

## 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

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## General Information

### Company

<b>Name</b>	<b>Simat Technologies Public Company Limited</b>
<b>Nature of business</b>	<ol style="list-style-type: none"> <li>To provide total solution of Information Technologies services</li> <li>To provide broadband internet services</li> </ol>
<b>Office address</b>	<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>
<b>Registration date</b>	<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>
<b>Paid-up share capital</b>	<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>
<b>Registrar</b>	<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>
<b>Auditor</b>	<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, 16<sup>th</sup> 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>
<b>Investor relation coordinator</b>	<p>Mr. Thammanoon Korkiatwanich</p> <p>Ms. Thikumporn Yodsakultip</p> <p>Tel : (66) 0 2326 0999 ext. 1211, 1213</p> <p>Fax : (66) 0 2326 1014</p>
<b>Company website</b>	<a href="http://www.simat.co.th">www.simat.co.th</a>

### Subsidiary companies

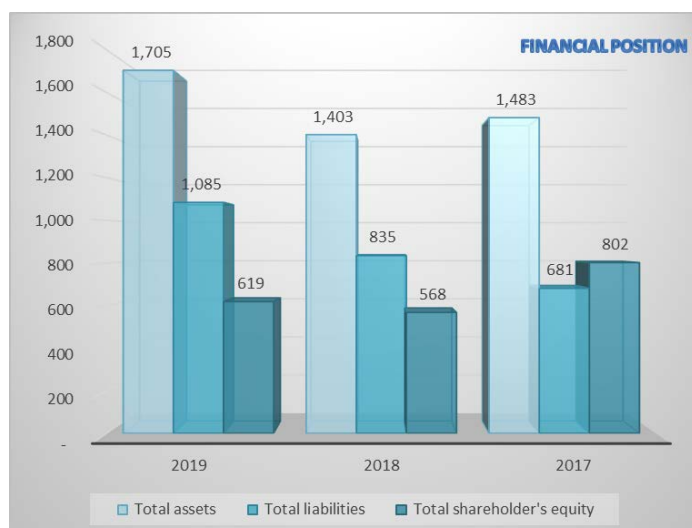
<b>Name</b>	<b>Hinsitsu (Thailand) Company Limited</b>
Nature of business	Sticker/Label manufacturing and Silk Screen printing generally used in electrical appliance industry, electronic equipment industry and other industries
Office address	No. 20/2 (A5), Moo 4, Theparak road, Bangplee-yai sub-district, 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%
<b>Name</b>	<b>Simat Label Company Limited</b>
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%
<b>Name</b>	<b>Simat Telecom Company limited (Formerly "E-Tech Distribution")</b>
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%

**Associate companies**

<b>Name</b>	<b>Sino Trading and Services Corporation</b>
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%

## Financial Highlights

Consolidated Financial Statements	2019	2018	2017
Unit : Baht Million			
Revenues from sales and services	2,009	1,694	1,514
Gross profit	456	279	266
Net profit	101	-476	-1
Net profit for Parent Company	69	-492	-1
Total assets	1,704	1,403	1,483
Shareholders' equity	619	568	802
Unit : Baht			
Par value	1.00	1.00	1.00
Earnings per share	0.13	-1.01	0.00
Dividends per share	-	-	-
Total assets per share	3.24	2.67	3.39
Shareholders' equity per share	1.18	1.08	1.84
Financial ratio			
Net profit margin	5%	-28%	-0.1%
Gross profit margin	23%	16%	18%
Net profit / Total assets	6%	-34%	-0.1%
Net profit / Shareholders' equity	16%	-87%	-0.1%
Debt / Equity	175%	147%	85%



## Message from the Board of Directors

In the past 2019, overview of Thai economic condition expanded only 2.4% compared with 4.2% in 2018 that deemed become to slowdown. The situation of Simat Technologies Public Company Limited (“SIMAT”) considered well improved after entering into investment in Hinsitsu (Thailand) Co., Ltd. at 70% in 2018 as well as entering into the Project to provide high speed internet in Zone C group 4 North-Eastern Region 2 with value at 2,248 MB that resulted to operating performance of SIMAT return to be positive after it was necessary to reserve impairment of internet project in 2018. In the year 2019, it was deemed significant change for SIMAT Group e.g. restructuring of label and silk screen printing business by selling out the shares in Simat Label Co., Ltd. (a subsidiary) to Hinsitsu (Thailand) Co., Ltd. due to the reason that similar business when integrated altogether will decrease business cost and in order to prepare readiness for Initial Public Offering “IPO” in next step. Besides, SIMAT made decision to sell the shares in a subsidiary in Malaysia operating business of wholesales computer equipment since such business obtains high risk while low return. The aforesaid restructuring will help SIMAT to grow strongly afterward.

For the year 2020, it is deemed an ultimate challenging year for the Group since economic condition has the trend to slowdown from 2019 according to limitation of COVID-19 outbreak, drought and delay of governmental budget. However, the Company obtains mission in installing and managing high speed internet in Zone C for Phase 1 until complete at the beginning of the year 2020 that will contribute the Company to gain well performance and regain to further perform business constantly in the future.

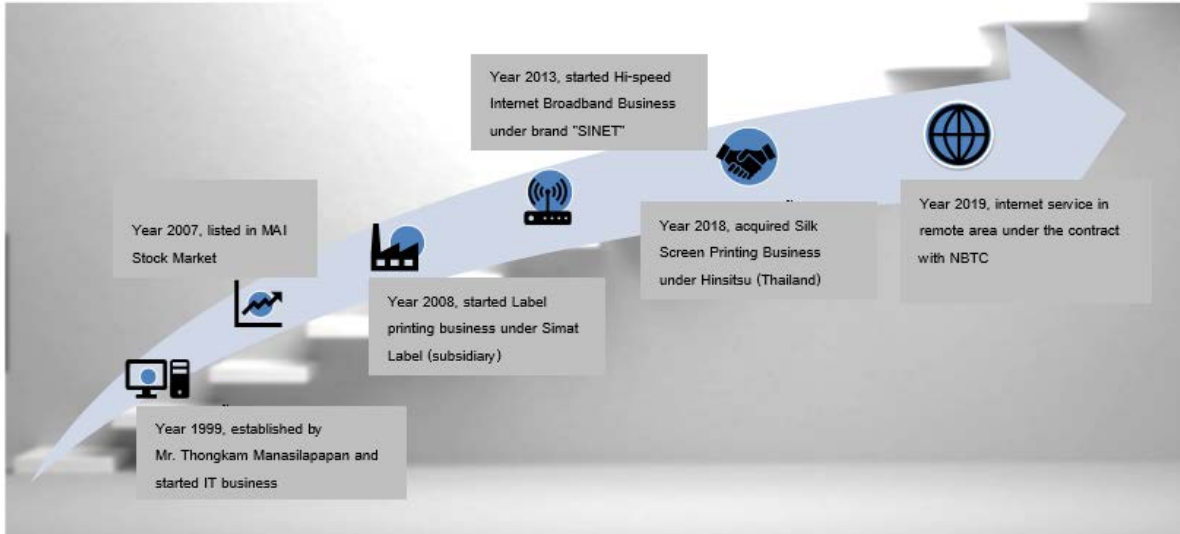
Utmost hope that all main missions of us in 2020 will receive well support from all Shareholders; and the Board including all staff is ready to dedicate our entire effort and endeavors to push Simat Technologies Public Company Limited steps forward to the goal purposed.



(Mr. Thongkam Manasilapapan)

Vice Chairman and Chairman of Executive Committee

## 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. Thawatchai Arunyik

Chairman of the Board of Directors

Percentage of Shareholding: 0%

Specialized Experience: Business Administration

Family Relationship among Management: -None-

Remark: According to resolution of the Board of Directors' Meeting no. 1/2020 on February 28, 2020; Mr. Thawatchai Arunyik was appointed to be Director as replacement of Mr. Narat Saraman, who resigned on November 20, 2019 and appointed to be Chairman of the Board of Directors as well effective since February 28, 2020 onward.

## Education :

- Bachelor of Science, University of the East, Manila, Philippines

## Work Experience:

Period	Position	Institute / Company
Present	Chairman of the Board of Directors	Simat Technologies PLC
2018 - Present	Independent Director	MCOT PLC
2014 - Present	Independent Director/ Chairman of Remuneration Committee	Airports Authority of Thailand PLC
2018 - Present	Independent Director	Designated Areas for Sustainable Tourism Administration
2014 - 2015	Chairman of the Board of Directors	Thailand Privilege Card Co., Ltd.
2014 - 2015	Governor	Tourism Authority of Thailand
2010 - 2014	Deputy Governor – Domestic Marketing	Tourism Authority of Thailand



**Mr. Thongkam Manasilapapan**

**Vice Chairman of the Board of Directors**

Percentage of Shareholding: 23.61% (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 2019: 7/7

Remark: According to resolution of the Board of Directors' Meeting no. 1/2020 on February 28, 2020; Mr. Thongkam Manasilapapan was appointed to be Vice Chairman effective since February 26, 2018 onward.

**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
2020 - Present	Vice Chairman of the Board of Directors	Simat Technologies Public Company Limited
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. Thammanoon Korkiatwanich

Director

Percentage of Shareholding: 0.34% (including related person(s))

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 2019: 7/7

Education:

BBA (Accounting), Assumption University

MBA, National Institute of Development Administration (NIDA)

Certified Public Accountant, License no. 7331

Work experience:

Period	Title	Institute / 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: 5.74% (including related person(s))

Specialized experience: expert in Financial and Management

Relationship among management: None

Participation in Board of Directors Meeting in 2019: 4/7

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 - Education:

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

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 Work experience:

Period	Title	Institute / 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.

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**Mr. Teeranut Thangsatapornpong**

Director

Percentage of Shareholding: 0% (including related person(s))

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

Specialized experience: expert in investment

Relationship among management: None

Participation in Board of Directors Meeting in 2019: 7/7

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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
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Work experience:

Period	Title	Institute / 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	Watanachodchu Co., Ltd.
1999 - 2002	Fund Manager	BFIT Securities Co., Ltd.
1996 - 1999	Equity Analyst	BFIT Securities Co., Ltd.

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### Gen. Vidhya Chovichien, MD

#### Directors

Percentage of Shareholding: 0% including related person(s)

Specialized experience: expert in Administration

Family Relationship among Management: -None-

Remark: Gen. Vidhya Chovichien, MD was appointed under the board's jurisdiction by the Board Meeting no. 1/2020 on February 28, 2020 as a new director in replacement of Mr. Pakin Pinto, who resigned on 30 September 2019, effective as from February 28, 2020 onwards.

#### Education:

- Armed Forces Academies Preparatory School, Class 9
- Chulachomklao Royal Military Academy. Class 20 (Arm of Medicine)
- Bachelor of Science, Mahidol University, 1972
- Bachelor of Medicine, Mahidol University, 1974
- Diploma of the Orthopedic Surgery, The Medical Council 1978
- Colombo Scholarships, Post Graduated Training, Orthopedic Center, Musgrave Park, Belfast, N. Ireland,, UK 1980.
- Course of Science and Technology School, Class 62
- Diploma, National Defence College, The Joint State - Private Sector Course Class 4515
- Diploma of Acupuncture Program for Military Medicine

#### Work Experience:

Period	Position
2011-Present	Medical Specialist in Orthopedics/Articulation and Acupuncture
2010 - 2011	Army Special Qualified General
2006 - 2010	Chief of the Medical Department
2005 - 2006	Director – Phramongkutklao Medical Center
2003 - 2005	Deputy Chief of the Medical Department
2002 - 2003	Assistant Chief of the Medical Department
1996 - 1997	Director of Defense Pharmaceutical Factory



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 2019: 7/7

Participation in Audit Committee Meeting in 2019: 7/7

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	Institute / 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.
Feb' 2019 – May' 2019	Special Instructor	Sripathum University
Jun' 2017 – Jan' 2019	Director of Business Incubator	Sripathum University
Jun' 2017 – Nov' 2017	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 2019: 5/7

Participation in Audit Committee Meeting in 2019: 5/7

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**Education:**

BBA (Accounting), Assumption University

Certified Public Accountant, License no. 8093

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

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**Work experience:**

Period	Title	Institute / Company
2008 – Present	Audit Committee	Simat Technologies PLC
2018 - Present	Chief Financial Officer	C W Estate Co., Ltd.
2013 – Present	Chief Financial Officer	TPM Holding Co., Ltd.
2005 – 2013	Senior Audit Manager	PriceWaterHouseCoopers ABAS Limited
1999 – 2005	Audit Assistant	PriceWaterHouseCoopers ABAS Limited

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**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

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**Act as a Director/Others at Present**

- Other Listed Companies: None
  - Non-Listed Companies: None
  - Other juristic person with Conflict of interest: None
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**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 2019: 6/7

Participation in Audit Committee Meeting in 2019: 6/7

Remark: Mr. Vorachai Charoonprasitporn was appointed to be audit committee as replacement of Ms. Kanwara Aurlpokaiyakul who resigned from Independent Director and Audit Committee according to the Board of Directors Meeting no. 1/2019 on January 29, 2018. The said appointment shall take effect since January 29, 2019 onward.

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**Education:**

BBA, Thammasat University

MBA, University of Wisconsin – Milwaukee

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

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**Work experience:**

Period	Title	Institute / Company
2018 - Present	Director	FR Corporation (Thailand) Co., Ltd.
2018 - Present	Director	Taster Food Corporation (Thailand) Co., Ltd.
2018 - Present	Director	BT Songfa Corporation (Thailand) Co., Ltd.
2018 - Present	Director	BT Songfa (Thailand) Co., Ltd.
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 PLC
2004 – Present	Director	Idex Technologies Co., Ltd.
2003 – Present	Director	Orisoft (Thailand) Co., Ltd.

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**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

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**Act as a Director/Others at Present**

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



Mr. Thongkam Manasilapapan

Chairman of Executive Committee

Percentage of Shareholding: 23.61% (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-

## 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
2020 - Present	Vice Chairman of the Board of Directors	Simat Technologies Public Company Limited
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. Thammanoon Korkiatwanich

Chief Financial Officer

Percentage of Shareholding: 0.34% (including related person(s))

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

Education:

BBA (Accounting), Assumption University

MBA, National Institute of Development Administration (NIDA)

Certified Public Accountant, License no. 7331

Work experience:

Period	Title	Institute / 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



**Mrs. Phenpuk Chintanapat**

**Senior Vice President - Operation**

**Percentage of Shareholding: 0% (including related person(s))**

**Specialized experience: expert in IT Business**

**Relationship among management: None**

**Remark:** According to resolution of the Board of Directors No.7/2019 dated November 13, 2019; Mrs. Phenpuk Chintanapat was appointed to be Executive Committee effective since November 13, 2019 onward.

**Education:**

- Master of Science in Computer Information System, Assumption University
- BBA in Marketing, Assumption University

**Work Experience:**

Period	Position	Institute / Company
2019 - Present	Senior Vice President	Simat Technologies PLC
2015 - 2018	Country Marketing Manager	Hewlett Packard Enterprise (Thailand) Co., Ltd.
2005 – 2015	Enterprise Marketing Manger	Hewlett Packard Enterprise (Thailand) Co., Ltd.
2002 – 2005	Marketing Program Manager	Compact Computer (Thailand) Co., Ltd.


**Mr. Nattachai Prasertwongkool**
**Senior Vice President – Sales & Marketing**
**Percentage of Shareholding: 0% (including related person(s))**
**Specialized experience: expert in Governmental Project**
**Relationship among management: None**

Remark: According to resolution of the Board of Directors No.7/2019 dated November 13, 2019; Mr. Nattachai Prasertwongkool was appointed to be Executive Committee effective since November 13, 2019 onward.

**Education:**

- Master in Engineering (Telecommunication), Kasetsart University

**Work Experience:**

Period	Position	Institute / Company
2019 - Present	Senior Vice President – Sales & Marketing	Simat Technologies PLC
2019 - Present	Secretary General – Fiscal Budget Monitoring Commission	Senator
2018 – Present	Chief Marketing Officer	OICE AUTOMATION LIMITED
2017 – Present	Entrepreneur	Box Sixteen Cafe



**Mr. Thanapon Pansarakam**

Senior Vice President - IT

Percentage of Shareholding: 0% (including related person(s))

Specialized experience: expert in IT Business

Relationship among management: None

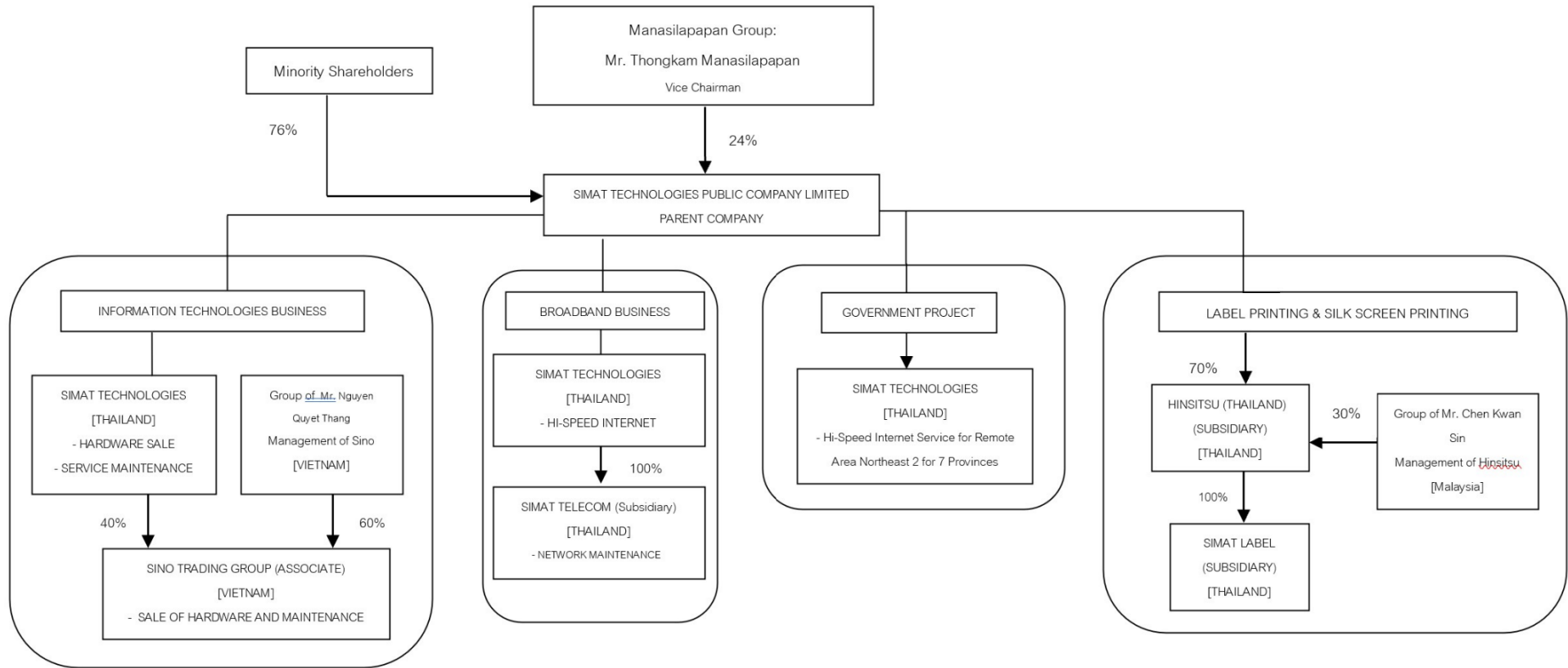
Remark: According to resolution of the Board of Directors No.7/2019 dated November 13, 2019; Mr. Thanapon Pansarakam was appointed to be Executive Committee effective since November 13, 2019 onward.

