group does not expect major or significant losses from the collection of accounts receivable except the amount the allowance for doubtful accounts had been provided.

Fair value of Financial Instruments

The following methods and assumptions are used to estimate a fair value of each class of the Group's financial instruments.

- Financial assets are shown at estimated fair value.
- Financial liabilities are shown at their book value which is considered fair value because such liabilities will be matured in short-term and long-term loans bearing floating interest rates. Long term loans, bearing a fixed interest rate, have repayment periods within 5 years.

32. FINANCIAL INFORMATION BY SEGMENT

Segment information is presented in respect of the Group's geographic segments based on the Group's management and internal reporting structure.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographic location of customers.

Segment expenses are allocated based on the related revenue from sale of goods.

Segment assets are based on the geographical location of the assets.

Business segments

The Group's segmental information is divided into the enterprise data collection, production and sale of labels, stickers and silk screen printing, broadband internet for upcountry region (Chiang Mai, Nakorn Ratchasima and Khon Kaen) and Bangkok metropolitan region and the distribution of computer hardware in Malaysia as presented in the financial statements for the years ended December 31, 2018 and 2017 as follows:

| Consolidated financial statement | | | | | | | | | | |
|--|----------------------------|-------------------------------|----------------------|--------------------|----------------------------|--|-----------|----------------|-----------------------------------|-------------|
| For the year ended December 31, 2018 | | | | | | | | | | |
| | Enterprise data collection | Production and sales of label | Silk screen printing | Government Project | Broadband internet service | | | Total Domestic | Distribution of computer hardware | |
| | | | | | Broadband internet service | Sales of equipment and other revenue related to internet service | Total | | in Malaysia | Total |
| Revenues | 112,484 | 256,093 | 188,547 | - | 169,779 | 4,337 | 174,116 | 731,240 | 962,744 | 1,693,984 |
| Cost of sales and services | (80,749) | (180,656) | (117,502) | - | (146,243) | (2,067) | (148,310) | (527,217) | (887,429) | (1,414,646) |
| Gross profit | 31,735 | 75,437 | 71,045 | - | 23,536 | 2,270 | 25,806 | 204,023 | 75,315 | 279,338 |
| Gain on exchange rate | (105) | 234 | 46 | - | - | - | - | 175 | - | 175 |
| Gain on sale of investment | 18,188 | - | - | - | - | - | - | 18,188 | - | 18,188 |
| Other income | (1,825) | 1,566 | 1,889 | - | 675 | - | 675 | 2,305 | 12,809 | 15,114 |
| Selling expenses | (10,874) | (9,144) | (1,642) | (309) | (23,271) | - | (23,271) | (45,240) | (7,160) | (52,400) |
| Administrative expense | (42,145) | (31,100) | (29,552) | (5,890) | (44,632) | - | (44,632) | (153,319) | (59,531) | (212,850) |
| Loss on impairment of fiber optic network equipment | - | - | - | - | (480,000) | - | (480,000) | (480,000) | - | (480,000) |
| Finance cost | (433) | (3,141) | (5,316) | - | (7,684) | - | (7,684) | (16,574) | (16,375) | (32,949) |
| Share of profit of investments in associated company | 697 | - | - | - | - | - | - | 697 | - | 697 |
| Profit (loss) before income tax | (4,762) | 33,852 | 36,470 | (6,199) | (531,376) | 2,270 | (529,106) | (469,745) | 5,058 | (464,687) |
| Income tax benefit (expense) | (807) | (5,560) | (4,111) | - | 833 | - | 833 | (9,645) | (1,965) | (11,610) |
| Net profit (loss) | (5,569) | 28,292 | 32,359 | (6,199) | (530,543) | 2,270 | (528,273) | (479,390) | 3,093 | (476,297) |
| Profit (loss) attributable to | | | | | | | | | | |
| Equity holders of the Company | | | | | | | | | | (492,523) |
| Non-controlling interests | | | | | | | | | | 16,226 |
| | | | | | | | | | | (476,297) |
| Total assets | 292,139 | 208,684 | 275,944 | | | | 187,362 | 964,129 | 438,856 | 1,402,985 |