**Education:**

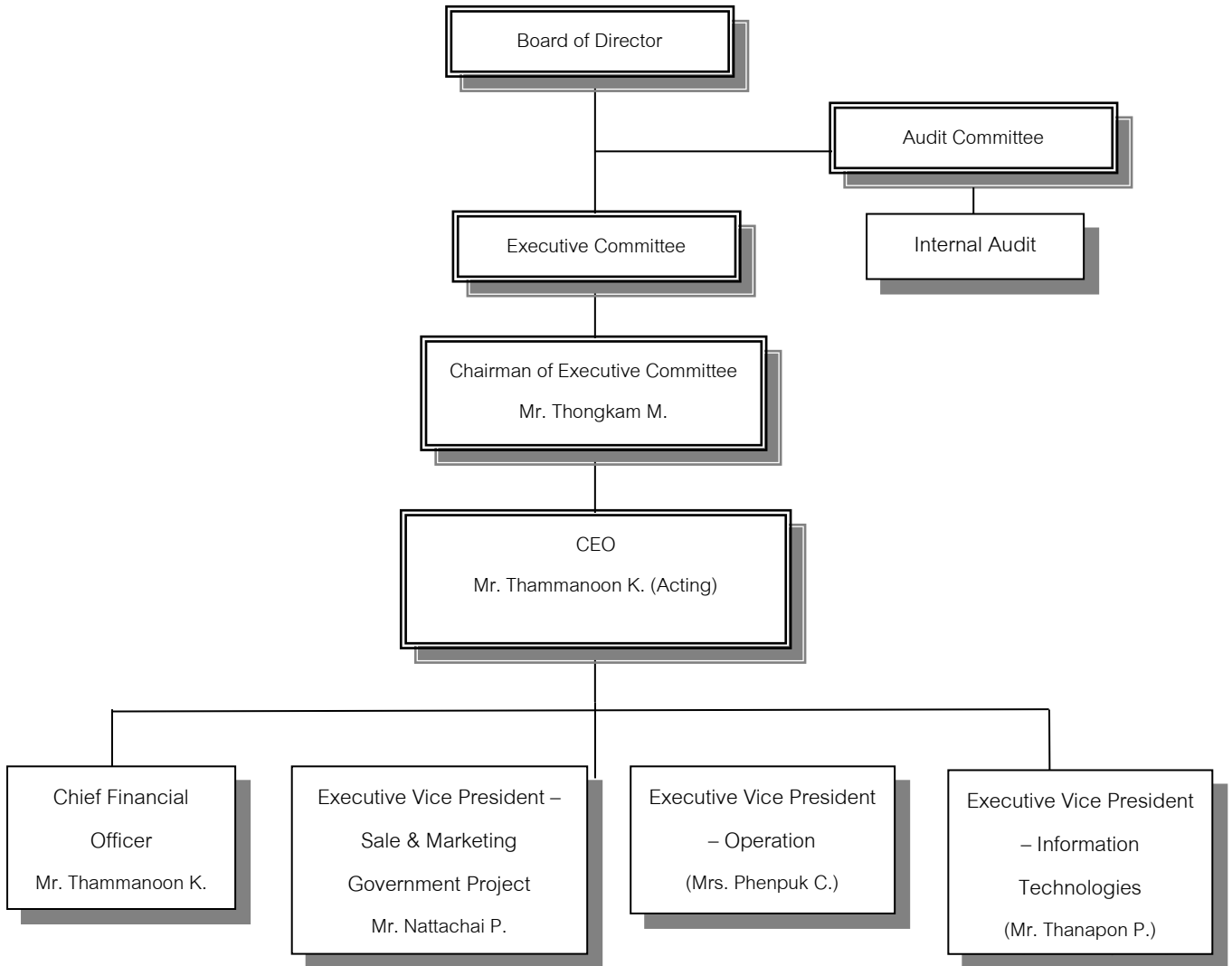
- Bachelor of Engineering (Computer Engineering) Rajamangkala University of Technology Isan
- Training New Entrepreneurs Creation : NEC), Department of Industrial Promotion

**Work Experience:**

Period	Position	Institute / Company
2019 - Present	Executive Director	Simat Technologies PLC
2015 - Present	Project Manager	Simat Technologies PLC
2017 - 2018	Software Development Manager	Simat Soft Co., Ltd.
2014 - 2015	Chief Technology Officer	Speed Plus Solution Co., Ltd.
2011 - 2013	Programmer	Simat Soft Co., Ltd.



Organization Chart



- Head Office
- Accounting & Finance
  - Admin & HRM
  - Inventory
  - Investor Relation

- Government Project
- Sales & Marketing
  - Business Development

- Purchasing
- Customer Relation
- Onsite Service
- Repair & Maintenance
- Technical Sale Support

- Programmer
- Information Technology



### Major Shareholders and Dividend Policy

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

<i>Item</i>	<i>Shareholders</i>	<i>No. of shares</i>	<i>%</i>
1	Mr. Thongkam Manasilapapan	62,795,729	11.95%
2	Mr. Nattapas Manasilapapan	42,431,600	8.07%
3	Mr. Nattapong Seetavorarat	39,000,000	7.42%
4	Mr. Thanayous Kositsakul	30,183,024	5.74%
5	Thai NVDR Co., Ltd.	29,629,044	5.64%
6	NOMURA PB NOMINEES LTD.	20,112,600	3.83%
7	Mr. Nattapat Rangsan	19,944,400	3.80%
8	Ms. Chutikarn Manasilapapan	18,864,105	3.59%
9	Ms. Pantaree Manomaipan	18,003,800	3.43%
10	SPK Center Co., Ltd.	17,000,000	3.23%
	Other shareholders	227,548,749	43.30%
	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	Silk Screen Printing Business	Label Printing Business
Simat Technologies PCL.			Hinsitsu (Thailand)	Simat Label
The Parent Company			Subsidiary (70% Shareholding)	Subsidiary (100% Shareholding by Hinsitsu)

## 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.

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.

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 "Sinnet". 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, Yasothon, 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"> <li>1) Provide service of public wi-fi in target villages</li> <li>2) Provide service center building of high speed internet for Universal Service Obligation (USO Net)</li> <li>3) Provide service room of high speed internet for Universal Service Obligation (USO Wrap)</li> <li>4) Provide service of public high speed internet for schools</li> </ol>

- 5) Provide service of public high speed internet for Tambon Health Promotion Hospital

Operation Period: Divided into 3 Phases as follows

- 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)

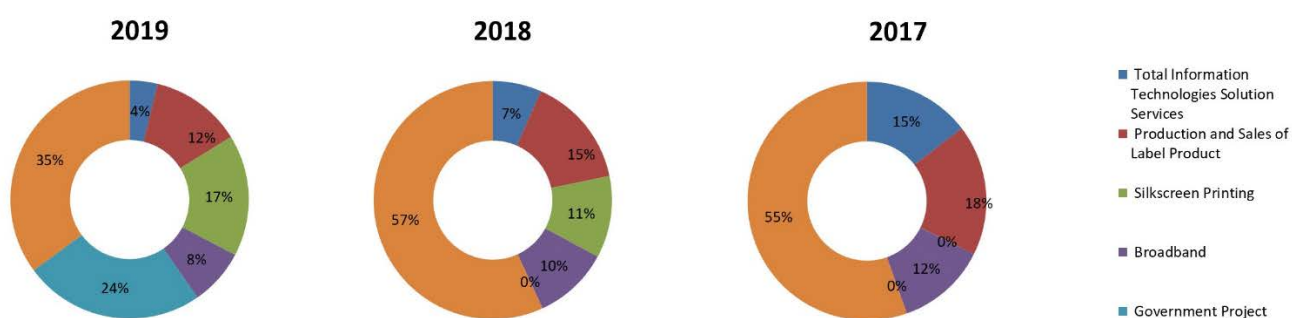
Revenue Recognition: Start revenue recognition in Quarter 1/2019 onwards

## 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		
Silkscreen 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
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
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%			
Government Project	Thailand	Parent Company	-	The contract with NBTC to provide high speed internet in remote area (Zone C) Group 4 Northeast 2. The project has 2 phase which are the Phase 1 to delivery & install the equipments and the Phase 2 to provide internet service & maintenance for 5 years	Revenue is divided into 2 categories. 1) Revenue recognition in Phase 1 is to recognize revenue according to the percentage of completion for the delivery and installation of equipment. 2) The repetitive revenue from internet service and maintenance for 5 years after Phase 1 is completed.	Government project

### Revenue Structure

Revenue Structure by Business	Total Information Technologies Solution Services	Production and Sales of Label Product	Silkscreen Printing	Broadband	Government Project	Total Domestic	Wholesale of computer equipments in Malaysia	Total
<b>Unit: Million Baht</b>								
Year 2019	76 4%	249 12%	332 17%	154 8%	492 24%	1,303 65%	706 35%	2,009 100%
Year 2018	112 7%	256 15%	189 11%	174 10%	- 0%	731 43%	963 57%	1,694 100%
Year 2017	221 15%	269 18%	- 0%	185 12%	- 0%	675 45%	839 55%	1,514 100%



## 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

IT market in Thailand was expected to grow approx. 13% in 2019, and will obtain total market value approx. 527 billion Baht. Computer Hardware was the biggest market approx. 234 billion Baht while digital services obtains the highest growth rate at 34%.

Computer Hardware was calculated at 44%, followed by Smart Device e.g. CCTV and Smart Bluetooth was calculated at 23% while Computer services obtained portion at 20% and Digital services obtained portion at 12%.

Factors to support the market are trend of business transmission from original type to digital type, governmental policy to promote Thailand 4.0, and entering of new technology e.g. big data, robot and cloud, etc.

IT industry has changed when several business require to transmit to digital type when trend to use IT through digital type arisen in all industries via online society, cashless society, blog chain, chat bots and video clip, etc. These take important role to communication, advertisement and product demonstration.

IT business overview of the Company in 2019 gets lower sales volume since the previous year 2018 the Company got no sales of hardware equipment to customers in Mega Project; and economics overview had not yet completely recovered that led several customers to slowdown their investment. Besides, business of hardware equipment distribution was rather high competitive, lower price of the equipment, low margin caused customers decreased to do maintenance service agreement.

In the Year 2020, the Company, therefore, performed business restructuring by establishing a new subsidiary joint-venture with Radiant Global tech Berhad (Malaysia) – a expertise in IT business, especially Point of Sale system in retail business obtaining hardware equipment and own-developed software as well as performing business in various countries in Southeast Asia e.g. Malaysia, Vietnam and Cambodia. The joint-venture with Radiant Global tech will support IT business and customer base expansion for the Company Group.

## The Broadband Business in Thailand

### Fixed Broadband Internet Market

#### Number of internet subscribers

At end of quarter 3/2019, there were 9.86 million subscribers which increased from prior quarter 3.0%.

When considered **penetration rate of**

**Hi-speed internet**, there was gradually increasing

trend by 45.7% of household at end of quarter 3/2019

which increased from prior quarter 3.1%.

IDC research (Thailand) found that fiber optical internet connection has the highest portion at 47.2% of total connections followed by xDSL at 37.7%, cable broadband at 13.6% and others at 1.5%.

	3Q2561	4Q2561	1Q2562	2Q2562	3Q2562	% change YoY	% change QoQ
Hi-speed internet subscribers (million subscribers)	9.08	9.19	9.36	9.57	9.86	8.59%	3.03%
% of fixed line per population	13.4%	13.5%	13.8%	14.1%	14.5%	8.32%	3.08%
% of fixed line per household	42.5%	43.0%	43.4%	44.4%	45.7%	7.66%	3.08%
Portion of hi-speed internet connection separate by type of connection							
Cable Broadband	16.7%	16.5%	16.4%	14.9%	13.6%	-18.30%	-8.90%
Fiber optical	41.1%	42.1%	42.3%	44.7%	47.2%	14.85%	5.61%
Others	1.7%	1.6%	1.6%	1.5%	1.5%	-12.18%	-3.51%
xDSL	40.5%	39.8%	39.7%	38.8%	37.7%	-7.03%	-2.90%

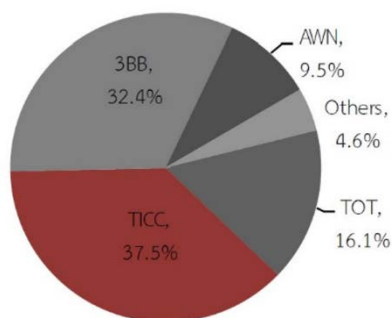
Number of subscribers and penetration rate of internet per household and portion of hi-speed internet connection

Source: IDC Research (Thailand)



### Market Structure, Market Share and Competition Level

For retail market for high speed internet, there are 4 main competitors comprise of True Internet Corporation (TICC), TOT Public Company Limited (TOT), and Triple Three Broadband PLC rendering service in the brand name “3BB” and Advance Wireless Network Co., Ltd. (AWN).



Market Share of High Speed Internet

Source: Telecommunication Policy and Resources Management Bureau

- **Market Share** from number of subscribers found that at the end of Q3/ 2019, TICC got the highest at 37.5%, followed by 3BB at 32.4%, TOT at 16.1%, and AWN at 9.5% respectively, Besides, the others minors competitors totally got market share at approx. 4.6%.
- For **HHI Index** of Hi-speed internet market, it slightly declined to 2,824 point at the end of Q3/2019.

### Market Share of Fixed Broadband Internet

	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	% Change YoY	% Change QoQ
<b>Market Share of Fixed Broadband Internet</b>							
TOT	17.5%	17.2%	16.7%	16.2%	16.1%	-8.11%	-1.05%
TICC	37.8%	37.9%	37.8%	37.7%	37.5%	-0.70%	-0.49%
3BB	32.4%	32.0%	32.1%	32.4%	32.4%	0.10%	-0.11%
AWN	7.4%	8.0%	8.5%	8.9%	9.5%	27.53%	6.26%
Others	5.0%	4.9%	4.9%	4.7%	4.6%	-8.10%	-3.57%
<b>Herfindahl-Hirschman Index (HHI)</b>	<b>2,858</b>	<b>2,847</b>	<b>2,838</b>	<b>2,837</b>	<b>2,824</b>	<b>-1.20%</b>	<b>0.46%</b>

Market Share and HHI Index of Fixed Broadband Internet

Source: Telecommunication Policy and Resources Management Bureau

When considered **total revenue from hi-speed internet service**, it found that in Q3/2019 total revenue was at 17,700 MB, which increased for prior quarter 4.12% By got **average revenue per month per number service**, it found that in Q3/2019 total revenue was at approx. 586 Baht per month, increased form prior quarter 0.8%. For **average service charge** was at 4.34 Baht Mbps equivalent with prior quarter.

	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	% Change YoY	% Change QoQ
<b>Revenue from Hi-speed Internet Service</b>							
Revenue of Fixed Broadband Internet (MB)	17,000	16,900	16,900	17,000	17,700	4.12%	4.12%
FTTX (Baht/Mbps)	10.70	10.70	5.38	4.34	4.34	-59.45%	0.00%
<b>Average Revenue per Month per Number (Baht/Month)</b>	<b>615</b>	<b>609</b>	<b>596</b>	<b>582</b>	<b>586</b>	<b>-4.63%</b>	<b>0.81%</b>
TOT	602	634	621	572	590	-1.98%	3.11%
TRUE	607	577	552	552	567	-6.59%	2.72%
3BB	654	652	649	645	640	-2.14%	-0.78%
AWN	597	574	563	558	549	-8.04%	-1.61%

Revenue from Hi-speed Internet Service

Source: Telecommunication Policy and Resources Management Bureau

Overview of Broadband Internet Business of the Company in 2019, there was lower sales volume due to high competitive of consumer market overview of Fixed Broadband and lower demand in the market including risk in technology change. Besides, there was trend of lower revenue per month and lower average service charge, consistent with business plan of the Company requiring to decrease Broadband business in consumer market as well as stop this business in the Year 2019 onward. By the Company will gradually decrease numbers of the employees with maintain the numbers for taking care of the existing customer base only. Some employees will be rotated to new business of the Company, which is Governmental Project. However, the Company will stop investing and downsize Broadband business in consumer market only by still expand business in business market continually since this is a service rendered to corporate customers in type of long-term agreement and gain continuously fixed revenue.

In the Year 2020, the Company obtains strategies to perform Broadband Internet business as follows:

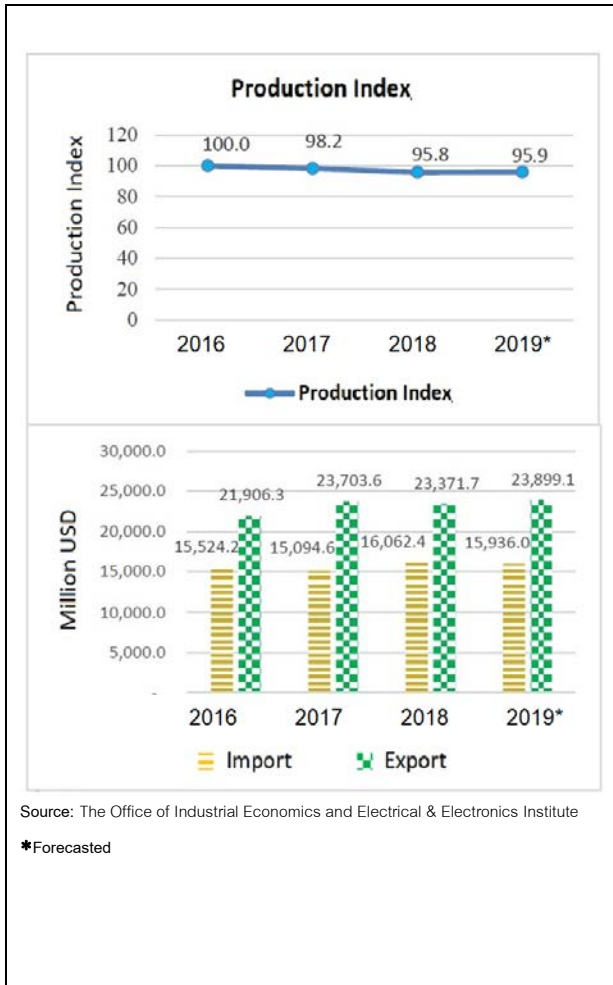
1. The Company focuses on improvement and maintain quality of internet signal as well as installation and after-sales service deemed as the core of business
2. The Company lays market position by not focusing on marketing by rendering low-price internet service, but requiring to place important on quality of well internet signal with not too much high price.
3. Downsize Broadband business in consumer market by gradually decrease numbers of the employees by maintain the numbers for taking care the existing customer base as well as focus on business expansion in business market continually since this is a service rendered to corporate customers in type of long-term agreement and gain continuously fixed revenue.

#### Label market for electronic and Electrical Appliance manufacturing

##### Electrical Appliance Industry

Overall production in 2019\* was stable when compared with 2018, by increasing 1.7% from the increasing of air conditioner, refrigerator and cable TV leased line. Air conditioners were distributed in domestic and its export volume was increased in USA and Japan market.

Production Index, Import & Export Value of Electrical Appliances



Production of Electrical Appliances in 2019\* was stable when compared with previous year by production index at 95.9%, increased 1.7% (%YoY). In this regard, electrical appliances increased e.g. air conditioner, refrigerator, cable line, increased 15.0%, 8.0% and 6.6% respectively. Air conditioner got increased purchase order from overseas, especially USA market. For refrigerator and cable line got increased production from purchase order from USA, China, Japan market. While decreased products e.g. transformer, vacuum bottle, wire, washing machine, microwave oven, rice cooker, electrical fan for home, compressor and electrical motor decreased 27.6%, 25.5%, 23.2%, 15.2%, 9.9%, 7.9%, 5.5%, 2.4% and 1.6% respectively due to decreased domestic distribution and purchase order, especially washing machine, transformer and wire, which were exported to ASEAN, USA, China and Japan decreased.

Export of Electrical Appliances in 2019\* got value at 23,899.1 million USD, increased from previous year 2.3% (%YoY) due to increased export to USA market e.g. refrigerator and air conditioner while export value of washing machine decreased 10.0% when compared with previous year from decreased export to China, Japan, ASEAN, USA and EU market.

Import of Electrical Appliances in 2019\* got value at 15,936.0 million USD, decreased from previous year 0.8% (%YoY) from decreased import of market e.g. ASEAN, EU, China from Japan from import switch and electrical control panel, generator and motor.

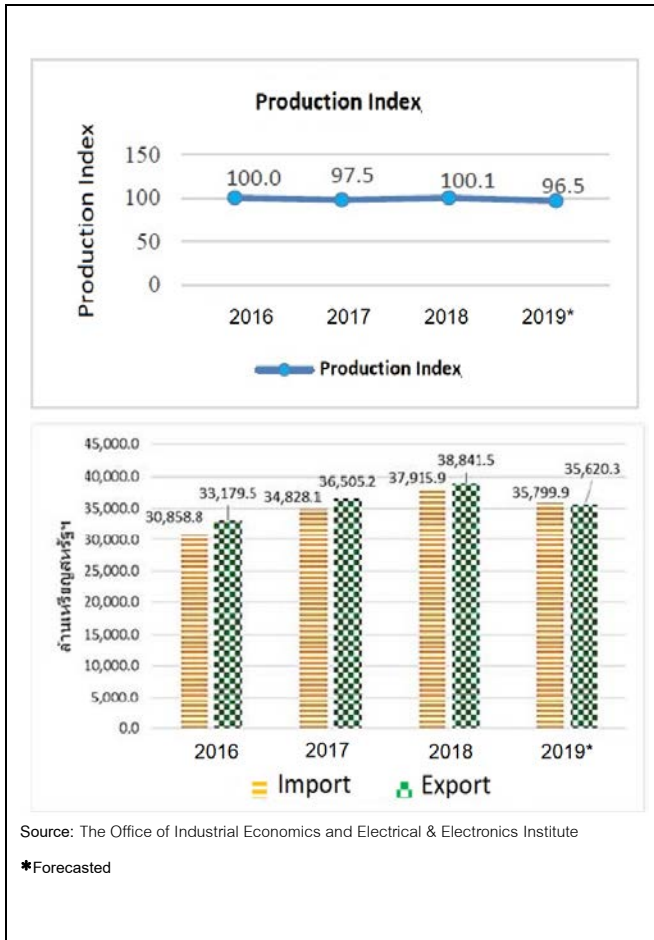
Trend of Electrical Industry in the Year 2020

Electrical industry in 2020 is expected that production and export will slightly increased at 1.5% and 2.0% respectively when compared with previous year from positive factors, both domestic and overseas e.g. measurement to motivate production demand of governmental sector at the end of 2019, which is expected that the Government will obtain measurement to inject economy for recovery covering entrepreneurs adjusted themselves in seeking more new export market.

Electronics Industry

Production of electronics products in 2019\* declined 6.3 when compared with 2018 by decreased in HDD, IC, semiconductor PWB and PCBA, which was resulted from the shrink of global electronics products decreased slowdown and got decreased export value in core market e.g. Japan, ASEAN, China, EU and USA market.

Production Index, Import & Export Value of Electronics



Production of Electronics Products in 2019\* got production index at 96.5, decreased from previous year 6.3% (%YoY) by decreased electronics products e.g. semiconductor, HDD, PWC, other IC and PCBA, decreased 18.3%, 8.3%, 6.5%, 5.5% and 2.1% respectively when compared with previous year due to slowdown demand of electronics products including trade war, which impacted Thai export.

Export of Electronics Products in 2019\* got value at 35,620.3 million USD, decreased from previous year 8.3% (%YoY) by most of export market decreased, both ASEAN, EU, China and Japan. By components and computer devices decreased 24.9% and Intergrated Circuit (IC) decreased 24.0% due to economic slowdown so that electronics products which use medium-high technology obtain speedy change, move of production base and close of business from high cost including export of industrial products shranked from USA-China trade barrier policy through supply chain and global economic slowdown that resulted to export of electronics products shranked.

Import of Electronics Products in 2019\* got value at 35,799.9 million USD, decreased from previous year 5.6% (%YoY) by core market e.g. ASEAN, EU, China and Japan imported components and computer devices and IC decreasedly.

Trend of Electronics Industry in the Year 2020

Electronics industry in 2020 is expected that production and export will increased at 1.6% and 1.5% respectively when compared with previous year due to global economic decreased severity and expected to become to rising circle of global electronics industry. Besides, when considered core products e.g. HDD – HDD manufacturer moved production base from Malaysia to Thailand that resulted in purchase order from core market increased.

Overview of Silkscreen business still grows well and gains well operating performance despite it is impacted from trade war between USA and China. For Label business of the Company obtains high growth gradually through the past three years, especially in lately period when the Company focused on label production used in smart phone devices group by this group gained 50% of total revenue of Label business. From estimation, it found that smart phone device market obtain gradual growth every year as well as expected to grow in high level onward.

## 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 2019 and 2020, 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 2019 and 2020, 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 2019 and 2020, 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 2019 and 2020, 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 Government Project

- 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 and long collection period

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 2019, the Company implemented the followings:

##### 1.1 Shareholder's Meeting

Organized the 2019 annual shareholders meeting on Monday 26<sup>th</sup> April 2019: 10.00 a.m., Sorracha Room Convenient Park Hotel, No 12, Soi Sukhumvit 62/3, 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 2019 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](mailto: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 9 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](http://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 Ms. Thikumporn Yodsakulthip Tel 02-326-0999 ext. 1211 and 1213 or E-mail [ir@simat.co.th](mailto: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 2019, 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 2019 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: <a href="mailto:thammanoon@simat.co.th">thammanoon@simat.co.th</a>
Investor Relation	Tel. 0-2326-0999 Ext. 1211 or 1213 E-mail: <a href="mailto:irsimat@simat.co.th">irsimat@simat.co.th</a>

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](mailto: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](mailto: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 2019, 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](http://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](mailto:ir@simat.co.th)

Ms. THikumporn Yodsakulthip      Tel : 02-326-0999 ext. 1213      E-mail: [ir@simat.co.th](mailto: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 2019 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 2019 is 3,126,000 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.

## 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 2019, 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. Thawatchai Arunyik*	Chairman
2.	Mr. Thongkam Manasilapapan **	Vice Chairman
3.	Gen. Vidhya Chovichien, MD***	Director
4.	Mr. Thammanoon Korkiatwanich	Director
5.	Mr. Thanayous Kositsaku****	Director
6.	Mr. Theeranut Tangsathapornpong	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 resolution of the Board of Directors' Meeting no. 1/2020 on February 28, 2020; Mr. Thawatchai Arunyik was appointed to be Director as replacement of Mr. Narat Saraman, who resigned on November 20, 2019 and appointed to be Chairman of the Board of Directors as well effective since February 28, 2020 onward so he did not attend the board meeting of 2019.

\*\* : According to the Board of Directors Meeting no. 1/2020 on February 28, 2020, Mr. Thongkam Manasilapapan was appointed as Vice Chairman of the Board of Directors as well effective since February 28, 2020 onward.

\*\*\* : According to resolution of the Board of Directors' Meeting no. 1/2020 on February 28, 2020; Gen. Vidhya Chovichien, MD was appointed to be Director as replacement of Mr. Pakin Pinto, who resigned on September 30, 2019 and effective since February 28, 2020 onward so he did not attend the board meeting of 2019.

\*\*\*\* : 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 as replacement of Ms. Kanwara Aurlpokaiyakul, who resigned and the appointment shall take effect since January 29, 2019.

The Board of Directors is composed of 3 directors who are Executive committee, 3 Independent directors and 3 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, Audit Committee and Nomination and Remuneration 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 2019, the Board of Directors had 7 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. Thawatchai Arunyik*	Chairman	7	0
Mr. Thongkam Manasilapapan**	Vice Chairman/Chairman	7	7
Mr. Narat Saraman***	Vice Chairman	7	4
Gen. Vidhya Chovichien, MD****	Director	7	0
Mr. Thammanoon Korkiatwanich	Director	7	7
Mr. Thanayous Kositsakul	Director	7	4
Mr. Teeranut Thangsatapornpong	Director	7	7
Mr. Pakin Pinto*****	Director	7	6
Ms. Ranchana Rachatanavin, Phd.	Independent Director and Chairperson of Audit Committee	7	7
Mr. Narongrit Rerkpattanapipat	Independent Director and Audit Committee	7	5
Mr. Vorachai Charoonprasitporn*****	Independent Director and Audit Committee	7	6

## Remark:

- \* : According to resolution of the Board of Directors' Meeting no. 1/2020 on February 28, 2020; Mr. Thawatchai Arunyik was appointed to be Director as replacement of Mr. Narat Saraman, who resigned on November 20, 2019 and appointed to be Chairman of the Board of Directors as well effective since February 28, 2020 onward so he did not attend the board meeting of 2019.
- \*\* : According to the Board of Directors Meeting no. 1/2020 on February 28, 2020, Mr. Thongkam Manasilapapan was appointed as Vice Chairman of the Board of Directors as well effective since February 28, 2020 onward.
- \*\*\* : Mr. Narat Saraman had resigned from the position of Director, Vice Chairman, Vice chairman of executive committee and CEO since November 20, 2019 onward.
- \*\*\*\* : According to resolution of the Board of Directors' Meeting no. 1/2020 on February 28, 2020; Gen. Vidhya Chovichien, MD was appointed to be Director as replacement of Mr.Pakin Pinto, who resigned on September 30, 2019 and effective since February 28, 2020 onward so he did not attend the board meeting of 2019.
- \*\*\*\*\* : Mr. Pakin Pinto had resigned from the position of Director, Executive Committee and Executive Vice President – IT and Broadband Business since September 30, 2019 onward.
- \*\*\*\*\* : 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 as replacement of Ms. Kanwara Aurlpokaiyakul, who resigned and the 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. Teeranut Thangsatapornpong any two of three 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](http://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 2019, the Audit Committee had 7 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)	7	7
2. Mr. Narongrit Rerkpattanapipat (Audit Committee Member)	7	5
3. Mr. Vorachai Charoonprasitporn* (Audit Committee Member)	7	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 Aurlpokaiyakul who resigned. 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 2019, 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 2019 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 Thangsataponpong 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 2018: 10,000 Baht/Time)

Independent Director/Audit committee member 7,000 Baht/time (Year 2018: 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 2019 is 0.97 million baht (Year 2018: 0.74 million baht).

In year 2019, the Company paid out remunerations to management 5 persons total 11.12 million baht. (Year 2018: management 4 persons 11.09 million baht)

## 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, 2019 are accurate and fairly stated, as well as in compliance with the relevant laws and regulations.



(Mr. Thongkam Manasilapapan)

Vice Chairman / Chairman of Executive Committee

## 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. was 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 2019, 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 2019 and to propose this appointment for approval to the Board of Director and the Annual General Shareholders' Meeting.

#### **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 2019 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 2019, 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)	7	7
2. Mr. Narongrit Rerkpattanapipat (Audit Committee Member)	7	5
3. Mr. Vorachai Charoonprasitporn (Audit Committee Member)	7	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 2019 and 2018

Conflict of interest person/juristic person	Relationship	Nature of transaction	Transaction value ('000 Baht)		Ending balance ('000 Baht)		Necessity/Reasonableness and Audit Committees' comment
			2019	2018	31 Dec 2019	31 Dec 2018	
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)	2,225	18,536	-	698	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)	82	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	-	-	-	-	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	-	-	-	-	Audit committees' comment is that this transaction deemed reasonable since it protects the benefit of the shareholders.
		Interest expense	-	478	-	-	
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	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
			2019	2018	31 Dec 2019	31 Dec 2018	
Covermat Co., Ltd.	Mr. Chen Kwan Sin, Director and Shareholder of Hinsitsu (Thailand) (Subsidiary) by his wife is a shareholder of Top Precision	Sales of finished goods (A/R)	10,832	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)	7,560	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.
Top Precision Engineering Co., Ltd.	Mr. Vincent Lua Bik Yong, Director and Shareholder of Hinsitsu (Thailand) (Subsidiary)	Purchase of raw materials (A/P)	2,728	-	516	-	Goods that a subsidiary company purchased from Top Precision 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	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.

Conflict of interest person/juristic person	Relationship	Nature of transaction	Transaction value ('000 Baht)		Ending balance ('000 Baht)		Necessity/Reasonableness and Audit Committees' comment
			2019	2018	31 Dec 2019	31 Dec 2018	
Mr. Thongkam Manasilapapan	Director	Short-term loan	10	-	10,000	-	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.

#### Compensation of key management personnel

The Compensation of key management personnel for the years ended December 31, 2019 and 2018 as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Short-term benefits	35,356	22,339	12,092	10,730
Post-employment benefits	1,097	333	414	220
Total Compensation to key management personnel	36,453	22,672	12,506	10,950



### 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	2019		2018		2017		Change			
							2019/2018		2018/2017	
<b>Assets</b>										
Current assets										
Cash and cash equivalent	28	2%	72	5%	36	2%	(44)	-61%	36	100%
Trade and other debtors - net	208	12%	395	28%	283	19%	(187)	-47%	112	40%
Contract assets	387	23%	-	0%	-	0%	387	n/a	-	n/a
Cost of government project - net	24	1%	-	0%	-	0%	24	n/a	-	n/a
Inventories - net	88	5%	151	11%	92	6%	(63)	-42%	59	64%
Advance for government project	7	0%	-	0%	-	0%	7	n/a	-	n/a
<b>Total current assets</b>	<b>742</b>	<b>44%</b>	<b>618</b>	<b>44%</b>	<b>411</b>	<b>28%</b>	<b>124</b>	<b>20%</b>	<b>207</b>	<b>50%</b>
Non-current asset										
Restricted deposit with financial institution	175	10%	150	11%	151	10%	25	17%	(1)	-1%
Investment in associate	31	2%	33	2%	33	2%	(2)	-6%	-	0%
Plant, property and equipment - net	143	8%	136	10%	87	6%	7	5%	49	56%
Optical fiber network and equipment	164	10%	176	13%	649	44%	(12)	-7%	(473)	-73%
Fiber network construction in process	231	14%	-	0%	-	0%	231	n/a	-	n/a
Goodwill	126	7%	171	12%	45	3%	(45)	-26%	126	280%
Investment property	-	0%	51	4%	53	4%	(51)	-100%	(2)	-4%
Other non-current assets	93	5%	68	5%	54	4%	25	37%	14	26%
<b>Total non-current assets</b>	<b>963</b>	<b>56%</b>	<b>785</b>	<b>56%</b>	<b>1,072</b>	<b>72%</b>	<b>178</b>	<b>23%</b>	<b>- 287</b>	<b>-27%</b>
<b>Total assets</b>	<b>1,705</b>	<b>100%</b>	<b>1,403</b>	<b>100%</b>	<b>1,483</b>	<b>100%</b>	<b>302</b>	<b>22%</b>	<b>(80)</b>	<b>-5%</b>
<b>Liabilities and shareholder's equity</b>										
<b>Liabilities</b>										
Current liabilities										
Bank over-draft and short-term loan	429	25%	223	16%	277	19%	206	92%	(54)	-19%
Trade and other creditors	217	13%	297	21%	222	15%	(80)	-27%	75	34%
Current portion of financial lease liabilities due within 1 year	17	1%	32	2%	34	2%	(15)	-47%	(2)	-6%
Current portion of long-term loan due within 1 year	82	5%	48	3%	54	4%	34	71%	(6)	-11%
Current portion of payable for purchase of investment due within 1 year	10	1%	-	0%	13	1%	10	n/a	(13)	-100%
Other current liabilities	9	1%	8	1%	2	0%	1	13%	6	300%
<b>Total current liabilities</b>	<b>764</b>	<b>45%</b>	<b>608</b>	<b>43%</b>	<b>602</b>	<b>41%</b>	<b>156</b>	<b>26%</b>	<b>6</b>	<b>1%</b>
Non-current liabilities										
Financial lease liabilities - net	12	1%	23	2%	28	2%	(11)	-48%	(5)	-18%
Long-term loan - net	292	17%	175	12%	45	3%	117	67%	130	289%
Other non-current liabilities	17	1%	29	2%	6	0%	(12)	-41%	23	383%
<b>Total non-current liabilities</b>	<b>321</b>	<b>19%</b>	<b>227</b>	<b>16%</b>	<b>79</b>	<b>5%</b>	<b>94</b>	<b>41%</b>	<b>148</b>	<b>187%</b>
<b>Total liabilities</b>	<b>1,085</b>	<b>64%</b>	<b>835</b>	<b>60%</b>	<b>681</b>	<b>46%</b>	<b>250</b>	<b>30%</b>	<b>154</b>	<b>23%</b>
<b>Shareholder's equity</b>										
Paid-up share capital	526	31%	526	37%	437	29%	-	0%	89	20%
Paid-in capital in excess of par	477	28%	477	34%	389	26%	-	0%	88	23%
Legal reserve	15	1%	15	1%	15	1%	-	0%	-	0%
Unappropriated retained earnings	(486)	-29%	(555)	-40%	(63)	-4%	69	-12%	(492)	781%
Other components	(51)	-3%	(9)	-1%	(9)	-1%	(42)	467%	-	0%
<b>Total equity of the parent company</b>	<b>481</b>	<b>28%</b>	<b>454</b>	<b>32%</b>	<b>769</b>	<b>52%</b>	<b>27</b>	<b>6%</b>	<b>(315)</b>	<b>-41%</b>
Non-controlling interests	138	8%	114	8%	33	2%	24	21%	81	245%
<b>Total shareholder's equity</b>	<b>619</b>	<b>36%</b>	<b>568</b>	<b>40%</b>	<b>802</b>	<b>54%</b>	<b>51</b>	<b>9%</b>	<b>(234)</b>	<b>-29%</b>
<b>Total liabilities and shareholder's equity</b>	<b>1,704</b>	<b>100%</b>	<b>1,403</b>	<b>100%</b>	<b>1,483</b>	<b>100%</b>	<b>301</b>	<b>21%</b>	<b>(80)</b>	<b>-5%</b>

Income Statements Unit: Million Baht	2019		2018		฿ 2560		Change			
							2019/2018		2018/2017	
Revenue from sales and services	2,009	100%	1,694	100%	1,514	100%	315	19%	180	12%
Cost of sales and services	(1,553)	-77%	(1,415)	-84%	(1,248)	-82%	(138)	10%	(167)	13%
Gross profit	456	23%	279	16%	266	18%	177	63%	13	5%
Other income	22	1%	15	1%	16	1%	7	47%	(1)	-6%
Gain/(loss) from sale of investment	(68)	-3%	18	1%	-	0%	(86)	-478%	18	n/a
Loss from impairment of fiber optic network	-	0%	(480)	-28%	-	0%	480	-100%	(480)	n/a
Selling and administrative expenses	(277)	-14%	(265)	-16%	(250)	-17%	(12)	5%	(15)	6%
Profit before financial cost and income tax	133	7%	(433)	-26%	32	2%	566	-131%	(465)	-1453%
Financial cost	(26)	-1%	(33)	-2%	(32)	-2%	7	-21%	(1)	3%
Share of profit from associate	1	0%	1	0%	2	0%	-	0%	1	-50%
Profit before income tax	108	5%	(465)	-27%	2	0%	573	-123%	(467)	-23350%
Income tax	(7)	0%	(11)	-1%	(3)	0%	4	-36%	(8)	267%
Net profit	101	5%	(476)	-28%	(1)	0%	577	-121%	(475)	47500%
Portion of non-controlling interest	(32)	-2%	(16)	-1%	-	0%	(16)	100%	(16)	n/a
Portion of equity holder of the Company	69	3%	(492)	-29%	(1)	0%	561	-114%	(491)	49100%

Operating result by business segment	Total Information Technologies Solution Services	Production and Sales of Label Product	Silkscreen Printing	Broadband	Government Project	Total Domestic	Wholesale of computer equipments in Malaysia	Total	
<b>Unit: Million baht</b>									
<b>Year 2018</b>									
Revenue from sales and services	76	249	332	154	492	1,303	706	2,009	
Cost of sales and services	(61)	(167)	(197)	(90)	(401)	(916)	(638)	(1,554)	
Gross profit	15	82	135	64	91	387	68	455	
Other income	-	1	1	-	-	2	20	22	
Gain/(loss) from sale of investment	-	-	-	-	-	-	(68)	(68)	
Loss from impairment of fiber optic network	-	-	-	-	-	-	-	-	
Selling and administrative expenses	(39)	(46)	(62)	(67)	(9)	(223)	(54)	(277)	
Profit before financial cost and income tax	(24)	37	74	(3)	82	166	(34)	132	
Financial cost	(2)	(2)	(5)	(4)	-	(13)	(12)	(25)	
Share of profit from associate	1	-	-	-	-	1	-	1	
Profit before income tax	(25)	35	69	(7)	82	154	(46)	108	
Income tax	9	(4)	(15)	-	9	(1)	(6)	(7)	
Net profit	(16)	31	54	(7)	91	153	(52)	101	
Portion of equity holder of the Company									69
<b>Year 2018</b>									
Revenue from sales and services	112	256	189	174	-	731	963	1,694	
Cost of sales and services	(81)	(181)	(118)	(148)	-	(528)	(887)	(1,415)	
Gross profit	31	75	71	26	-	203	76	279	
Other income	(2)	2	2	1	-	3	13	16	
Gain/(loss) from sale of investment	18	-	-	-	-	18	-	18	
Loss from impairment of fiber optic network	-	-	-	(480)	-	(480)	-	(480)	
Selling and administrative expenses	(53)	(40)	(31)	(68)	(6)	(198)	(67)	(265)	
Profit before financial cost and income tax	(6)	37	42	(521)	(6)	(454)	22	(432)	
Financial cost	-	(3)	(5)	(8)	-	(16)	(17)	(33)	
Share of profit from associate	1	-	-	-	-	1	-	1	
Profit before income tax	(5)	34	37	(529)	(6)	(469)	5	(464)	
Income tax	(1)	(6)	(4)	1	-	(10)	(2)	(12)	
Net profit	(6)	28	33	(528)	(6)	(479)	3	(476)	
Portion of equity holder of the Company									(493)
<b>Year 2017</b>									
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)

IT SOLUTION	2019		2018		2017		Change			
							2019/2018		2018/2017	
REVENUE	76	100%	112	100%	221	100%	(36)	-32%	(109)	-49%
GROSS PROFIT	15	20%	31	28%	83	38%	(16)	-52%	(52)	-63%
NET PROFIT	(16)	-21%	(6)	-5%	12	5%	(10)	167%	(18)	-150%

LABEL BUSINESS	2019		2018		2017		Change			
							2019/2018		2018/2017	
REVENUE	249	100%	256	100%	269	100%	(7)	-3%	(13)	-5%
GROSS PROFIT	82	33%	75	29%	79	29%	7	9%	(4)	-5%
NET PROFIT	31	12%	28	11%	35	13%	3	11%	(7)	-20%

SILKSCREEN PRINTING	2019		2018		2017		Change			
							2019/2018		2018/2017	
REVENUE	332	100%	189	100%		n/a	143	n/a	189	n/a
GROSS PROFIT	135	41%	71	38%		n/a	64	n/a	71	n/a
NET PROFIT	54	16%	33	17%		n/a	21	n/a	33	n/a