| Consolidated financial statement | | | | | | | | |
|--|-------------------------------|----------------------------------|-------------------------------|--|-----------|----------------|--|-------------|
| For the year ended December 31, 2017 | | | | | | | | |
| | Enterprise data collection | Production and sales of label | Broadband internet service | | Total | Total Domestic | Distribution of computer hardware in Malaysia | Total |
| | | | Broadband internet service | Sales of equipment and other revenue related to internet service | | | | |
| Revenues | 221,488 | 268,880 | 180,357 | 4,421 | 184,778 | 675,146 | 839,212 | 1,514,358 |
| Cost of sales and services | (138,215) | (189,839) | (145,320) | (2,491) | (147,811) | (475,865) | (772,034) | (1,247,899) |
| Gross profit | 83,273 | 79,041 | 35,037 | 1,930 | 36,967 | 199,281 | 67,178 | 266,459 |
| Gain on exchange rate | 134 | 1,479 | - | - | - | 1,613 | - | 1,613 |
| Other income | 4,587 | 991 | 1,033 | - | 1,033 | 6,611 | 8,335 | 14,946 |
| Selling expenses | (10,439) | (9,797) | (24,394) | - | (24,394) | (44,630) | (8,867) | (53,497) |
| Administrative expense | (62,696) | (29,544) | (43,763) | - | (43,763) | (136,003) | (61,006) | (197,009) |
| Finance cost | (5,602) | (2,617) | (6,839) | - | (6,839) | (15,058) | (16,776) | (31,834) |
| Share of profit of investments in associated company | 1,697 | - | - | - | - | 1,697 | - | 1,697 |
| Profit (loss) before income tax | 10,954 | 39,553 | (38,926) | 1,930 | (36,996) | 13,511 | (11,136) | 2,375 |
| Income tax benefit (expense) | 1,245 | (4,394) | 1,288 | - | 1,288 | (1,861) | (1,425) | (3,286) |
| Net profit (loss) | 12,199 | 35,159 | (37,638) | 1,930 | (35,708) | 11,650 | (12,561) | (911) |
| Profit (loss) attributable to Equity holders of the Company | | | | | | | | (851) |
| Non-controlling interests | | | | | | | | (60) |
| | | | | | | | | (911) |
| Total assets | 273,361 | 178,499 | | | 660,541 | 1,112,401 | 370,978 | 1,483,379 |

The Company has revenue from broadband internet service under its License to Provide Internet Service – Form No 3, with License No. NTC/MM/INT/001/2555 for the years ended December 31, 2018 and 2017 as follows

| | Unit : Baht | |
|--------------------------|----------------|----------------|
| | 2018 | 2017 |
| Internet Service Revenue | 170,693,805.45 | 180,355,740.06 |

33. INCOME TAX

Income tax expenses for the years ended December 31, 2018 and 2017, are as follows:

| | Unit: Thousands Baht | | | |
|--|-----------------------------------|---------|-------------------------------|----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2018 | 2017 | 2018 | 2017 |
| Profit (loss) before income tax | (464,687) | 2,375 | (545,340) | (30,869) |
| Income tax rate | 20% | 20% | 20% | 20% |
| Current income tax expense as tax rate | (92,937) | 475 | (109,068) | (6,174) |
| Non-deductible expenses by the Revenue Code | 99,298 | 4,349 | 96,050 | 328 |
| Non-taxable income | (1,546) | (91) | - | - |
| Effect from promoted activities | (1,214) | (3,497) | - | - |
| Unused tax loss | 13,035 | 2,538 | 12,991 | 3,313 |
| Tax effect from equity method in share of profit in associated company | (139) | (339) | - | - |
| Reversal of deferred income tax in prior year | (319) | (405) | - | - |
| Difference in tax expense in prior year | (543) | 591 | - | - |
| Effect from eliminate transactions | 471 | 110 | - | - |
| Deferred income tax assets from acquisition in subsidiary | 64 | - | - | - |
| Tax loss utilized for the year | (408) | - | - | - |
| Tax profit prior to acquisition in subsidiary | (4,354) | - | - | - |
| Difference from income tax rate | 202 | (445) | - | - |
| Income tax (benefit) expense | 11,610 | 3,286 | (27) | (2,533) |
| Average effective tax rate | 2% | 138% | 0% | 8% |

The overseas subsidiary is subject to income tax rate of 24% for the calculation of corporate income tax for the years ended December 31, 2018 and 2017.

Current tax expenses in profit or loss is less than the amount determined by applying the corporate tax rate to the accounting profit for the period principally because a significant portion of subsidiary company profit was derived from promoted activities for which concessionary tax rates apply.

34. PROMOTIONAL PRIVILEGES

Simat Label Co., Ltd. (subsidiary company) received promotional privileges from the Board of Investment, under Certificate No. 59-1705-1-00-0-0, dated December 26, 2017, pursuant to the Investment Promotion Act, B.E.2520, for the manufacture of telecommunications parts according to the conditions state in said certificate. The privileges include a 7-year exemption from corporate income tax for revenue earned as from the commencement date of the promoted operations (June 2, 2017).

Revenue for the years ended December 31, 2018 and 2017, derived from BOI promoted activities, totals Baht 107.51 million and Baht 84.33 million respectively.