BROADBAND INTERNET	2019		2018		2017		Change			
							2019/2018		2018/2017	
REVENUE	154	100%	174	100%	185	100%	(20)	-11%	(11)	-6%
GROSS PROFIT	64	42%	26	15%	38	21%	38	146%	(12)	-32%
NET PROFIT	(7)	-5%	(528)	-303%	(35)	-19%	521	-99%	(493)	1409%

GOVERNMENT PROJECT	2019		2018		2017		Change			
							2019/2018		2018/2017	
REVENUE	492	100%	-	n/a		n/a	492	n/a	-	n/a
GROSS PROFIT	91	18%	-	n/a		n/a	91	n/a	-	n/a
NET PROFIT	91	18%	(6)	n/a		n/a	97	n/a	(6)	n/a

WHOLESALE OF HARDWARE - MALAYSIA	2019		2018		2017		Change			
							2019/2018		2018/2017	
REVENUE	706	100%	963	100%	839	100%	(257)	-27%	124	15%
GROSS PROFIT	68	10%	76	8%	67	8%	(8)	-11%	9	13%
NET PROFIT	(52)	-7%	3	0%	(13)	-2%	(55)	-1833%	16	n/a

Important financial ratios

Significant Financial Ratio	Unit	2019	2018	2017	2019 vs 2018
Liquidity Ratio					Liquidity ratio was closed to prior year.
Current Ratio	time	0.97	1.02	0.68	
Assets Utilization Ratio					A/R turnover was improved due to the Company sold the investment in subsidiary in Malaysia at year-end in which this subsidiary has the long collection period as their major customers were government units. However, A/P turnover and inventory turnover were closed to the prior year.
Accounts Receivable Turnover	time	8.00	5.73	6.65	
Average Collection Period	day	46	64	55	
Inventory Turnover	time	13.05	11.69	10.15	
Average Sales Period	day	28	31	36	
Accounts Payable Turnover	time	12.17	11.78	6.92	
Average Payment Period	day	30	31	53	
Leverage Ratio					The ability to pay interest was improved so much as the profit before interest and tax increased a lot. However, the debt to equity ration declined since the liability portion increase about Baht 200 million which came from the loan for investment in Government Project for Baht 600 million minus the liability of the subsidiary in Malaysia of Baht 400 million which disappeared since the Company sold the investment in this subsidiary.
Time Interest Earned	time	5.12	1.42	1.00	
Debt to Equity	time	1.75	1.47	0.85	
Profitability Ratio					Profitability ratio improved significantly due to the followings:
Gross Profit Margin	%	23%	16%	18%	1) Profit from Government Project amounting Baht 91 million while last year there was only the pre-operating expenses about Baht 6 million.
Net Profit Margin	%	5.0%	0.2%	-0.1%	2) Profit from Silkscreen Printing Business of Baht 54 million which recognized profit for 12 months while last year this business recognized profit only 7 months for Baht 37 million.
Return on Assets	%	5.9%	0.3%	-0.1%	3) Label business's profit was a little bit better than last year.
Return on Equity	%	14.3%	-2.6%	-0.1%	4) Broadband business's profit was improved from prior year significantly due to the decrease of depreciation more than 70% as it had the impairment of assets in last year.
Basic earnings per share	Baht	0.13	(1.01)	(0.002)	5) Wholedal of computer in Malaysia had operating profit of Baht 16 million while recognized loss from sale of investment in this subsidiary about Baht 68 million.

## Management Discussion and Analysis

### Economic Overview for year 2019

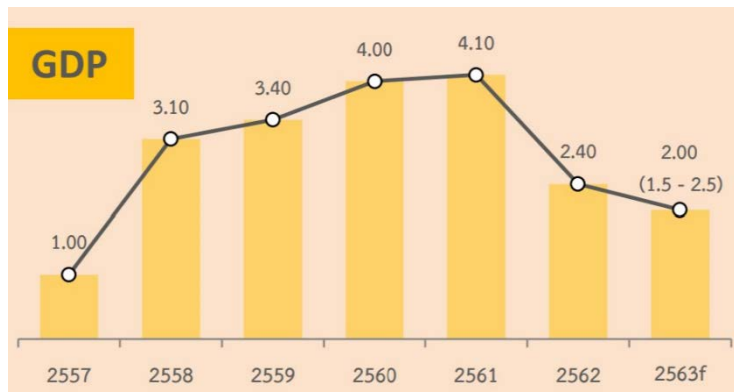
Thai economy expanded about 2.4% compared with 4.2% of year 2018. The export value decreased about 3.2% while the private consumption and investment increased about 4.5% and 2.2% , respectively. Inflation rate is about 0.7% and the balance of current account was surplus of 6.8% of GDP.

### Economic Trend for year 2020

Thai economy for year 2020 is expected to grow about 1.5 – 2.5% which slowdown from year 2019 from the constraint of the outbreak of Covid-19 virus, Drought, and the delay of government spending. However, there are supporting factors from:

- 1) The slowly improvement of the world economy and trade from the relief of the trade barrier and the risk of the unconditional Brexit.
- 2) The satisfactory expansion of the household consumption and the investment from private and government sector
- 3) Drive from Governmental Measures
- 4) The low base of economic expansion of the last quarter of year 2019. It was expected that the export value will grow 1.4%, the private consumption and investment will grow 3.5% and 3.6%, respectively.

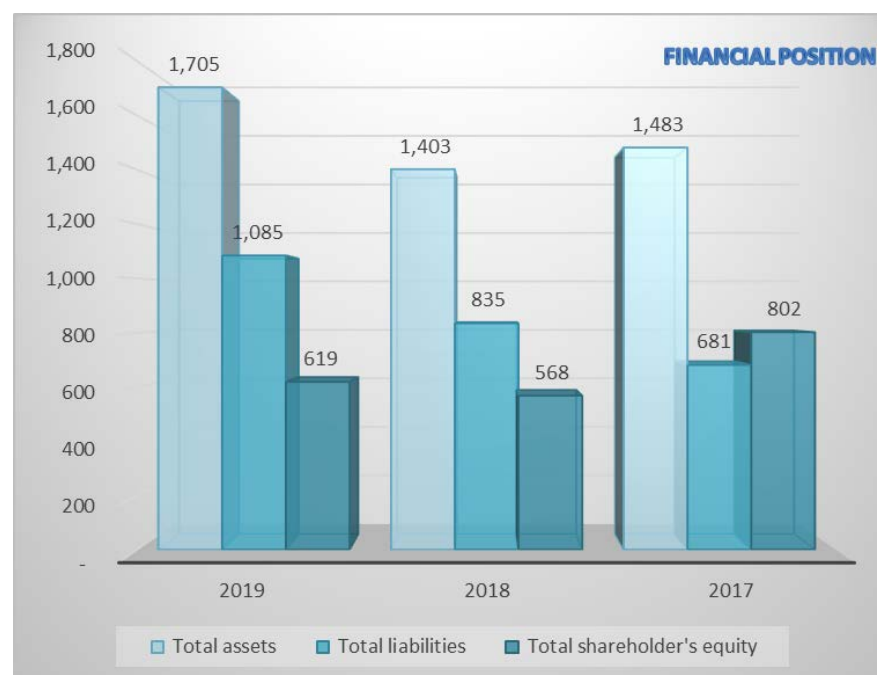
The inflation was during 0.4 – 1.4% and the surplus of current account balance about 5.3% of GDP.



(Source: Office of the National Economics and Social Development Council)

## Overview of the Company's Financial Position and Operating result

### Financial Position

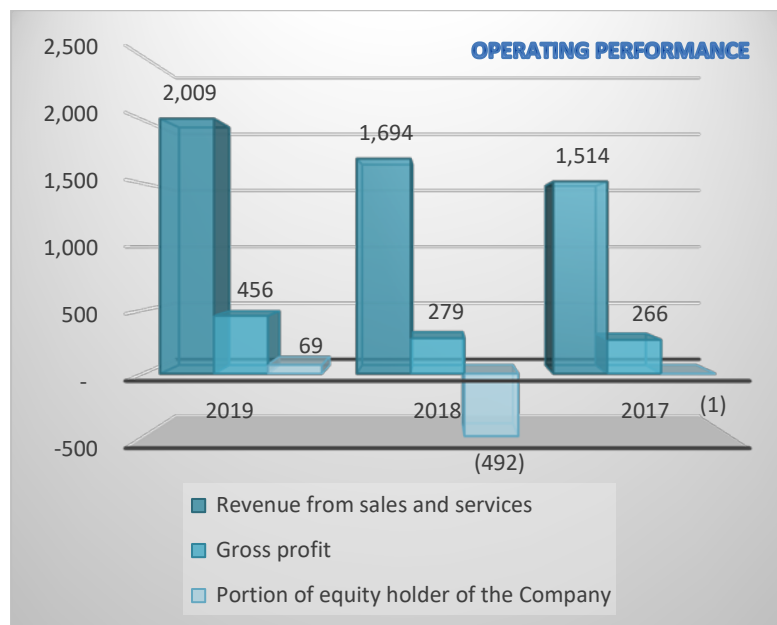


- Total assets as at 31 December 2019 increased from prior year about Baht 302 million or 22% due to the followings:
  - Assets relevant to the government project increased about Baht 775 million which are Contract assets of Baht 387 million, Government Project Cost (net) of Baht 24 million, Advance payment of Baht 7 million, Fiber Optic Network Construction in Process of Baht 231 million and the restricted deposit from loan of Baht 126 million.
  - The assets of the subsidiary in Malaysia of Baht 439 million which included in the consolidated balance sheet of prior year were disappeared since the Company sold the investment in this subsidiary at the end of year 2019 so the Company did not consolidate the assets of this subsidiary for year 2019.
- Total liabilities as at 31 December 2019 increased approximately Baht 250 million or 30% from prior year due to the followings:
  - Increase of loan for government project about Baht 608 million.
  - The liabilities of the subsidiary in Malaysia of Baht 349 million which included in the consolidated balance sheet of prior year were disappeared since the Company sold the investment in this subsidiary at the end of year 2019 so the Company did not consolidate the liabilities of this subsidiary for year 2019.



- Total shareholder's equity as at 31 December 2019 increased approximately Baht 51 million or 9% from prior year mainly due to:-
  - Increase from net profit for the year 2019 amounting to Baht 101 million.
  - The equity of the subsidiary in Malaysia of Baht 49 million which included in the consolidated balance sheet of prior year were disappeared since the Company sold the investment in this subsidiary at the end of year 2019 so the Company did not consolidate the equity of this subsidiary for year 2019.

Operating Result



Jan - Dec 2019 12-months	Thailand					MaLaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	75,572	248,997	332,124	492,189	153,617	706,041	2,008,540
Cost of sales and services	(60,502)	(166,814)	(196,664)	(400,629)	(90,412)	(637,613)	(1,552,634)
Gross profit (loss)	15,070	82,183	135,460	91,560	63,205	68,428	455,906
Gain (loss) on exchange rate	166	563	175	-	-	-	904
Loss on sale of investment	-	-	-	-	-	(67,976)	(67,976)
Other income	316	239	596	188	511	19,739	21,589
Selling expenses	(11,269)	(8,491)	(7,105)	(834)	(17,894)	(6,162)	(51,755)
Administrative expense	(27,579)	(37,585)	(54,560)	(8,228)	(48,985)	(48,012)	(224,949)
Finance cost	(2,280)	(2,513)	(5,692)	(6)	(3,943)	(11,681)	(26,115)
Profit sharing from associate	820	-	-	-	-	-	820
Profit (loss) before income tax	(24,756)	34,396	68,874	82,680	(7,106)	(45,664)	108,424
Income tax	8,657	(3,619)	(14,628)	8,793	64	(6,628)	(7,361)
Net profit (loss)	(16,099)	30,777	54,246	91,473	(7,042)	(52,292)	101,063
<b>Effects of extraordinary items:</b>							
1) Loss from sale of investment in subsidiary in Malaysia						67,976	67,976
2) Financial advisory fee		1,500					1,500
3) Interest fines in civil case					4,500		4,500
Total amount of extraordinary items	-	1,500	-	-	4,500	67,976	73,976
Net Profit/(Loss) (exclude extraordinary items)	(16,099)	32,277	54,246	91,473	(2,542)	15,684	175,039
Profit (loss) attributable to							
Equity holders of the Company							69,027
Non-controlling interests							32,036
							101,063
Profit (loss) attributable to (exclude extraordinary items)							
Equity holders of the Company							143,003
Non-controlling interests							32,036
							175,039

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	1,693,984
Cost of sales and services	(80,749)	(180,656)	(117,502)	-	(148,310)	(887,429)	(1,414,646)
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)	(7,160)	(52,400)
Administrative expense	(42,145)	(31,100)	(29,552)	(5,890)	(44,632)	(59,531)	(212,850)
Loss on impairment of assets	-	-	-	-	(480,000)	-	(480,000.00)
Finance cost	(433)	(3,141)	(5,316)	-	(7,684)	(16,375)	(32,949)
Profit sharing from associate	697	-	-	-	-	-	697
Profit (loss) before income tax	(4,762)	33,852	36,470	(6,199)	(529,106)	5,058	(464,687)
Income tax	(807)	(5,560)	(4,111)	-	833	(1,965)	(11,610)
Net profit (loss)	(5,569)	28,292	32,359	(6,199)	(528,273)	3,093	(476,297)
<b>Effects of extraordinary items:</b>							
1) Gain from sale of investment	(18,188)						(18,188)
2) Loss from impairment of asset					480,000		480,000
Total amount of extraordinary items	(18,188)	-	-	-	480,000	-	461,812
Net Profit/(Loss) (exclude extraordinary items)	(23,757)	28,292	32,359	(6,199)	(48,273)	3,093	(14,485)
Profit (loss) attributable to							
Equity holders of the Company							(492,523)
Non-controlling interests							16,226
							(476,297)
Profit (loss) attributable to (exclude extraordinary items)							
Equity holders of the Company							(30,711)
Non-controlling interests							16,226
							(14,485)

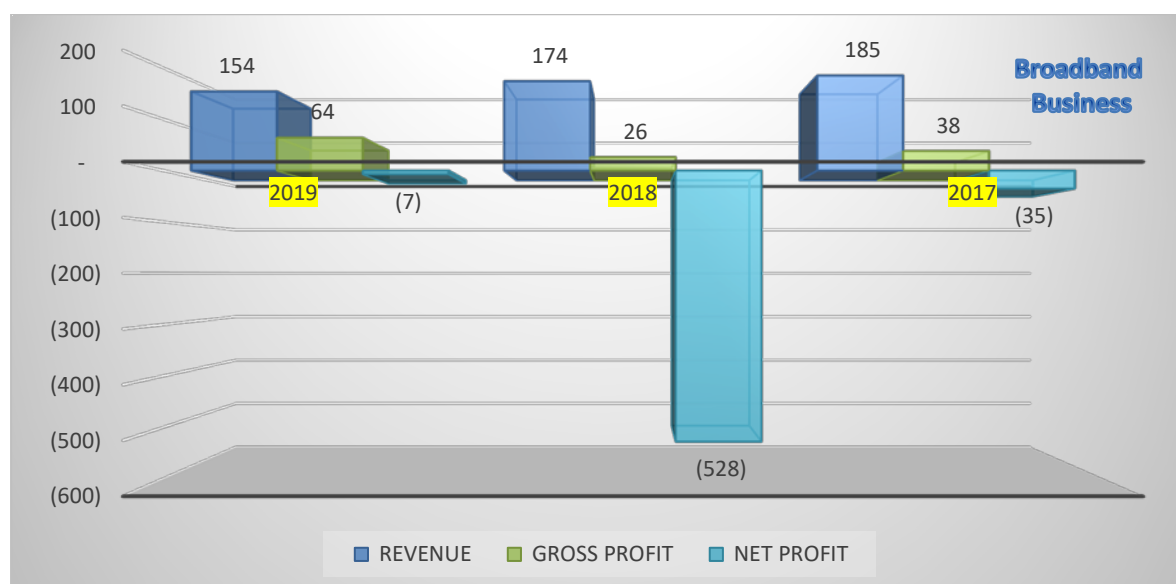
Remark 1: Silkscreen printing business is Hinsitsu (Thailand) which is just acquired by the Company on 31 May 2018 and the Company recognized revenue and profit since 1 June 2018.

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

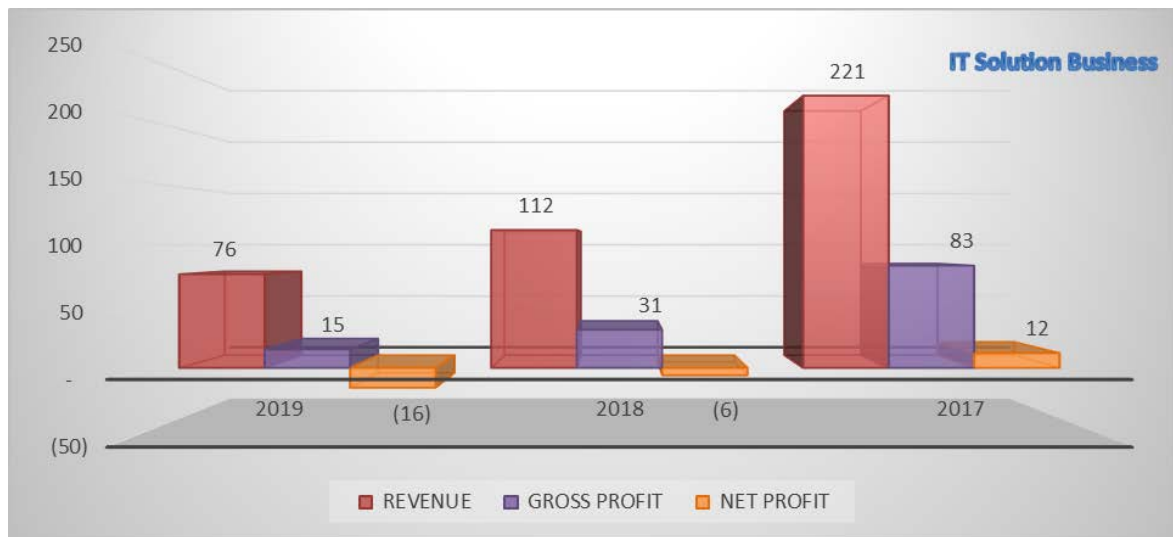
### Summary

The consolidated net profit/(loss) of the Company (portion of the parent company) for the year 2019 and 2018 were Baht 69.03 million and Baht (492.52) million, respectively. However, if we took out the effect of the extraordinary items which occurred during the year 2019 and 2018 and considered only the normal operating performance, we found that the net profit for the parent company's portion excluding extraordinary items for the year 2019 was Baht 143.00 million which mainly came from the profit from government project and the label and silkscreen printing business while the net loss for the parent company's portion excluding extraordinary items for the year 2018 was Baht 30.71 million which mainly came from the loss of broadband business.

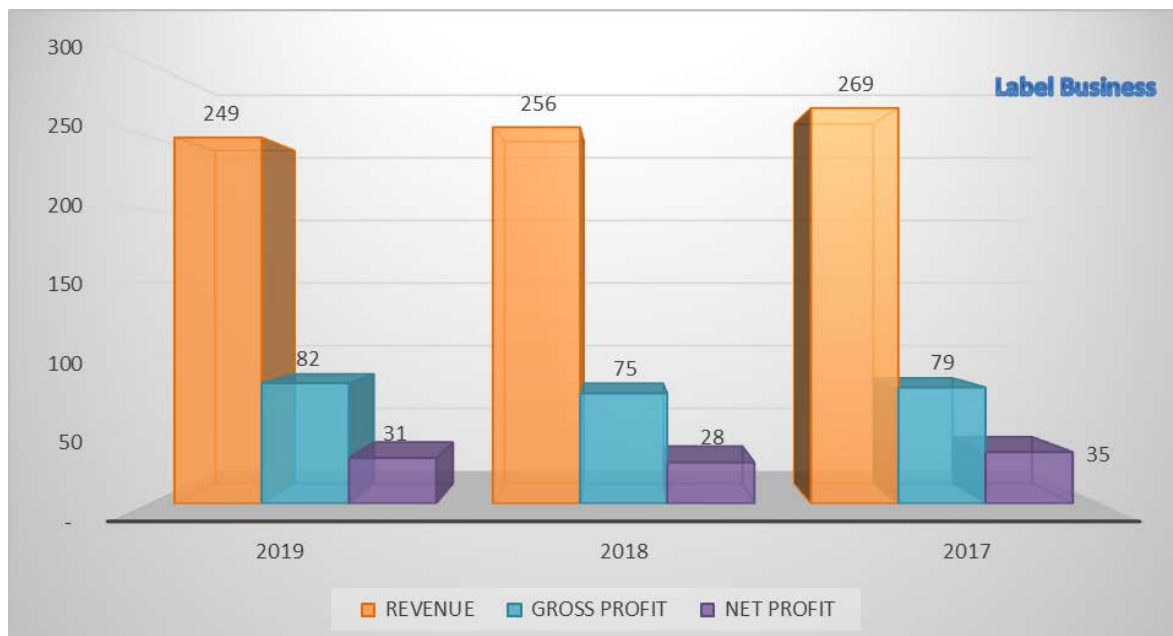
The operating performance for the year 2019 was improved from year 2018 significantly from the following reasons:



- Broadband business had net loss from operation for the year 2019 and 2018 for Baht 2.54 million (excluding the extraordinary item of the interest fine from civil court amounting to Baht 4.50 million) and Baht 48.27 million (excluding the extraordinary item of the impairment loss of the internet network amounting to Baht 480.00 million), respectively. The performance improved from prior year significantly due to the decrease of depreciation expense, the main cost, about 70% from the provision for impairment of the internet network for consumer market at end of year 2018. The operating performance of this business is improving from the reduction of staff as transfer of more staffs to do installation of Government Project during the Quarter 2 of year 2019. The transferred staffs will perform installation job in Phase 1 of the project and perform the service and maintenance for the next 5 year until the project complete. As the Phase 1 complete, the Company can provide internet service to the people in 7 provinces in the project. In the near future, the Company will have internet service coverage area from the existing 4 provinces to 11 provinces which will help increasing revenue and profit.

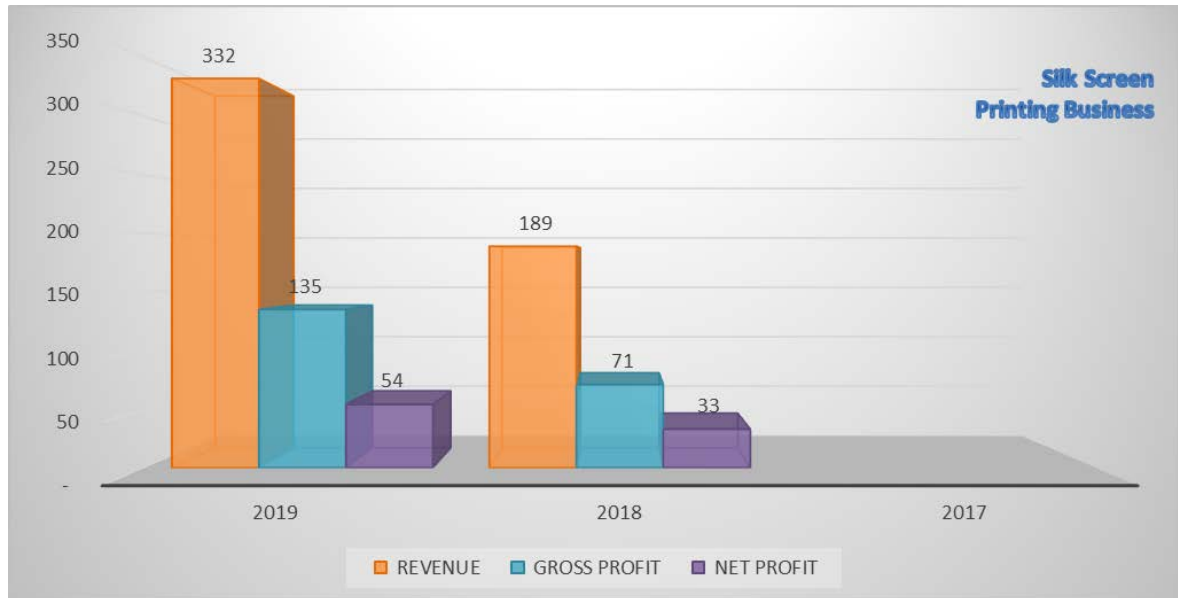


- IT business had loss from operation for the year 2019 and 2018 for Baht 16.10 million and Baht 23.76 million (excluding the extraordinary item of the sale of software business amounting to Baht 18.19 million), respectively. The loss improved from prior year as the decrease in administrative expenses. The management has restructured this business by set up the new subsidiary company and the Company has transferred the IT business to this subsidiary and the Company invested about 49%. The business partner who will joint-invest in this subsidiary is an expert in IT business. The IT business after restructuring will improve their operating performance within the next year.

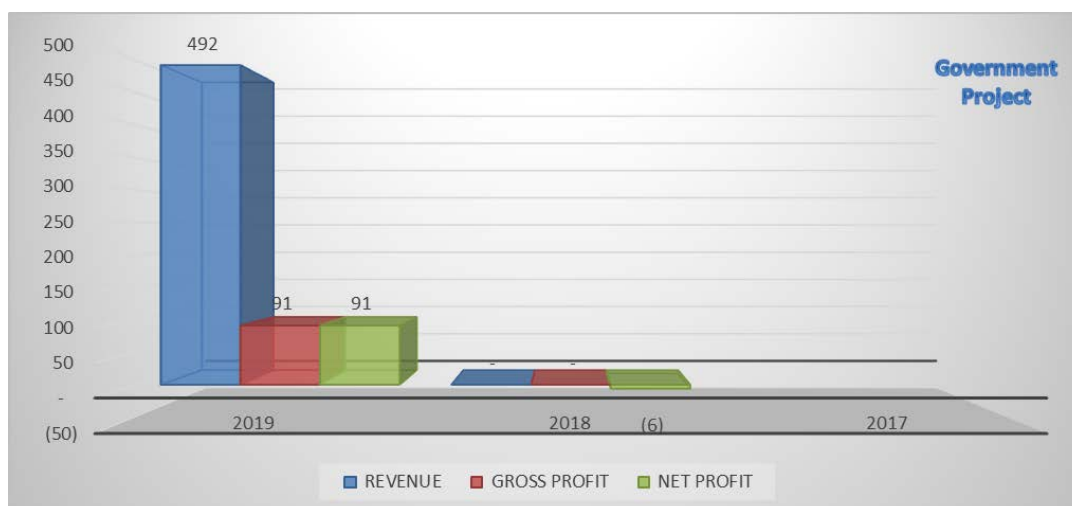


- Label business had profit from operation for the year 2019 and 2018 for Baht 32.28 million and Baht 28.29 million, respectively. The performance improved from the rise of gross margin ratio as the increase in portion of sale of products in smartphone segment with the high margin. In 2019, the Company restructured the

label business by sale of total shares holding in Simat Label to another subsidiary who is Hinsitsu (Thailand) Co., Ltd., Silkscreen printing business which take effect since Quarter 2 of year 2019. The restructuring caused the Company to take profit sharing of 70% of the total profit.



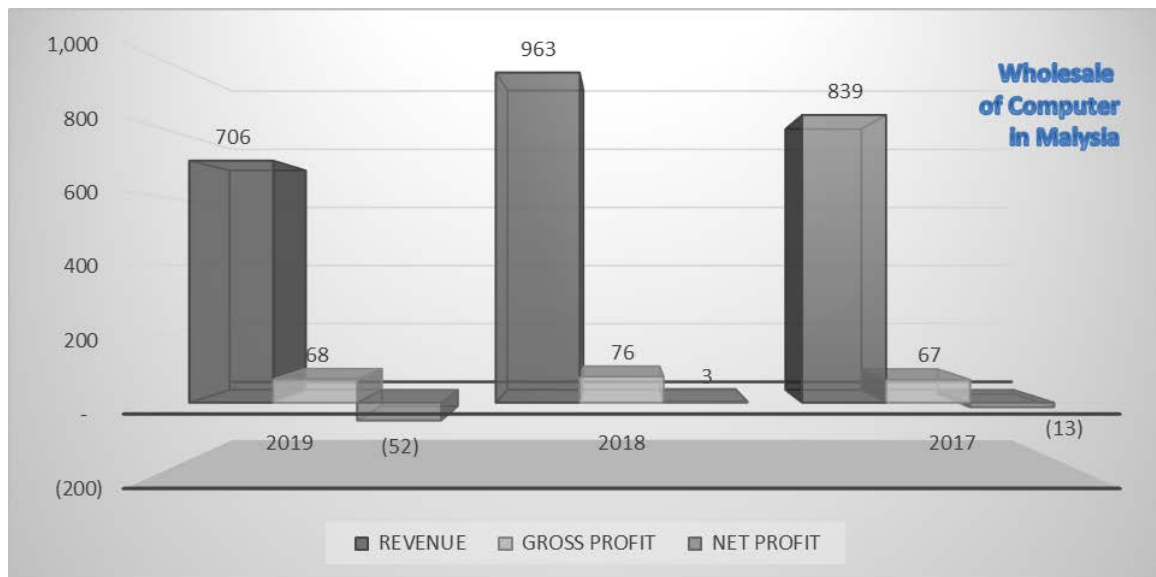
- Silkscreen Printing business had profit from operation for the year 2019 and 2018 for Baht 54.25 million and Baht 32.36 million (Year 2018, the Company had recognized revenue and profit for 7 months as the Company acquired this business since 31 May 2018), respectively. If we compare the operating performance on equally 12 months basis, we found that revenue and net profit of year 2019 were closed to prior year. This business still can retain the growth although the competition was intense from the effect of the trade war between U.S. and China on the export of electric appliances of Thailand.



- 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 2019<sup>1</sup>. The project value is THB 2,100 million (exclude VAT) with the term of 6 years. The revenue is separated into:

- 1) Phase 1 Installation of equipment: the total revenue is Baht 723 million to be delivered within the end of year 2019
- 2) Phase 2 Internet service and maintenance: the total revenue is Baht 1,377 million to be recognized for 5 years since the delivery of phase 1 completed.

For Phase 1, the Company recognized revenue and profit according to the percentage of completion of 70% of the total Phase 1 cost or equaled to Baht 492 million and Baht 91 million, respectively. There are outstanding work of Phase 1 about 30% to be completed in Quarter 1 of year 2020 which is delay from the delivery date according to the contract due to the tropical storm attacked the overall installation sites during the Quarter 3. However, the Company informed formally about this force majeure to NBTC in order to consider the expansion of delivery and inspection period appropriately.



- Wholesale of computer hardware in Malaysia had net profit from operation for the third quarter for the year 2019 and 2018 for Baht 15.68 million (excluding the extraordinary item of the loss from sale of investment in subsidiary in Malaysia amounting to Baht 67.98 million) and Baht 3.09 million, respectively. The profit increased significantly due to the increase in other income from the interest income charged for the long overdue accounts receivable amounting to Baht 12 million which is not related to the normal operation.

In Quarter 2 year 2019, the Company has entered into the share sale agreement to sell all shares holding in this subsidiary to Mr. Ling Chee Kiat for 3.8 million Ringgit or Baht 28 million. The sale price is closed to the fair value evaluated by the independent financial advisor. The disposal of the investment in this subsidiary is according to the business restructure plan to sell off the business with low profit and high business risk. The sale transaction was completed at end of November 2019 and the Company recognized loss on sale of the investment in this subsidiary about It is Baht 67.98 million.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2019



**Independent Auditor's Report**

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

**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, 2019, 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, 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, 2019, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards (TFRSs).

**Basis for Opinion**

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 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.

***Recognition of Revenue from Government Project Construction Contracts******Risk***

The Company has revenue from government project construction contracts for the year ended December 31, 2019 amount of Baht 492 million. Revenue from contracts work are recognized based on the performance obligation satisfied over time using the input method which it assessed with reference to the proportion of inputs incurred to the satisfaction of the performance obligation as at the statement of financial position date relative to the total expected inputs to the satisfaction of that performance obligation. Profit or loss on contracts is a key risk for the audit because of the judgment involved in preparing suitable estimates of the forecast costs on such contracts which could affect the amount of revenue recognized in the year ended December 31, 2019.

***Auditor's Response***

I assessed and obtained the understanding the estimation of input costs and revisions thereto, recognition of revenue as the input method by making enquiry of responsible executives, gaining an understanding the contracts that could have a significant impact on the Company's financial results in order to:

- Assess the appropriateness of estimation of total project input costs by verification with reliable sources which relevant to project input costs estimation,
- Verify the inputs incurred with purchase documents;
- Test the calculations of the recognized revenue based on the input method;
- Compare the progress toward complete of performance obligation satisfied with project manager of the Company;

In addition, I also conducted site visits for certain significant construction of government projects

***Carrying amounts of fiber optic equipment******Risk***

According to Note to Financial Statements No. 18, the Company invested in fiber optic network equipment at a net book value of Baht 163 million as at December 31, 2019. 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.4, as of December 31, 2019, the Group Company had goodwill, exceeding the fair value of the identifiable net assets of a subsidiary acquired by the Company of Baht 125 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.

***Deferred tax assets****Risk*

According to Note to Financial Statements No. 19, the Company has deferred tax assets from tax losses in the amount of Baht 32 million. The utilisation 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 the recoverability of the deferred tax assets by assessing the appropriateness of the forecasted pre-tax profit used for the planned utilisation 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.18

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 41, the Company filed a lawsuit against CAT.

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

**Other**

I have audited the consolidated statement of financial position as at December 31, 2018 which have been presented herewith for comparative purpose as my report dated March 1, 2019, expressed a qualified opinion on the following matters:

1. The Company did not provide the fair value appraisal of certain identifiable assets acquired and liabilities assumed from the acquisition of a new subsidiary.
2. The subsidiary company is still in the process of preparation unit cost of inventory and I have not yet received the confirmation reply from certain suppliers.
3. The Company recorded investment in an associate company and share of profits from such investment based on financial statements which are unaudited by the auditor of an associate company.

At the present, the Company has already provided with and I had received the above information which there are no significant impacts to the financial statements.

**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, February 28, 2020

## SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

Unit: Thousands Baht						
		CONSOLIDATED F/S		SEPARATE F/S		
		DECEMBER	DECEMBER	DECEMBER	DECEMBER	
Notes		31, 2019	31, 2018	31, 2019	31, 2018	
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
	Cash and cash equivalents	5	27,978	72,343	4,964	6,503
	Trade and other current receivables - net	6,7	207,537	394,986	90,162	62,080
	Contract assets	8	387,143	-	387,143	-
	Cost of government project - net	9	23,517	-	23,517	-
	Inventories - net	10	87,848	150,466	13,672	17,817
	Advance for government project		7,524	-	7,524	-
	<b>Total Current Assets</b>		<b>741,547</b>	<b>617,795</b>	<b>526,982</b>	<b>86,400</b>
<b>NON-CURRENT ASSETS</b>						
	Pledge deposits with banks	11	174,521	149,790	152,620	49,545
	Investments in associated company	12	30,942	33,254	21,274	21,274
	Investments in subsidiary companies - net	13	-	-	280,000	376,955
	Investment property - net	14	-	50,679	-	-
	Property and equipment - net	15	142,835	135,566	10,836	13,390
	Equipment and computer software					
	for lease - net	16	1	1	1	1
	Software development cost for sales	17	3,565	1,647	1,874	511
	Fiber optic network equipment - net	18	163,789	175,999	163,789	175,999
	Fiber optic network equipment under construction	9	231,258	-	231,258	-
	Goodwill - net	4	125,983	170,675	-	-
	Deferred tax assets	19	44,175	24,079	38,535	21,020
	Deposits		10,040	8,957	6,989	8,957
	Prepayment - maintenance project		11,826	14,081	11,826	14,081
	Prepayment - fixed assets		11,120	3,651	11,120	3,651
	Other non-current assets		13,132	16,811	13,129	9,617
	<b>Total Non-Current Assets</b>		<b>963,187</b>	<b>785,190</b>	<b>943,251</b>	<b>695,001</b>
	<b>TOTAL ASSETS</b>		<b>1,704,734</b>	<b>1,402,985</b>	<b>1,470,233</b>	<b>781,401</b>

## SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

		Unit: Thousands Baht			
		CONSOLIDATED F/S		SEPARATE F/S	
		DECEMBER	DECEMBER	DECEMBER	DECEMBER
Notes		31, 2019	31, 2018	31, 2019	31, 2018
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
	Bank overdraft and short-term loan from				
	financial institutions	20	418,631	213,245	406,131
	Trade and other current payables	21,7	217,202	297,299	185,180
	Current portion of liabilities under				
	financial lease and hire purchase agreements	23	17,369	32,004	10,991
	Current portion of long-term loan from				
	financial institutions	24	82,415	47,520	44,411
	Short-term loans from other person	25	10,000	10,000	10,000
	Short-term loan from director and related companies	7	10,000	-	45,100
	Accrued income tax		9,334	8,328	-
	<b>Total Current Liabilities</b>		<b>764,951</b>	<b>608,396</b>	<b>701,813</b>
<b>NON-CURRENT LIABILITIES</b>					
	Liabilities under financial lease and hire purchase				
	agreements - net	23	12,448	22,748	1,297
	Long-term loan from financial institutions- net	24	291,546	174,603	165,886
	Deferred tax liabilities		-	1,178	-
	Convertible Debentures	26	2,500	17,500	2,500
	Non-current provisions for employee benefits	27	14,659	10,219	3,474
	<b>Total Non-Current Liabilities</b>		<b>321,153</b>	<b>226,248</b>	<b>173,157</b>
	<b>TOTAL LIABILITIES</b>		<b>1,086,104</b>	<b>834,644</b>	<b>874,970</b>



## SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

		Unit: Thousands Baht			
		CONSOLIDATED F/S		SEPARATE F/S	
		DECEMBER	DECEMBER	DECEMBER	DECEMBER
Notes		31, 2019	31, 2018	31, 2019	31, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)					
SHAREHOLDERS' EQUITY					
	Share capital	28			
	Registered				
	Common shares 816,618,970 shares of Baht 1 each	816,619	816,619	816,619	816,619
	Issued and fully paid-up				
	Common shares 525,513,051 shares of Baht 1 each	525,513	525,513	525,513	525,513
	Paid in capital in excess of par value	477,262	477,262	477,262	477,262
	Reserve for share-based payments	40	3,121	1,660	3,121
	Discount on capital from change in proportion				
	of investment in subsidiary company	29	(2,314)	-	-
	Deficit				
	Appropriated				
	Legal reserve	30	15,141	15,141	15,141
	Unappropriated		(554,754)	(424,313)	(692,979)
	Other components of equity				
	Currency translation differences		(10,259)	-	-
	Total equity of the parent company		453,710	595,263	328,058
	Non-controlling interests		114,631	-	-
	TOTAL SHAREHOLDERS' EQUITY		568,341	595,263	328,058
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,402,985	1,470,233	781,401

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2019

		Unit: Thousands Baht			
		CONSOLIDATED F/S		SEPARATE F/S	
Notes		2019	2018	2019	2018
<b>Revenues</b>					
	Revenues from sales and services	1,516,351	1,693,984	229,211	282,366
	Revenues from government project	492,189	-	492,189	-
	<b>Total revenues</b>	<b>2,008,540</b>	<b>1,693,984</b>	<b>721,400</b>	<b>282,366</b>
<b>Cost</b>					
	Cost of sales and services	(1,151,980)	(1,414,646)	(149,002)	(226,970)
	Cost of government project	(400,654)	-	(400,654)	-
	<b>Total cost</b>	<b>(1,552,634)</b>	<b>(1,414,646)</b>	<b>(549,656)</b>	<b>(226,970)</b>
	<b>Gross profit</b>	<b>455,906</b>	<b>279,338</b>	<b>171,744</b>	<b>55,396</b>
	Dividend income	-	-	29,731	-
	Gain (loss) on exchange rate - net	904	175	164	(104)
	Other income	21,589	15,114	3,856	4,167
	Gain (loss) on sale of investment	(67,976)	18,188	173,949	17,000
	Selling expenses	(51,755)	(52,400)	(30,039)	(34,407)
	Administrative expenses	(224,949)	(212,850)	(88,996)	(91,633)
	Finance cost	(26,115)	(32,949)	(9,258)	(15,759)
	Impairment loss of Fiber optic network	-	(480,000)	-	(480,000)
	Equity in net profit of associated company	820	697	-	-
	<b>Profit (loss) before income tax</b>	<b>108,424</b>	<b>(464,687)</b>	<b>251,151</b>	<b>(545,340)</b>
	Income tax benefit (expense)	(7,361)	(11,610)	17,515	27
	<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>101,063</b>	<b>(476,297)</b>	<b>268,666</b>	<b>(545,313)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>					
	Foreign currency translation differences	(3,657)	(1,545)	-	-
<b>ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>					
	Gain (loss) on remeasurements of defined benefit plans	(795)	1,188	-	1,188
<b>Income tax relating to components of other comprehensive</b>					
	income on gain on remeasurements of defined benefit plans	159	(237)	-	(237)
	<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>(4,293)</b>	<b>(594)</b>	<b>-</b>	<b>951</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR</b>					
	<b>THE YEAR</b>	<b>96,770</b>	<b>(476,891)</b>	<b>268,666</b>	<b>(544,362)</b>
<b>Income (loss) attributable to :</b>					
	Equity holders of the Company	69,027	(492,523)	268,666	545,313
	Non-controlling interests	32,036	16,226	-	-
		<b>101,063</b>	<b>(476,297)</b>	<b>268,666</b>	<b>545,313</b>

SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2019

		Unit: Thousands Baht			
		CONSOLIDATED F/S		SEPARATE F/S	
Notes		2019	2018	2019	2018
	Total comprehensive income (loss) attributable to :				
	Equity holders of the Company	66,196	(492,497)	268,666	(544,362)
	Non-controlling interests	30,574	15,606	-	-
		<u>96,770</u>	<u>(476,891)</u>	<u>268,666</u>	<u>(544,362)</u>
	 EARNINGS (LOSS) PER SHARE :				
		32			
	Basic earnings (loss) per share (Baht)	0.13	(1.01)	0.51	(1.12)
	Diluted earnings (loss) per share (Baht)	0.13	(1.01)	0.51	(1.12)

## SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

Unit: Thousands Baht												
CONSOLIDATED F/S												
Equity attributable to equity holders of the Company												
Notes	Retained earnings (deficits)						Other components of equity					
	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	Unappropriated	Other Comprehensive			Total equity of the parent company	Non-controlling interests	Total
							Translating financial statement	remeasurements of defined benefit plans	Total other components of equity			
						Gain on						
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
Changes in equity for the year :												
Reserve for share-based payment	40	-	(1,461)	-	-	-	-	-	-	(1,461)	-	(1,461)
Dividend income from subsidiary		-	-	-	-	-	-	-	-	-	(11,400)	(11,400)
Changes in non-controlling interests	13											
- Acquisition shares of subsidiary		-	-	(7,338)	-	-	-	-	-	(7,338)	(18,662)	(26,000)
- Change in proportion of investment in subsidiary company		-	-	(39,088)	-	-	-	-	-	(39,088)	39,088	-
- Capital increase of indirect subsidiary		-	-	(4,051)	-	-	-	-	-	(4,051)	9,049	4,998
Transfer to retained earnings (deficit)		-	-	-	-	(636)	-	636	636	-	-	-
Sale Investment subsidiary		-	-	-	-	-	12,454	-	12,454	12,454	(25,072)	(12,618)
Total comprehensive profit (loss) for the year		-	-	-	-	69,027	(2,195)	(636)	(2,831)	66,196	30,574	96,770
Balance as at December 31, 2019	525,513	477,262	1,660	(52,791)	15,141	(486,363)	-	-	-	480,422	138,208	618,630
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	40	-	886	-	-	-	-	-	-	886	-	886
Common share subscription		87,385	86,677	-	-	-	-	-	-	174,062	-	174,062
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	66,007	66,007
Issue of shares capital on exercise of convertible debenture		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

## SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

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		
Balance as at December 31, 2018	525,513	477,262	3,121	15,141	(692,979)	-	328,058
Changes in equity for the year :							
Reserve for share-based payment	40	-	-	(1,461)	-	-	(1,461)
Total comprehensive income for the year	-	-	-	-	268,666	-	268,666
Balance as at December 31, 2019	<u>525,513</u>	<u>477,262</u>	<u>1,660</u>	<u>15,141</u>	<u>(424,313)</u>	<u>-</u>	<u>595,263</u>
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	40	-	-	886	-	-	886
Common share subscription	87,385	86,677	-	-	-	-	174,062
Issue of share capital on exercise of convertible debenture	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>

## SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Unit: Thousands Baht			
	CONSOLIDATED F/S		SEPARATE F/S	
	2019	2018	2019	2018
Cash Flows from Operating Activities				
Net (profit) loss for the year	101,063	(476,297)	268,666	(545,313)
Adjustments to reconcile net profit (loss) to net cash provided from (paid by) operating activities:				
Income tax expense (benefit)	7,361	11,610	(17,515)	(27)
Depreciation and amortization	47,070	80,957	20,105	58,952
Amortisation of investment property	971	1,133	-	-
Allowance for decline values of inventories (Reversal)	8,331	(783)	837	(6,978)
Allowance for impairment loss fiber optic network equipment	-	480,000	-	480,000
Amortization of Software development cost for sales	1,253	-	-	-
Equity in net profit of associated company	(820)	(697)	-	-
Unrealized (gain) loss on foreign exchange rate	(13)	(93)	(3)	(7)
Fair value gain on other investment	-	(869)	-	-
(Gain) loss on disposal of equipment	130	(669)	(10)	(59)
Gain on disposal of investment in subsidiary	67,976	(18,188)	(173,949)	(17,000)
Allowance for doubtful accounts (Reversal)	7,076	6,473	3,594	5,284
Allowance for impairment of investment in subsidiary (Reversal)	-	-	-	(3,000)
Provision for employee benefit	3,645	1,898	908	945
Reserve for share based payment (Reversal)	(1,461)	886	(1,461)	886
Dividend income	-	-	(29,731)	-
Interest expense	26,115	32,949	9,258	15,759
Interest income	(16,523)	(3,119)	(401)	(185)
Cash provided (used in) from operating activities before changes in operating assets and liabilities :				
	252,174	115,191	80,298	(10,743)
Decrease (increase) in operating assets:				
Trade and other current receivables	(50,225)	(29,412)	(19,210)	30,956
Contract assets	(387,143)	-	(387,143)	-
Inventories	(20,262)	(47,634)	(24,442)	(8,390)
Other current assets	(7,524)	-	(7,524)	-
Other non-current assets	2,401	326	4,225	361

## SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

	Unit: Thousands Baht			
	CONSOLIDATED F/S		SEPARATE F/S	
	2019	2018	2019	2018
Increase (decrease) in operating liabilities:				
Trade and other current payables	101,587	(79,380)	89,111	(15,254)
Cash received (paid) from operations	(108,992)	(40,909)	(264,685)	(3,070)
Interest paid	(26,028)	(37,061)	(8,048)	(17,972)
Interest received	16,523	3,788	401	876
Income tax paid	(25,205)	(8,650)	(3,515)	(2,821)
Income tax received	-	912	-	-
Net cash operating activities	(143,702)	(81,920)	(275,847)	(22,987)
Cash flows from investing activities:				
Dividend received	3,131	-	21,951	-
Increase in investment in subsidiary-net	(26,000)	(46,313)	(26,000)	(280,000)
Increase in loan to other company	-	(1,000)	-	-
Decrease in loan to other company	-	1,000	-	896
Increase in pledge deposit with banks	(115,032)	(2,339)	(103,075)	(23,795)
Cash payment for fiber optical network equipment	(9,943)	(29,395)	(7,781)	(29,395)
Advance payment for asset of government project	(208,454)	-	(208,454)	-
Proceeds from disposal of equipment	(657)	666	46	63
Proceeds from disposal of investment in subsidiary-net	9,656	19,546	202,618	20,000
Cash payment for acquisition of equipment and software computer	(25,577)	(7,195)	(501)	(555)
Net cash used in investing activities	(372,876)	(65,030)	(121,196)	(312,786)

## SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

	Unit: Thousands Baht			
	CONSOLIDATED F/S		SEPARATE F/S	
	2019	2018	2019	2018
Cash flows from financing activities:				
Cash receipt from increase in share capital	-	174,770	-	174,770
Increase in non-controlling interests	4,998	-	-	-
Paid loan from related companies and director	-	(35,982)	(9,883)	(71,982)
Received loan from related companies and director	10,000	23,060	29,500	152,502
Cash payment for share capital	-	(708)	-	(708)
Increase (decrease) in bank overdraft and short-term loan				
from financial institution - net	337,797	(21,706)	386,965	(22,152)
Received short-term loans from a company and other persons	50,000	60,000	50,000	60,000
Paid short-term loans from a company and other persons	(50,000)	(85,000)	(50,000)	(85,000)
Received long-term loan from financial institution	427,819	219,888	238,818	219,888
Payments of long-term loan from financial institution	(240,449)	(95,627)	(211,077)	(94,049)
Repayment of liabilities under financial lease agreement	(33,809)	(40,380)	(23,819)	(29,688)
Dividend paid to non-controlling interests	(19,871)	(32,000)	-	-
Received (Paid) for redemption of convertible debentures	(15,000)	20,000	(15,000)	20,000
Net cash from financing activities	471,485	186,315	395,504	323,581
Net increase (decrease) in cash and cash equivalents	(45,093)	39,365	(1,539)	(12,192)
Effect of foreign exchange rate changes	728	(2,635)	-	-
Cash and cash equivalents, Beginning of year	72,343	35,613	6,503	18,695
Cash and cash equivalents, End of year	27,978	72,343	4,964	6,503



SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

Non - cash transactions :

For the year ended December 31, 2019

The Company transferred inventories to equipment totaling Baht 4.23 million.

The Company offset dividend received in amount of Baht 7.78 million, other current receivable related party amount of Baht 80 million with short-term loan from related company in the amount of Baht 87.78 million.

The Company offset loan from related party to accrued income in amount of Baht 0.06 million.

The Company has accrued cost of government project income in amount of Baht 22.8 million.

The subsidiary purchased machine in the total cost amount of Baht 15.17 million by installments under financial lease agreement in the amount of Baht 10.42 million and Transaction in Prepayment fixed assets in the amount of Baht 4.75 million.

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.

**SIMAT TECHNOLOGIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2019****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, 2019	31, 2018	
<u>Subsidiaries directly held by the Company</u>			
Simat Label Co., Ltd.	-	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	70.00	Produce and sales of sticker and silk screen printing
E-Tech IT Sdn, Bhd. (Malaysia)	-	60.00	Sales of computer hardware, software and maintenance services
<u>Subsidiaries held by Hinsitsu (Thailand) Co., Ltd.</u>			
Hinsitsu Precision (Thailand) Co., Ltd.	78.27	100.00	Produce and sales of sticker and label, raw materials for making stickers.
Simat Label Co., Ltd.	100.00	-	Wholesaler for barcode, productions and RFID, papers and related supplies.

- 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 period**

During the year 2019, the Company and its subsidiaries have adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods 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 adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are summarised below:

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 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 recognised 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.

#### **(b) Financial reporting standards that became effective for fiscal years beginning on or after January 1, 2020**

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after January 1, 2020. These new standards involve changes to key principles, which are summarised below.

### **Financial reporting standards related to financial instruments**

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
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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.

#### **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company and its subsidiaries is currently evaluating the impact of this standard on the financial statements in the year when it is 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.

#### **Contract assets**

When the Company has an unconditional right to receive consideration. If revenue has been recognized before the Company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Contract assets are measured at value less allowance for doubtful accounts which is assessed 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**

Revenue is recognised when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Group expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax and is after deduction of any trade discounts and volume rebates.

- Revenue from contracts work are recognized based on the performance obligation satisfied over time using an input method on the basis of inputs the cost incurred to-date to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.
- Sale is recognized when delivery has taken place and the transfer of risks and rewards has been completed.
- Service income consists of board band service, maintenance service income and service installation of systems. Service income is recognised over time when services have been rendered taking into account the stage of completion. Service rate charged and service period are stipulated in the contract.
- Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established.

**Expenses recognition**

Expense are recorded by accrual basic.

**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 considers 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 estimates. Significant judgments and estimates are as follows:

#### *Allowance for doubtful accounts for receivables, loans and contract assets*

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, considering 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. “HST”.*

The Company acquired the shares of HST in accordance with conditions in the Sale Purchase Agreement, along with conditions precedent. Details of shares acquisition of HST 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 HST from existing shareholders, at the price of Baht 400 per share.

On May 31, 2018, the Company acquired shares of HST 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 HST, totaling Baht 280 million, representing 70% of total shares. As at June 1, 2018, HST 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 2019) Business Combinations. The following summarizes the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed:

##### *Consideration transferred*

Cash Paid	280
<b>Total</b>	<b>280</b>

##### *Identifiable assets acquired and liabilities assumed*

Cash and cash equivalents	234
Trade accounts receivable	83
Inventories	37
Other current assets	5
Plant and equipment	59
Other non-current assets	1

*(million Baht)*



Trade accounts payable	(119)
Other current liabilities	(76)
Non-current provisions for employee benefits	(4)
<b>Net assets</b>	<b>220</b>
Non-controlling interests of the acquiree (based on fair value)	(66)
Equity in Hinsitsu (Thailand) Co., Ltd. and subsidiary company	154
Goodwill	126
<b>Consideration transferred</b>	<b>280</b>

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.

During the first quarter of the year 2019, the Company has assessed the valuation of the subsidiary from independent appraiser, to appraise the fair value of the assets and liabilities acquired, which there were insignificant difference from December 31, 2018.

***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, 2019 and 2018 are as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash on hand	1,128	1,927	1,056	1,619
Cash at banks				
Current account	9,900	33,061	3,427	4,859
Savings account	16,546	37,348	77	18
Fixed deposits with maturities of less than 3 months	404	7	404	7
Total	<u>27,978</u>	<u>72,343</u>	<u>4,964</u>	<u>6,503</u>

## 6. TRADE AND OTHER CURRENT RECEIVABLES – NET

Trade and other current receivables - net as at December 31, 2019 and 2018 are as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Trade receivables</b>				
Trade receivable other parties	169,076	417,439	54,633	59,990
Trade receivable related parties	-	3,743	34	-
<u>Less</u> Allowance for doubtful accounts	<u>(21,002)</u>	<u>(62,967)</u>	<u>(21,002)</u>	<u>(17,408)</u>
Total trade receivables – net	<u>148,074</u>	<u>358,215</u>	<u>33,665</u>	<u>42,582</u>

	Unit: Thousand Baht			
	Consolidated financial		Separate financial statements	
	statements			
	2019	2018	2019	2018
<b>Other current receivables</b>				
Other current receivable related parties	-	698	1,330	433
Deposit	-	1,260	-	-
Investment receivables	14,370	-	14,370	-
Accrued income	4,118	3,558	4,103	1,757
Value added tax receivables	26,533	1,730	26,533	-
Prepaid expenses	8,032	17,251	4,404	13,681
Advances to customer	727	3,950	657	408
Postdated cheques	13	-	-	-
Others	5,670	8,324	5,100	3,219
Total other current receivables	<u>59,463</u>	<u>36,771</u>	<u>56,497</u>	<u>19,498</u>
Total trade and other current receivables - net	<u>207,537</u>	<u>394,986</u>	<u>90,162</u>	<u>62,080</u>

As at December 31, 2019 and 2018, 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 20).

As at December 31, 2019 and 2018 the Group had outstanding balances of trade receivable aged by the following numbers of months:

Ages of receivable	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Trade Receivable - Other</b>				
Not yet due	93,221	126,016	14,768	17,566
Past due:				
Less than 3 months	53,142	88,494	17,326	19,739
Over 3 months but not over 6 months	2,081	132,220	1,907	4,358
Over 6 months but not over 12 months	2,441	10,712	2,441	5,075
Over 12 months	18,191	59,997	18,191	13,252
Total	169,076	417,439	54,633	59,990
<u>Less</u> Allowance for doubtful accounts	(21,002)	(62,967)	(21,002)	(17,408)
Total trade receivable other - net	148,074	354,472	33,631	42,582
<b>Trade receivables - related parties</b>				
Not yet due	-	1,891	17	-
Past due:				
Less than 3 months	-	1,852	17	-
Total trade receivable - related parties	-	3,743	34	-
Total trade receivable - net	148,074	358,215	33,665	42,582

As at December 31, 2019 and 2018, a portion of receivables past due over 12 months are attributable to a subsidiary company in Malaysia as follows:

## 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 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 Precision (Thailand) Co., Ltd.	Thailand	Held by a subsidiary
Simat Label Co., Ltd.	Thailand	Held by a subsidiary
E-Tech IT Sdn, Bhd.	Malaysia	Subsidiary, 60% shareholding
Covermat Co., Ltd	Thailand	Common director
Top Precision Co., Ltd	Thailand	Common director
Grand-flo Spitvest Sdn, Bhd.	Thailand	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

#### 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, 2019 and 2018, are summarized below:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Trade receivables – related parties</b>				
Covermat Co., Ltd	-	3,743	-	-
Hinsitsu (Thailand) Co., Ltd	-	-	34	-
<b>Total</b>	<b>-</b>	<b>3,743</b>	<b>34</b>	<b>-</b>
<b>Other current receivables – related parties</b>				
Simat Label Co., Ltd.	-	-	1,330	433
Grand-flo Spritvest Sdn, Bhd.	-	698	-	-
<b>Total</b>	<b>-</b>	<b>698</b>	<b>1,330</b>	<b>433</b>

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Trade payables – related parties</b>				
Simat Telecom Co., Ltd	-	-	1,284	1,284
Covermat Co., Ltd	-	2,645	-	-
Top Precision engineering Co., Ltd	516	-	-	-
<b>Total</b>	<b>516</b>	<b>2,645</b>	<b>1,284</b>	<b>1,284</b>
<b>Other current payables -related party</b>				
Simat Label Co., Ltd.	-	-	6,506	4,916
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,506</b>	<b>4,916</b>
<b>Other current payable related person</b>				
Mr. Ling Chee Kiat	-	5,589	-	-
<b>Total</b>	<b>-</b>	<b>5,589</b>	<b>-</b>	<b>-</b>
<b>Short-term loan from related parties and director</b>				
Simat Label Co., Ltd.	-	-	33,700	37,200
Simat Telecom Co., Ltd	-	-	1,400	1,620
Hinsitsu (Thailand) Co., Ltd.	-	-	-	74,500
Director	10,000	-	10,000	-
<b>Total</b>	<b>10,000</b>	<b>-</b>	<b>45,100</b>	<b>113,320</b>

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Accrued interest expenses – related parties and director</b>				
Simat Label Co., Ltd.	-	-	3,377	1,364
Simat Telecom Co., Ltd.	-	-	118	29
Hinsitsu (Thailand) Co., Ltd.	-	-	-	961
Director	86	76	86	76
<b>Total</b>	<b>86</b>	<b>76</b>	<b>3,581</b>	<b>2,430</b>
<b>Dividend payable</b>				
Label Network Sdn, Bhd.	-	8,471	-	-
<b>Total</b>	<b>-</b>	<b>8,471</b>	<b>-</b>	<b>-</b>

**Short-term loan from related parties and a director**

As at December 31, 2019, short-term loans from related parties totaling Baht 45.10 million, bearing interest at the rates of 4.75% - 6% per annum. Such loans are unguaranteed and are due on call. The movement transaction during 2019 included non-cash transaction in amount of Baht 87.84 million by offsetting investment in subsidiary receivable, accrued income and dividend receivable.

During the year 2019, the Company had loans from director amount 10 million, bearing interest at the rate of 6% per annum. Such loans are unguaranteed and are due on call on June 25, 2020

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 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.

Transactions with related person and parties for the years ended December 31, 2019 and 2018 are summarized below:

		Unit: Thousand Baht			
Transactions with related person and companies	Pricing policy	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Sales of inventories	At market value	13,088	27,018	-	-
Other income	Contract and at cost	-	-	3,885	3,000
Purchase of inventories	At market value	10,371	27,140	49,120	44
Other expenses	At cost	-	-	3,384	2,526
Interest expenses	At the rate of 4.75%-6%	9,863	478	3,117	2,832
Maintenance broadband	Contract	-	-	-	2,400
Revenue from broadband internet	Contract	-	-	192,000	-
Disposal of investment in subsidiary	Contract	-	-	270,000	-
Dividend income	As declared	-	-	26,600	-

#### Compensation of key management personnel

The Compensation of key management personnel for the years ended December 31, 2019 and 2018 as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Short-term benefits	35,356	22,339	12,092	10,730
Post-employment benefits	1,097	333	414	220
<b>Total Compensation to key management personnel</b>	<b>36,453</b>	<b>22,672</b>	<b>12,506</b>	<b>10,950</b>



**8. CONTRACT ASSETS**

Contract assets as at December 31, 2019 were as follows:

	Unit: Thousand Baht
	Consolidated financial statements/ Separate financial statements
Government project's contract costs to date	400,654
Recognised profit to date	91,535
Government project's contract costs incurred and recognised profit to date	492,189
<u>Less</u> progress billings	(105,046)
Gross amounts due from customer for contract work	387,143

**9. COST OF GOVERNMENT PROJECT-NET**

Cost of government project as at December 31, 2019 are as follows:

	Unit: Thousand Baht
	Consolidated financial statements/ Separate financial statements
Inventories and equipment	385,272
Construction and installation costs	199,668
Wages and direct costs	41,291
Utility costs	5,444
Capitalised financial costs	23,754
Total	655,429
<u>Less</u> Accumulated transfer to cost of government project	(400,654)
<u>Less</u> Accumulated transfer to fiber optics network equipment under construction	(231,258)
Cost of government project-net	23,517

**10. INVENTORIES –NET**

Inventories as at December 31, 2019 and 2018 are as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Finished goods	47,434	100,512	17,398	20,702
Work in process	6,253	5,359	-	-
Raw materials	54,641	61,984	-	-
Goods in transit	265	149	-	5
Total	108,593	168,004	17,398	20,707
<u>Less</u> Allowance for decline values of inventories	(20,745)	(17,538)	(3,726)	(2,890)
Inventories – net	87,848	150,466	13,672	17,817

**11. PLEDGE DEPOSITS WITH BANKS**

As at December 31, 2019 and 2018, the Company's and subsidiary's fixed deposits totaling Baht 174.52 million and Baht 149.79million, respectively, in consolidated financial statements, and Baht 152.62 million and Baht 49.55 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% - 0.90% per annum. (Note 20 and 24)

## 12. INVESTMENTS IN ASSOCIATE COMPANY

Investments in associated companies as at December 31, 2019 and 2018 are as follows:

Name of Associate company	Incorporation	Type of business	Unit: Thousand Baht							
			% of shareholding / Voting rights held		Paid-up capital		Consolidated financial statements		Separate financial statements	
			2019	2018	2019	2018	Equity method		Cost method	
			2019	2018	2019	2018	2019	2018	2019	2018
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	30,942	33,254	21,274	21,274
Total investments in associated company							30,942	33,254	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	
	2019	2018
Sino Trading – Services Corporation	820	697
Total	820	697

Share of profit from investment in an associate company, included in the consolidated statement of profit or loss for the year ended December 31, 2019 was calculated based on financial statements which was audited by RSM Vietnam Auditing & Consulting Company Limited.