35. COMMITMENTS

Corporate guarantee

As at December 31, 2018 and 2017, the Company has provided corporate guarantees to a financial institution of the subsidiary company in Malaysia not exceeding 60% of the subsidiary's debt and interest due to the financial institution.

As at December 31, 2018 and 2017, the Company provided a corporate guarantee for a financial lease for a subsidiary company in Thailand.

As at December 31, 2018, the Company provided a corporate guarantee for joint short-term credit facilities between the Company and a subsidiary from banks in the total amount of Baht 20 million.

Bank guarantee

As at December 31, 2018 and 2017, the Company and subsidiary had outstanding bank guarantee issued on behalf of the Company and for which it is contingently liable to its customers pursuant to a sales agreement and bidding amount of Baht 358.58 million and Baht 127.61 million, respectively

Operating lease commitments

The Company and its subsidiaries have commitments under long-term lease and service agreements, mainly relating to the rental of office space and service. Summarized below are the future rental and service fees under the agreements:

| | Unit: Thousands Baht | |
|--------------------------------------|------------------------|---------------------------------|
| | Consolidated | |
| | financial statement | Separate financial statement |
| Due within 1 year | 18,258 | 12,127 |
| Due over 1 year but not over 5 years | 9,368 | 4,561 |
| Total | <u>27,626</u> | <u>16,688</u> |

36. WARRANT

The Annual General Shareholders' Meeting, held on April 29, 2015 approved to issue:

- Warrant no. 2 (SIMAT-W2) not in excess of 37,813,172 units to purchase ordinary share of the Company to the existing shareholders (Rights offer) at the ratio of 10 existing shares per warrant unit with free value. The warrants have a 5-year term from the issue date and an exercise price of Baht 15 per share.
- Warrant no. 3 (SIMAT-W3), not in excess of 37,813,172 units, to purchase ordinary share of the Company to the existing shareholders (Rights offer) at the ratio of 10 existing shares per warrant unit with free value. Warrants have a 10-year from the issuing date and an exercise price of Baht 30 per share.
- On May 8, 2018, the Company has adjusted the exercise price to purchase ordinary shares SIMAT – W2 from the previous price of Baht 15 per share to Baht 13.9925 per share, and exercise ratio from 1 unit per share to 1 unit per 1.0720 shares, on June 22, 2018, the Company has adjusted the exercise price of warrants from Baht 13.9925 per share to Baht 13.32 per share and exercise ratio from 1 unit per 1.0720 shares to 1 unit per 1.1261 shares.
- On May 8, 2018, the Company has adjusted the exercise price to purchase ordinary shares SIMAT – W3 from the previous price of Baht 30 per share to Baht 27.9851 per share and exercise ratio from 1 unit per share to 1 unit per 1.0720 shares, on June 22, 2018, the Company has adjusted the exercise price of warrants from Baht 27.9851 per share to Baht 26.6401 per share and exercise ratio from 1 unit per 1.0720 shares to 1 unit per 1.1261 shares
- On July 9, 2018, the Company issued and allocated warrants to purchase the company's newly issued ordinary shares No.4 (“Warrant of SIMAT-W4”) in the maximum amount of 43,689,582 units to existing shareholders of the Company in proportion to their shareholdings (Rights Offering) at zero value with an allocation ratio of 12 existing shares per warrant. The calculation of the right to receive SIMAT-W4 of each shareholder. SIMAT-W4 will be valid for 3 years from the issuance date. The exercise price is Baht 1.00 per share.

As at December 31, 2018, no person use warrants, therefore were not exercised as such.

37. RESERVE FOR SHARE-BASED PAYMENT

During the year 2017, the Company issued the ESOP offer to directors and employees of the Company, the details of the warrant issue are as follows:

| | | |
|----------------------|---|---|
| Type of Warrant | : | Specifying the holder's name, to purchase the Company's ordinary shares. |
| Issue and Offer Date | : | - |
| Issuing Units | : | 4,000,000 units |
| Term of Warrant | : | 5 Years |
| Exercise Price | : | Baht 2.98 per share, average share closing rate of the company in the stock market 7 business days before directors approved the proposal to shares holders approving the warrant. Exercise price is inclusive of 10 percent discount (Subject to change according to a rights adjustment). |
| Exercise Ratio | : | 1 warrant unit for 1 ordinary share (Subject to change according to a rights adjustment). |
| Exercise Period | : | Holder can exercise the warrants as follows: 1 st year: Exercises cannot exceed 10% of the total allocated warrants. 2 nd year: Exercises cannot exceed 25% of the total allocated warrants. 3 rd year: Exercises cannot exceed 45% of the total allocated warrants. 4 th year: Exercises cannot exceed 70% of the total allocated warrants. 5 th year: total allocated warrants can be exercise. Unexercised warrants can be accumulated for exercise within the next year. |
| Exercise Date | : | At last working day of every month throughout the warrant term. The last exercise must be made within 5 business days before the expiration date of the warrant term. |

As at December 31, 2018, 2,890,000 warrant units remain unexercised.