#### *Dividend income*

On February 21, 2019, the Company received dividend income from Sino Trading – Service Corporation, associated in Vietnam totaling Baht 3.13 million.

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, 2019 and 2018, can be summarized as follows:

	Unit: Thousand Baht	
	2019	2018
<b>As at December 31</b>		
Current assets	41,479	48,404
Non-current assets	2,024	849
Current liabilities	12,174	12,690
Non-current liabilities	1,462	1,556
<b>For the years ended December 31</b>		
Revenue	93,126	111,674
Profit for the years	2,351	1,741
Other comprehensive income (loss) for the year	-	-
Total comprehensive income (loss) for the year	2,351	1,741

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	
	2019	2018
Net assets of the associate company	29,866	35,007
Proportion of shares held by the Company in associate company (%)	40	40
Net assets of the associate company by proportion of shares	11,946	14,003
Goodwill	13,717	13,717
Foreign currency translation differences	5,279	5,534
<b>Book value of investment value with the equity method in the associate company</b>	<b>30,942</b>	<b>33,254</b>

**13. INVESTMENTS IN SUBSIDIARY COMPANIES - NET**

Investments in subsidiary companies as at December 31, 2019 and 2018 are as follows:

Name of subsidiary companies	Incorporation	Type of business	% of shareholding / Voting rights held		Unit: Thousand Baht			
			2019	2018	Separate financial statements		2019	2018
					Paid-up capital	Cost method		
Simat Label Co. Ltd.	Thailand	Wholesaler for barcode, productions and RFID, paper and related supplies.	-	85.88	-	34,000	-	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	-	57,003	-	67,755
Hinsitsu (Thailand) Co., Ltd	Thailand	Produce and sales of sticker and silk screen printing	70.00	70.00	100,000	100,000	280,000	280,000
<u>Less Allowance for impairment of investment</u>							(5,000)	(5,000)
Total investments in subsidiary companies - net							<u>280,000</u>	<u>376,955</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 (%)	
		2019	2018
Hinsitsu Precision (Thailand) Co., Ltd. (Shares held by Hinsitsu (Thailand) Co., Ltd., as at December 31, 2019 = 75.01% and December 31, 2018 = 100%)	Research and development silk screen printing	78.27	70.00
Simat Label Co. Ltd. (Shares held by Hinsitsu (Thailand) Co., Ltd., 100%)	Wholesaler for barcode, productions and RFID, paper and related supplies	100.00	-

The financial statements for the years ended December 31, 2019 and 2018 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
Hinsitsu (Thailand) Co., Ltd	Thailand	30	16,535	82,135
Hinsitsu Precision (Thailand) Co., Ltd.	Thailand	47.5	(457)	8,593
Simat Label Co. Ltd.	Thailand	30	8,922	47,479
E-Tech IT Sdn, Bhd.	Malaysia	40	7,036	-
Total			32,036	138,207

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

	Unit: Thousand Baht			Total
	Hinsitsu			
	Hinsitsu	Precision	Simat Label	
	(Thailand)	(Thailand)	Co. Ltd.	
	Co., Ltd.	Co., Ltd.		
<b>As at December 31, 2019</b>				
Current assets	134,252	14,588	125,513	274,353
Non-current assets	357,951	3,587	76,670	438,208
Current liabilities	(95,724)	(863)	(27,406)	(123,993)
Non-current liabilities	(132,847)	-	(15,149)	(147,996)
<b>Non-controlling interests</b>	<b>82,135</b>	<b>8,593</b>	<b>47,479</b>	<b>138,207</b>
<b>For the year ended December 31, 2019</b>				
<b>Revenue</b>	333,569	-	249,131	582,700
Net profit (loss) for the year of non- controlling interests	16,535	(457)	8,922	25,000
Other comprehensive income of non-controlling interests	16,535	(457)	8,922	25,000
<b>Dividend paid for non-controlling interests</b>	<b>11,400</b>	<b>-</b>	<b>-</b>	<b>11,400</b>
Cash flows from (used in)				
Operating activities	60,723	(939)	51,230	111,014
Investment activities	(67,982)	(15,517)	(1,420)	(84,919)
Financing activities	(14,352)	17,000	(44,238)	(41,590)
<b>Net cash increase (decrease)</b>	<b>(21,611)</b>	<b>544</b>	<b>5,572</b>	<b>(15,495)</b>



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.

*Disposal of ordinary shares of E-Tech IT Sdn, Bhd.*

Board of Directors’ Meeting No. 5/2019, on July 28, 2019, approved to dispose 3,600,000 ordinary shares the Company held in E-Tech IT Sdn, Bhd. (“E-Tech”) at the par value of Malaysian Ringgit (RM) 1.0, or the equivalent of 60.00% of its shareholding, to Mr. Ling Chee Kiat “Purchaser”, shareholder and CEO of E-Tech, totaling RM 3.8 million or Baht 26.9 million.

During the year 2019, the Company has received shares payment from Purchaser totaling RM 1.8 million or Baht 12.62 million, the remaining balance totaling RM 2 million or Baht 14.37 million, the Company has treated such transaction as “Investment receivable”

The Company recorded loss on disposal of investment in subsidiary in the consolidated financial statements and separated financial statements totaling Baht 67.98 million and Baht 40.85 million, respectively.

On December 2, 2019, the Company has lost its control in E-Tech after fulfilled the conditions precedent stipulated in the share sale agreement and on December 24, 2019, the Company transferred such ordinary shares to Mr. Ling Chee Kiat.

Hinsitsu (Thailand) Co., Ltd.*Dividend income*

During the first quarter of 2019, the Company received dividend income from Hinsitsu (Thailand) Co., Ltd., in amount of Baht 8.65 million. The Company offset such dividend received with short term loan from such subsidiary company in the amount of Baht 7.78 million.

During the third quarter of 2019, The Company received dividend income from Hinsitsu (Thailand) Co., Ltd., in amount of Baht 10.64 million.

*Guarantee obligation*

Hinsitsu (Thailand) Co., Ltd.’s ordinary shares totaled 0.7 million shares is pledged as collateral for long-term loan from financial institution. (See note No.24)

Simat Label Co. Ltd.*Restructuring*

According to Board of Directors' Meeting No. 3/2019, on March 8, 2019. The meeting resolved to:

- Acquire ordinary shares of Simat Label Co., Ltd. (subsidiary) from Label Network Sdn, Bhd., 14.12% of paid – in capital in the amount of Baht 26 million. The difference of purchase value higher than net book value amounted of Baht 7.34 million, was recorded as Discount on capital from change in proportion of investment in subsidiary company presented in the consolidated statement of change in shareholders' equity.
- Dispose of all ordinary shares ( 100% ) of Simat Label Co., Ltd. (subsidiary) to Hinsitsu (Thailand) Co., Ltd. (subsidiary) in the amount of Baht 270 million. The Group recognised discount on capital from change in proportion of investment in subsidiary company of Baht 39.09 million in the consolidated statement of change in shareholders' equity. The Company recorded gain on sales of investment in the separate financial statements totaling of Baht 214.80 million.

As per above transaction, the Company's ownership in Simat Label Co., Ltd., is reduced from 85.88% to 70.00% without any change in control over subsidiary.

*Dividend payment*

On July 30, 2019, Simat Label Co. Ltd., an indirect subsidiary of the Company, paid a dividend in amount of Baht 4.47 million to Label Network Co., Ltd., a former shareholder of the indirect subsidiary.

Indirect subsidiary*Capital increase of Hinsitsu Precision (Thailand) Co., Ltd.*

The Company approved the capital increase in Hinsitsu Precision (Thailand) Co., Ltd. "HSPT", an indirect subsidiary of the Company, in amount of Baht 34 million, to total a registered capital of Baht 40 million, equivalent to 400,000 ordinary shares, at the par value of Baht 100, in proportion to the shareholdings of existing shareholders ( Right Offering).

HST, holding a 100% share stake HSPT, waived its subscription rights to 99,968 shares, or the equivalent to 24.99%, in HSPT, to the other investor. After the capital increase, HST has a shareholding proportion in HSPT equal to 75.01% of the registered capital.

On September 2019, Hinsitsu Precision (Thailand) Co., Ltd. "HSPT" an indirect subsidiary of the company has called up for subscription of 340,000 new ordinary shares, at 50% of the par value from the shareholders. In this regard, HST, a subsidiary, has subscribed 240,040 ordinary shares, at Baht 50 each, or 71% of new ordinary shares, totaling Baht 12,002,000. The new investor has subscribed the remaining 99,960 ordinary shares, at Baht 50 each, totaling Baht 4,998,000. Therefore, HST has reduced its shareholding proportion in HSPT from 100% to 75.01% of the registered capital, or 300,038 ordinary shares.

Simat Soft Co., Ltd.*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.

**14. INVESTMENT PROPERTY-NET**

Investment property as at December 31, 2019 and 2018 are as follows:

	Unit: Thousand Baht
	Consolidated financial statements
	Building
<u>Cost</u>	
As at December 31, 2018	55,176
Foreign currency translation differences	(3,601)
Decrease from disposal in subsidiary company	(51,575)
As at December 31, 2019	-
<u>Accumulate depreciation</u>	
As at December 31, 2018	4,497
Depreciation for the year	971
Foreign currency translation differences	(319)
Decrease from disposal in subsidiary company	(5,149)
As at December 31, 2019	-
<u>Net book value</u>	
As at December 31, 2018	50,679
As at December 31, 2019	-

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

**15. PROPERTY AND EQUIPMENT - NET**

During the years ended December 31, 2019 and 2018 the Company and subsidiary have the following movements in the property and equipment - net:

Unit: Thousand Baht

	Consolidated financial statements							Total
	Office equipment	Tools and equipment	Furniture and fixture	Motor vehicles	Machinery	Renovation	Machine under construction	
<b>Cost</b>								
As at December 31, 2018	65,032	45,922	17,223	42,991	166,333	4,230	-	341,731
Increase/ Transfer	1,627	4,502	970	3,200	27,903	646	2,459	41,307
Decrease from disposal of subsidiary	(16,825)	-	(1,531)	(3,240)	-	-	-	(21,596)
Decrease/ Transfer	(4,601)	(500)	(176)	(3,326)	(277)	-	-	(8,880)
Foreign currency translation differences	(1,306)	-	(110)	(225)	-	-	-	(1,641)
As at December 31, 2019	43,927	49,924	16,376	39,400	193,959	4,876	2,459	350,921

Unit: Thousand Baht

## Consolidated financial statements

	Office equipment	Tools and equipment	Furniture and fixture	Motor vehicles	Machinery	Renovation	Machine under construction	Total
<b>Accumulated depreciation</b>								
As at December 31, 2018	(54,929)	(39,017)	(16,256)	(30,600)	(63,317)	(2,046)	-	(206,165)
Increase/ Transfer	(5,220)	(2,778)	(563)	(3,270)	(17,587)	(792)	-	(30,210)
Decrease from disposal of subsidiary	14,831	-	1,441	1,364	-	-	-	17,636
Decrease/ Transfer	4,407	571	167	2,932	1,348	-	-	9,425
Foreign currency translation differences	1,049	-	101	78	-	-	-	1,228
As at December 31, 2019	(39,862)	(41,224)	(15,110)	(29,496)	(79,556)	(2,838)	-	(208,086)
<b>Net book value</b>								
As at December 31, 2018	10,103	6,905	967	12,391	103,016	2,184	-	135,566
As at December 31, 2019	4,065	8,700	1,266	9,904	114,403	2,038	2,459	142,835

	Unit: Thousand Baht	
	2019	2018
Under the ownership of the company	83,751	50,776
Under the finance leases	59,084	84,790
<b>Plant and equipment – net</b>	<b>142,835</b>	<b>135,566</b>

As at December 31, 2019 and 2018, the Group's equipment and vehicles amounting to Baht 184.20 million and Baht 99.70 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
<b>Cost</b>						
As at December 31, 2018	31,276	33,466	13,443	30,667	2,089	110,941
Increase/ Transfer	463	415	153	-	-	1,031
Decrease/ Transfer	(308)	(16)	-	(1,235)	-	(1,559)
As at December 31, 2019	31,431	33,865	13,596	29,432	2,089	110,413
<b>Accumulated depreciation</b>						
As at December 31, 2018	(29,615)	(31,013)	(13,216)	(22,441)	(1,266)	(97,551)
Increase/ Transfer	(792)	(922)	(116)	(1,523)	(210)	(3,563)
Decrease/ Transfer	288	15	-	1,234	-	1,537
As at December 31, 2019	(30,119)	(31,920)	(13,332)	(22,730)	(1,476)	(99,577)
<b>Net book value</b>						
As at December 31, 2018	1,661	2,453	227	8,226	823	13,390
As at December 31, 2019	1,312	1,945	264	6,702	613	10,836

	Unit: Thousand Baht	
	2019	2018
Under the ownership of the company	6,333	5,606
Under the finance leases	4,503	7,784
<b>Plant and equipment - net</b>	<b>10,836</b>	<b>13,390</b>

As at December 31, 2019 and 2018, the Company's equipment and vehicles amounting to Baht 90.32 million and Baht 87.60 million, respectively, are fully depreciated but still in use.

#### 16. EQUIPMENT AND COMPUTER SOFTWARE FOR LEASE - NET

During the years ended December 31, 2019, and 2018 the Company and subsidiary have following movements in equipment and computer software for lease:

	Unit: Thousand Baht		
	Consolidated and Separate financial statements		
	As at December 31, 2018	Increase/ Transfer	As at December 31, 2019
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, 2019 and 2018, 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.

#### 17. SOFTWARE DEVELOPMENT COST FOR SALES - NET

During the years ended December 31, 2019 and 2018, the Company has software development cost for sale. Movements in software development cost for sales during the year were as follows:

	Unit: Thousand Baht			
	Consolidated financial statements			
	As at December 31, 2018	Increase/ Transfer	Decrease/ Transfer	As at December 31, 2019
Software cost for sales	6,231	4,165	(1,253)	9,143
Accumulated Depreciation	(4,584)	-	(994)	(5,578)
Cost for software development for sales – net	<u>1,647</u>			<u>3,565</u>

	Unit: Thousand Baht		
	Separate financial statement		
	As at December 31, 2018	Increase/ Transfer	As at December 31, 2019
Software cost for sales	4,837	2,037	6,874
Accumulated Depreciation	(4,326)	(674)	(5,000)
Cost for software development for sales – net	511		1,874

### 18. FIBER OPTIC NETWORK EQUIPMENT - NET

During the years ended December 31, 2019 and 2018, the Company had the following movements in Fiber optic network equipment.

	Unit: Thousand Baht			
	Consolidated and separate financial statements			
	As at December 31, 2018	Increase/ Transfer	Disposal/ Transfer	As at December 31, 2019
<b>Cost</b>				
Devices outside the fiber optic network	574,170	1,747	-	575,917
Fiber optic network equipment	291,569	1,924	(105)	293,388
Total cost	865,739	3,671	(105)	869,305
<b>Accumulated depreciation</b>				
Devices outside the fiber optic network	(108,960)	(5,393)	-	(114,353)
Fiber optic network equipment	(100,780)	(10,473)	90	(111,163)
Total accumulated depreciation	(209,740)	(15,866)	90	(225,516)
<b>Impairment</b>				
Impairment loss of asset	(480,000)	-	-	(480,000)
<b>Fiber optic network equipment - net</b>	175,999	(12,195)	(15)	163,789



**Fiber optic network equipment before allowance for impairment loss**

	Unit: Thousand Baht	
	2019	2018
Under the ownership of the company	27,837	603,080
Under the finance leases	615,952	52,919
<b>Fiber optic network equipment</b>	<b>643,789</b>	<b>655,999</b>

In year 2011, the Company has entered into the service contract for rental of optical fiber cable network equipment in Nakornratchasima and Chiang Mai 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 Chiang Mai 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 41)

**19. DEFERRED TAX**

Deferred tax as at December 31, 2019 and 2018 consisted of:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Deferred tax assets	44,175	24,079	38,535	21,020
Deferred tax liabilities	-	(1,178)	-	-
Deferred tax assets (liabilities) - net	44,175	22,901	38,535	21,020

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

	Unit: Thousand Baht				As at December 31, 2019
	Consolidated financial statements				
	As at December 31, 2018	Movement increase (decrease)			
		Statement of income	Other of comprehensive income	Disposal of subsidiary	
<b>Deferred tax assets:</b>					
Allowance for doubtful accounts	3,502	503	-	-	4,005
Allowance for devaluation of inventories	2,087	2,080	-	-	4,167
Provision for employee benefit obligations	2,043	683	159	-	2,885
Reserve for share-based payment	624	(89)	-	-	535
Tax losses	15,823	16,760	-	-	32,583
Total deferred tax assets	<u>24,079</u>	<u>19,937</u>	<u>159</u>	<u>-</u>	<u>44,175</u>
<b>Deferred tax liabilities:</b>					
Depreciation	(1,178)	688	-	490	-
Total deferred tax liabilities	<u>(1,178)</u>	<u>688</u>	<u>-</u>	<u>490</u>	<u>-</u>

	Unit: Thousand Baht			As at December 31, 2019
	Separate financial statements			
	As at December 31, 2018	Movement increase (decrease)		
		Statement of income	Other of comprehensive income	
<b>Deferred tax assets:</b>				
Allowance for doubtful accounts	3,482	523	-	4,005
Allowance for devaluation of inventories	577	185	-	762
Provision for employee benefit obligations	514	136	-	650
Reserve for share-based payment	624	(89)	-	535
Tax losses	15,823	16,760	-	32,583
Total deferred tax assets	<u>21,020</u>	<u>17,515</u>	<u>-</u>	<u>38,535</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, 2019 and 2018 are as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Income tax expenses for the years	27,966	11,950	-	-
Deferred income taxes	(20,605)	(340)	(17,515)	(27)
Corporate income tax (benefit)	7,361	11,610	(17,515)	(27)

Income tax rates for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
The Company and subsidiaries in Thailand	0% – 20%	0% – 20%
Subsidiary in Malaysia	24%	24%

## 20. BANK OVERDRAFT AND SHORT-TERM LOAN FROM FINANCIAL INSTITUTIONS

Bank overdraft and short-term loan from financial institution as at December 31, 2019 and 2018 are as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Bank overdraft	29,085	18,982	16,585	15,734
Short-term loans	240,000	8,081	240,000	-
Trust receipt	149,546	186,182	149,546	3,432
Total bank overdraft and short-term loan from financial institution	418,631	213,245	406,131	19,166

### The Company

As at December 31, 2019, the Company had short-term loans from a bank totaling Baht 170 million. The Company had issued promissory notes, bear interest at the rates of MLR -1.75% per annum, due in May 2020 are guaranteed by the Company's fixed deposit.

As at December 31, 2019, the Company had short-term loans from a bank totaling Baht 70 million. The Company had issued promissory notes, bear interest at the rates of MLR -1.75% per annum, due in April 2020 and May 2020 are guaranteed by the Company's fixed deposit.

Subsidiary company

On April 30, 2019, Hinsitsu (Thailand) Co., Ltd. “subsidiary” entered into a credit facilities agreement for short-term loan, local and overseas guarantee facilities and derivatives with a local financial institution totaling Baht 50 million. Such facilities have been pledged with bank deposit of subsidiary amounting Baht 15 million.

As at December 31, 2019 and 2018, bank overdraft and short-term loan from financial institutions, bear interest as presented in Note No.22.

**21. TRADE AND OTHER CURRENT PAYABLES**

Trade and other current payables as at December 31, 2019 and 2018 are as follows:

	Unit: Thousand Baht			
	Consolidated financial		Separate financial	
	statements		statements	
	2019	2018	2019	2018
<b>Trade payables</b>				
Trade payable – other parties	117,885	125,586	84,428	24,804
Trade payable related parties	516	2,645	1,284	1,284
Accrued project cost	36,330	87,651	36,330	-
Total trade payables	154,731	215,882	122,042	26,088
<b>Other current payables</b>				
Other current payable related party	-	-	6,506	4,916
Other current payable unrelated persons	1,939	-	-	-
Other current payable related persons	-	5,589	-	-
Accrued interest expenses – relates parties and director	86	76	3,581	2,430
<b>Others</b>				
Deferred revenues	11,410	16,882	11,409	16,819
Accrued expenses	39,401	32,966	35,383	15,142
Accrued Dividend payable	-	8,471	-	-
Deposit payable – Ftx	3,572	4,893	3,572	4,893
Other	6,063	12,540	2,687	1,840
Total other current payables	62,471	81,417	63,138	46,040
Total trade and other current payables	217,202	297,299	185,180	72,128

## 22. CREDIT FACILITIES

As at December 31, 2019 and 2018, the Company and its subsidiaries have credit facilities with financial institution as follows:

Type of credit limit	Unit: Million Baht			
	Consolidated financial statements			
	2019		2018	
	Limit	Interest rate	Limit	Interest rate
Bank overdraft	28	FD Rate+2.00% - MOR	30	F/D+2.00%, MOR, BLR+1.75%-2.00%
Liabilities under trust receipt agreements, letters of credit, and others	54	4.00 - 4.50%	96	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
Factoring of accounts receivable	75	MLR-0.5%	75	MOR – 0.5%
Promissory note	25	MLR-1.50%	-	-
Long-term loans	20	MOR	-	-
<b>For Government Project</b>				
Liabilities under trust receipt agreements, letters of credit, and others	150	MLR-1.75%	-	-
Promissory note	240	MLR-1.50%	-	-
Long-term loans	145	MLR-1.75%	-	-

Unit: Million Baht				
Separate financial statements				
Type of credit limit	2019		2018	
	Limit	Interest rate	Limit	Interest rate
Bank overdrafts	20	FD Rate+2.00% - MOR	20	F/D Rate+2.00%, MOR
Liabilities under trust receipt agreements, letters of credit, and others	34	4.00 - 4.50%	34	4.5%-5%
Factoring of accounts receivable	55	MOR – 0.50%	55	MOR – 0.5%
Long-term loans	20	MOR		
<b>For Government Project</b>				
Liabilities under trust receipt agreements, letters of credit, and others	150	MLR-1.75%	-	-
Promissory note	240	MLR-1.50%	-	-
Long-term loans	145	MLR-1.75%	-	-

Unit: Million US Dollars				
Consolidated financial statements and Separate financial statements				
	2019		2018	
	Limit	Interest rate	Limit	Interest rate
Forward exchange contracts	6.75	-	6.75	-

All credit facilities are collateralized by pledge of the Company's and the subsidiary's fixed deposits, accounts receivable factoring arrangements.

**23. LIABILITIES UNDER FINANCIAL LEASE AND HIRE PURCHASE AGREEMENTS–NET**

Liabilities under financial lease and hire purchase agreements as at December 31, 2019 and 2018 are as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Due not later than one year				
Minimum payments	18,567	33,960	11,369	25,216
Deferred interest	(1,198)	(1,956)	(378)	(1,397)
Liabilities under financial lease – net	<u>17,369</u>	<u>32,004</u>	<u>10,991</u>	<u>23,819</u>
Due later than one year but not later than five years				
Minimum payments	13,523	23,439	1,317	12,687
Deferred interest	(1,075)	(691)	(20)	(399)
Liabilities under financial lease – net	<u>12,448</u>	<u>22,748</u>	<u>1,297</u>	<u>12,288</u>
Net book value of equipment under finance leases agreements	<u>59,084</u>	<u>54,752</u>	<u>34,170</u>	<u>36,107</u>

**24. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS – NET**

Long-term loans from financial institutions as at December 31, 2019 and 2018 are as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Long-term loans from banks				
<u>Less</u> current portion of long-term loans from financial institutions	373,961	222,123	210,297	182,556
	<u>(82,415)</u>	<u>(47,520)</u>	<u>(44,411)</u>	<u>(45,889)</u>
Total long-term loans - net	<u>291,546</u>	<u>174,603</u>	<u>165,886</u>	<u>136,667</u>

**The Company**

On January 31, 2019, the Company had entered into loan agreement with a local bank in amount of Baht 20 million, interest rate MLR-1% per annum, due within 24 months from the first withdrawn. Such loan will be paid within June 2020.

On May 7, 2019, the Company had entered into loan agreement with a local bank in amount of Baht 145 million, interest rate MLR-1.5% per annum, due within 38 months from the first withdrawn. The loan is guaranteed by the Company's fixed deposit.

On July 10, 2019, the Company had entered into a loan agreement with a local financial institution in amount of Baht 80 million, at the MOR -0.50% per annum, due within 24 months from the first drawdown. The loan is guaranteed by 0.7 million ordinary shares of Hinsitsu (Thailand) Co., Ltd.

On October 2, 2019, the Company entered into a loan agreement with a local financial institution in amount of Baht 70 million, interest rate MLR – 1.75% per annum, terms and conditions are set forth in the agreement.

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 Baht 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. On April 30, 2019, the Company fully repaid such loan.

#### Subsidiary company

On April 30, 2019, Hinsitsu (Thailand) Co., Ltd. entered into a long – term loan agreement with a local financial institution for payment to investment payable in the amount of Baht 190 million. These loan agreement bear interest at the MLR – 1.5% per annum and are due within 60 months from the first drawdown. The loan is guaranteed by 3.4 million ordinary shares of Simat Label Co., Ltd.

## **25. SHORT-TERM LOANS FROM OTHER PERSONS**

On December 31, 2019, 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 7% per annum, due in January 2019. Such loans are guaranteed by the Company's ordinary shares held.

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.

## **26. 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.

#### **Early redemption of debentures**

On 20 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.

## 27. NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFITS

Movement of the present value of non-current provisions for employee benefits for the years ended December 31, 2019 and 2018 were as follows:

	Unit: Thousand Baht			
	Post-employment benefit plan			
	Consolidated financial statements		Separate financial statement	
	2019	2018	2019	2018
<b>Employee benefit at beginning of years</b>	10,219	5,110	2,566	2,808
Included in profit or loss:				
Employee benefits from investment in subsidiary	-	4,465	-	-
Current service cost	2,080	1,125	827	380
Past service cost	1,245	479	-	479
Interest cost	319	227	81	86
Included in other comprehensive income:				
Actuarial (gains) losses arising from				
Financial assumptions changes	796	240	-	240
Experience adjustments	-	(1,427)	-	(1,427)
Benefit paid during the years	-	-	-	-
<b>Employee benefit obligations at end of years</b>	<b>14,659</b>	<b>10,219</b>	<b>3,474</b>	<b>2,566</b>

Employee benefit expenses in profit or loss for the years ended December 31, 2019 and 2018, consisted of:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statement	
	2019	2018	2019	2018
	Cost of sales and services	-	-	-
Selling expenses	-	-	-	-
Administrative expenses	3,644	1,832	908	945
<b>Total employee benefit expenses</b>	<b>3,644</b>	<b>1,832</b>	<b>908</b>	<b>945</b>

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.

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	1.94-3.19	3.19
Long term inflation	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, 2019 are summarised below:

	Unit: Thousand Baht	
	Consolidated financial statement	Separate financial statement
Change of the present value of the employee benefit obligations		
Discount rate		
Increase 50 Basis point	(3,220) – (4,979)	(3,219)
Decrease 50 Basis point	3,753 - 5,889	3,753
Salary increase rate		
Increase 1%	(4,063) – (5,436)	(4,063)
Decrease 1%	2,978 - 4,708	2,978
Turnover rate		
Increase 20%	2,906 - 4,565	2,906

	Unit: Thousand Baht	
	Change of the present value of the employee benefit obligations	
	Consolidated financial	
	statement	Separate financial statement
Decrease 20%	4,253 - 6,484	4,253

As at December 31, 2019, 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	7,376,562	80,018
Over 5 years	26,231,211	4,412,886

#### **Amendments to the law relating to the legal severance pay rates**

On April 5, 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from May 5, 2019. The Company recorded the effect of such change by recognizing the past service cost as an expense in the statement of profit or loss in 2018.

## **28. SHARE CAPITAL**

### *Registered capital*

#### Year 2018

28.1.1 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.

### *Issued and paid up capital*

#### Year 2018

28.2.1 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.

28.2.2 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.

## 29. DISCOUNT ON CAPITAL FROM CHANGE IN PROPORTION OF INVESTMENT IN SUBSIDIARY COMPANIES

Discount on capital from change in proportion of investment in subsidiary company as at December 31, 2019 and December 31, 2018 are as follows:

	Unit: Thousand Baht	
	Consolidated financial statements	
	2019	2018
Hinsitsu Precision (Thailand) Co., Ltd.	(4,051)	-
Simat Label Co., Ltd	(48,740)	(2,314)
Total discount on capital from change in proportion of investment in subsidiary companies	(52,791)	(2,314)

## 30. 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.

## 31. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2019 and 2018 as follows:

Unit: Thousand Baht

	Consolidated financial statement		Separate financial statement	
	2019	2018	2019	2018
Changes in inventories	(14,967)	(22,674)	(9,147)	9,177
Purchase of goods	1,320,680	1,153,712	441,652	43,097
Salary and wages and other employee benefits	248,716	249,378	78,804	103,502
Depreciation and amortisation	47,070	79,976	20,105	58,952
Doubtful debts	7,076	6,473	3,594	5,284
(Reversal) impairment loss on inventories	8,331	(782)	837	(6,978)
Cost of warranty	4,525	2,780	4,525	2,780
Rental expense	27,609	32,516	15,481	21,773
Purchase of software	1,333	3,296	1,333	3,296
Share-based payment	(1,461)	886	(1,461)	886
Internet cost	37,806	49,250	37,806	49,250

### 32. 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	
	2019	2018	2019	2018
Net profit (loss) attributable to shareholders of the parent (Thousand Baht)	69,027	(492,523)	268,666	(545,313)
Number of ordinary shares outstanding at beginning of years (Thousand shares)	525,513	436,924	525,513	436,924
Effect of increasing share capital	-	49,836	-	49,836
Weighted average number of ordinary shares outstanding during the years (basic) (Thousand shares)	525,513	486,760	525,513	486,760
Basic loss per share (Baht)	0.13	(1.01)	0.51	(1.12)
Number of ordinary shares outstanding (basic) (Thousand shares)	525,513	486,760	525,513	486,760

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Effect of ESOP to be exercised	-	-	-	-
Weighted average number of ordinary shares outstanding during the years (diluted) (Thousand shares)	525,513	486,760	525,513	486,760
Diluted loss per share (Baht)	0.13	(1.01)	0.51	(1.12)

### 33. 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, 2019 and 2018, the Company and local subsidiaries contributed a total of Baht 2.06 million and Baht 1.55 million, respectively, to the fund.

### 34. 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 enter 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			
	2019			
	Floating rate	Fixed rate	Non – interest bearing	Total
<b>Financial assets/liabilities</b>				
Cash and cash equivalents	17	-	11	28
Restricted deposits with banks	-	175	-	175
Bank overdraft and short-term loan				
from financial institutions	429	-	-	429
Short-term loan	-	20	-	20
Long-term loan	374	-	-	374



Unit: Million Baht				
Consolidated financial statements				
2018				
	Floating rate	Fixed rate	Non – interest bearing	Total
<b>Financial assets/liabilities</b>				
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				
Separate financial statements				
2019				
	Floating rate	Fixed rate	Non – interest bearing	Total
<b>Financial assets/liabilities</b>				
Cash and cash equivalents	-	-	5	5
Restricted deposits with banks	-	153	-	153
Bank overdraft and short-term loan				
from financial institution	416	-	-	416
Short-term loan	-	55	-	55
Long-term loan	210	-	-	210

Unit: Million Baht				
Separate financial statements				
2018				
	Floating rate	Fixed rate	Non – interest bearing	Total
<b>Financial assets/liabilities</b>				
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

Financial assets with fixed interest rates as of December 31, 2019 and 2018 and the period of time from the balance sheet date to their maturity dates are as follows:

Unit: Million Baht					
Consolidated financial statement					
2019					
At call	1 - 6 months	7 - 12 months	Over 1 year	Total	Interest rate
<b>Financial assets/liabilities</b>					
Bank overdraft and short-term loan from financial institution	10	10	-	20	6%-7%

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

Unit: Million Baht						
Separate financial statements						
2019						
At call	1 - 6 months	7 - 12 months	Over 1 year	Total	Interest rate	
<b>Financial assets/liabilities</b>						
Bank overdraft and short-term						
loan from financial institution	45	10	-	-	55	6%-7%

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

### 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.

### 35. 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, 2019 and 2018 as follows:

Unit: Thousand Baht

Consolidated financial statement										
For the year ended December 31, 2019										
Broadband internet service										
	Enterprise data	Production and		Government	Broadband	Sales of		Total Domestic	Distribution of	
	collection	sales of label	Silk screen printing	Project	internet service	equipment and	related to internet		computer	Total
						other revenue	service		hardware in	
							Total		Malaysia	Total
<b>Revenues</b>	75,572	248,997	332,124	492,189	153,617	-	153,617	1,302,499	706,041	2,008,540
Cost of sales and services	(60,502)	(166,814)	(196,664)	(400,629)	(90,412)	-	(90,412)	(915,021)	(637,613)	(1,552,634)
<b>Gross profit</b>	15,070	82,183	135,460	91,560	63,205	-	63,205	387,478	68,428	455,906
Gain on exchange rate	166	563	175	-	-	-	-	904	-	904
Gain on sale of investment	-	-	-	-	-	-	-	-	(67,976)	(67,976)
Other income	316	239	596	188	511	-	511	1,850	19,739	21,589
Selling expenses	(11,269)	(8,491)	(7,105)	(834)	(17,894)	-	(17,894)	(45,593)	(6,162)	(51,755)
Administrative expense	(27,579)	(37,585)	(54,560)	(8,228)	(48,985)	-	(48,985)	(176,937)	(48,012)	(224,949)
Finance cost	(2,280)	(2,513)	(5,692)	(6)	(3,943)	-	(3,943)	(14,434)	(11,681)	(26,115)
Share of profit of investments in associated company	820	-	-	-	-	-	-	820	-	820
Profit (loss) before income tax	(24,756)	34,396	68,874	82,680	(7,106)	-	(7,106)	154,088	(45,664)	108,424
Income tax benefit (expense)	8,657	(3,619)	(14,628)	8,793	64	-	64	(733)	(6,628)	(7,361)
<b>Net profit (loss)</b>	<b>(16,099)</b>	<b>30,777</b>	<b>54,246</b>	<b>91,473</b>	<b>(7,042)</b>	<b>-</b>	<b>(7,042)</b>	<b>153,355</b>	<b>(52,292)</b>	<b>101,063</b>
<b>Profit (loss) attributable to</b>										
Equity holders of the Company										69,027
Non-controlling interests										32,036
										101,063
Total assets	130,409	200,184	339,463	859,349	175,329		175,329	1,704,734	-	1,704,734

Unit: Thousand Baht

## 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 in	
					Broadband internet service	Sales of equipment and other revenue related to internet service	Total		Malaysia	Total
<b>Revenues</b>	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)
<b>Gross profit</b>	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)
<b>Net profit (loss)</b>	<b>(5,569)</b>	<b>28,292</b>	<b>32,359</b>	<b>(6,199)</b>	<b>(530,543)</b>	<b>2,270</b>	<b>(528,273)</b>	<b>(479,390)</b>	<b>3,093</b>	<b>(476,297)</b>
<b>Profit (loss) attributable to</b>										
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

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, 2019 and 2018 as follows

	Unit: Baht	
	2019	2018
Internet Service Revenue	141,505,019.27	170,693,805.45

### 36. INCOME TAX

Income tax expenses for the years ended December 31, 2019 and 2018, are as follows:

	Unit: Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Profit (loss) before income tax	108,424	(464,687)	251,151	(545,340)
Income tax rate	20%	20%	20%	20%
Current income tax expense as tax rate	21,685	(92,937)	50,230	(109,068)
Non-deductible expenses by the Revenue Code	2,170	99,298	742	96,050
Non-taxable income	-	(1,546)	(5,946)	-
Effect from promoted activities	(3,736)	(1,214)	-	-
Deferred tax assets increase from tax loss carry	(16,760)	-	(16,760)	-
Unused tax loss	243	13,035	-	12,991
Tax effect from equity method in share of profit in associated company	(164)	(139)	-	-
Reversal of deferred income tax in prior year	-	(319)	-	-
Difference in tax expense in prior year	-	(543)	-	-
Effect from eliminate transactions	48,737	471	-	-
Deferred income tax assets from acquisition in subsidiary	-	64	-	-
Tax loss utilized for the year	(37,417)	(408)	(37,415)	-
Fiber optic network equipment depreciation	(8,366)	-	(8,366)	-
Tax profit prior to acquisition in subsidiary	-	(4,354)	-	-
Difference from income tax rate	969	202	-	-
Income tax (benefit) expense	7,361	11,610	(17,515)	(27)
Average effective tax rate	6.79%	2%	(6.97%)	0%

The overseas subsidiary is subject to income tax rate of 24% for the calculation of corporate income tax for the years ended December 31, 2019 and 2018.

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.

### **37. 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, 2019 and 2018, derived from BOI promoted activities, totals Baht 105.22 million and Baht 107.51 million respectively.

### **38. COMMITMENTS**

#### **Corporate guarantee**

As at December 31, 2019 and 2018, the Company provided a corporate guarantee for a financial lease for a subsidiary company in Thailand.

As at December 31, 2019 and 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 34 million and Baht 20 million, respectively.

#### **Bank guarantee**

As at December 31, 2019 and 2018, 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 358.58 million, respectively

#### **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. During 2019 the company entered into several agreements with sub-contractors in order that they provide the services pursuant to the agreement.



### 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. Summarised below are the future rental and service fees under the agreements:

	Unit: Thousand Baht	
	Consolidated	
	financial statement	Separate financial statement
Due within 1 year	21,573	10,000
Due over 1 year but not over 5 years	16,270	8,958
Total	<u>37,843</u>	<u>18,958</u>

### 39. 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.

- On April 12, 2019, the Company has adjusted the exercise price to purchase ordinary shares SIMAT – W2 from the previous price of Baht 15 per share to Baht 13.3200 per share, and exercise ratio from 1 unit per share to 1 unit per 1.1261 shares.
- On April 12, 2019 the Company has adjusted the exercise price to purchase ordinary shares SIMAT – W3 from the previous price of Baht 30 per share to Baht 26.6401 per share and exercise ratio from 1 unit per share to 1 unit per 1.1261 shares.

As at December 31, 2019, no person use warrants, therefore were not exercised as such.

#### 40. 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 <sup>st</sup> year: Exercises cannot exceed 10% of the total allocated warrants. 2 <sup>nd</sup> year: Exercises cannot exceed 25% of the total allocated warrants. 3 <sup>rd</sup> year: Exercises cannot exceed 45% of the total allocated warrants. 4 <sup>th</sup> year: Exercises cannot exceed 70% of the total allocated warrants. 5 <sup>th</sup> 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, 2019, 2,890,000 warrant units remain unexercised.

#### 41. 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. Currently, the case is still on the processing of the fact and evidence consideration by the court.

##### **Company as defendant**

On April 2, 2014, a supplier sued the Company for compensation in the amount Baht 8.56 million for breach of a purchase agreement. On June 15, 2015, the Civil Court rendered judgment that the Company must pay said amount to the supplier as compensation along with interest. The Appeals Court, later, 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. The Company has fully provisioned for the compensation in "accrued expenses," which is presented under "trade and other current payable" in the statement of financial position.

On May 31, 2019, the Supreme Court upheld judgement of the Appeals Court and ordered the Company to pay the compensatory amount to the plaintiff, with interest, totaling Baht 11.44 million. The Company has already paid such compensation.

#### **42. 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.

#### **43. EVENT AFTER THE REPORTING PERIOD**

##### The Company

On January 8, 2020, the Company has investment in RG Tech Simat Co, ltd. "Associated company", a new established company which engaged in IT service business. The Company has invested 48.99% of registered capital or Baht 4,899,980. The Company entered into business transfer agreement, the Company shall transfer its information technology business to Associated company.

##### Subsidiaries

##### *Hinsitsu (Thailand)*

The Board of Directors' Meeting of Hinsitsu (Thailand) ("HST") No. 2/2020 held on February 7, 2020, approved HST to entered into the land sale and purchase agreement with domestic finance institute, purchase price of Baht 44.29 million.

HST has paid the deposit in the amount of Baht 8.86 million, the remaining of purchase price totaling Baht 35.43 million will be paid upon the transferring of ownership on May 12, 2020.

##### *Simat Label*

The Board of Directors' Meeting of Simat Label No. 1/2020 held on January 16, 2020, approved the payment of interim dividend from its retained earnings as at December 31, 2019. Interim dividend rate of Baht 2.65 per share, totaling Baht 9.01 million.

#### **44. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved by the Company's board of directors on February 28, 2020.