38. LITIGATION

On December 26, 2013, the Company filed a lawsuit with the Administrative Court against CAT Telecom Public Company Limited ("CAT") to claim damages in the amount of Baht 665.62 million. According to the operating lease of optical fiber network system contracts with CAT for Nakhon Ratchasima and Chiang Mai provinces, dated June 10, 2011 and June 13, 2011, respectively, the Company purchased and completely installed equipment, and the entirely delivered the system to CAT for the Nakhon Ratchasima and Chiang Mai province networks on May 21, 2012 and July 11, 2012, respectively. However, CAT failed to accept delivery. The Company sent several reminder letters to CAT, but the latter failed to comply with the contract. Therefore, the Company exercised its right to terminate the

contract on February 22, 2013 and then proceeded to litigate. The Administrative Court assigned it as Undecided Case No. 2518/2556 on February 6, 2014.

On December 20, 2018, the Administrative Court of the First Instance (“Court”) issued its Judgment, No. 247/2561, ordering CAT to:

- 1) Pay Baht 53.23 million, including interest at 7.5% per annum, for the delivered equipment used to control and investigate network systems.
- 2) Return the bank guarantee to the Company, and compensate the Company for the bank guarantee fee at the rate of Baht 0.14 million per annum, counting from the complaint filing date until CAT’s completion of repayment.
- 3) Assume liability for opportunity costs representing the Company’s estimated earnings losses from its operation. However, the Court ruled that such losses are estimates only, and not closely related to actual damages. The Court, therefore, did not determine these particular damages.

Management has determined that damages awarded by Court do not represent actual, true damages sustained by the Company.

As such, On January 18, 2019, the Company filed an appeal with the Supreme Administrative Court further clarifying facts about the Company’s purchase of the equipment, including labor costs for installation and financial cost arising during network construction, all totaling Baht 434.24 million.

Company as defendant

On April 2, 2014, a supplier sued the Company in the amount Baht 8.56 million as compensation for the Company’s breach of a purchase agreement. On June 15, 2015, the Civil Court rendered judgment that the Company must pay said compensation amount, with interest, to the supplier. Later, the Appeals Court upheld the judgment of the Civil Court. On February 8, 2017, the Company appealed to the Supreme Court, where the case is currently under consideration. For prudent reason, the Company has fully recorded provision for compensation in “accrued expenses” which presented under “trade and other current payable” in the statement of financial position.

39. CAPITAL MANAGEMENT

The Board's policies are to maintain a strong capital base so as to provide assurance to shareholders, investors, creditors and its markets and to sustain future development of the business. The Board monitors the return on capital which the Company defines as result from operating activities divided by total shareholders' equity, (excluding non-controlling interests), and also monitors the level of dividends to ordinary shareholders.

40. EVENT AFTER THE REPORTING PERIOD

Restricted deposits with bank

As at January 18, 2019, the Company has increased fixed deposits, amounting to Baht 44.04 million, pledged as collateral for a bank guarantee issued on behalf of the Company and increased credit facilities for the purpose of operation of its business.

Business restructuring

On January 29, 2019, the Board of Directors' Meeting approved to have a business restructuring by assigning Hinsitsu (Thailand) Co., Ltd. (subsidiary company) to acquire ordinary shares of Simat Label Co, Ltd. (subsidiary company) for the financial structure appropriate and type of business.

Service agreement

On January 30, 2019, the Company entered into a service agreement for hi-speed internet in Remote Area (Zone C) Group 4: Northeast Region 2, with the National Broadcasting and Telecommunications Commission ("NBTC"). The service agreement is valued at Baht 2,248 million (inclusive of Value Added Tax). According to the terms and conditions set forth in the service agreement, the Company has an obligation to provide and install equipment and hi-speed internet service centers, provide administrative and maintenance services, and deliver all equipment and hi-speed internet service centers.

Bank guarantee issued on behalf of the Company

On January 30, 2019, the Company submitted a bank guarantee, totaling Baht 224.48 million, on its own behalf, to the National Broadcasting and Telecommunications Commission ("NBTC") according to the conditions of the service agreement.

Early redemption of convertible debentures

On February 20, 2019, the Company redeemed convertible debentures, 15,000 shares in all, totaling Baht 15 million. The Company made payment of principle and interest, totaling Baht 15.45 million.

41. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's board of directors on March 1, 2019.