

## สารบัญ • CONTENTS

สารสั้นจากประธานกรรมการ Message From Chairman of the Board	2
รายงานคณะกรรมการตรวจสอบ Audit Committee's Report	4
ลักษณะการประกอบธุรกิจ Type of Business	6
โครงสร้างรายได้ Revenue Structure	10
ปัจจัยความเสี่ยง Risk Factors	12
โครงสร้างการถือหุ้นและการจัดการ Shareholding Structure and Management	18
รายการระหว่างกัน Intercompany Transaction	36
คำอธิบายและการวิเคราะห์ฐานะการเงินและผลการดำเนินงาน Explanation and Analysis of Company's Financial Status and its Performance	40
รายงานของผู้สอบบัญชีอิสระและงบการเงิน Auditors' Report and Financial Statement	52
ข้อมูลทั่วไป General Information	82

## Message From Chairman of the Board

Currently, the world is facing continuous changes and uncertainties. In order to survive, we have to stay updated with news and information and always keep ourselves alert. Nonetheless, no one could deny that the key to staying tuned with the world's movement is information technology. For the past decade, information technology such as Internet has introduced various profound changes to our country including the developments in economics, social, education, and culture. Each day, Internet has become more and more important. Internet is one of the most important key instruments for Thailand to develop as one of the competitive countries in the world.

For the past years, Internet Thailand has successfully completed various tasks which conform with the Government's policies regarding the development of the economic and social systems. Many projects of Internet Thailand promote savings by reducing the exchange of Thai currency to other foreign currencies, which build security and strength in Thailand's economic system. Besides, the expansion of Internet network by Internet Thailand has become the new opportunity for education which will produce a positive effect for Thailand in the future. Amidst all these, Internet Thailand has developed various types of projects that benefit Thai citizens in general.

This special account period year 2001 (October - December 2001) is an important movement for the Company, its employees and executives. The Company had transformed into a public company and increased its registered capital from 16 million baht to 250 million baht. The Company has been listed on the Stock Exchange of Thailand and started trading on November 14 of the year 2001 and won the Best Managed Companies award in the category of Best Newly Listed Company in 2001 from *asiamoney* magazine's poll among fund managers around the world. I would like to take this opportunity to congratulate everyone involved in this on the precious and special occurrence and highly wish that Internet Thailand will strongly step forward with its philosophy to provide excellent services while also creating services that will benefit the country both at present and in the future.



(Professor Dr. Pairash Thajchayapong)

Chairman of the Board

## Audit Committee's Report

The Audit Committee is composed of 3 directors with a Vice President of the Office of Internal Audit as a Secretary to the Committee. The major responsibilities of the Audit Committee are to carefully investigate and ensure that the financial statements are correct, sufficient, and trustworthy, to efficiently control the Company's internal audit system, to prevent any actions that may result in conflicts of interest, and to strictly follow the Company's Code of Conduct including all rules and regulations regarding the protection of the Company's assets.

For the 3-month period from October 1, 2001 to December 31, 2001, the Company's Board of Directors together with internal auditors and management carefully considered the results of all investigations, the evaluation of internal audit, the practice of the Company's Code of Conduct including the possibility of any conflicts of interest. Moreover, the Audit Committee had estimated the industry risk and any risks that may result from the current audit system. The Audit Committee has considered the financial statements for the 3-month period ended December 31, 2001 which has received acceptance from the State Audit Office and can conclude that the financial statements present fairly the financial position of the Company for the 3-month period ended December 31, 2001 and conform well with the generally accepted accounting principles.



(Mr. Dheeramet Pokmanee)  
Chairman of the Audit Committee

# Type of Business

## The Company's History

- March 1, 1995 Initial operation began under the name of Internet Thailand Service Center (ITSC) to provide commercial Internet access for all sectors.
- May 14, 1996 The Cabinet approved the establishment of Internet Thailand Company Limited as proposed by the Ministry of Science Technology and Environment to provide Internet access replacing ITSC and stated that the company must privatize by inviting additional participation from the private sector within 2 years.
- May 13, 1997 Internet Thailand Company Limited established with a registered capital of 16 million baht, as a joint venture among the National Science and Technology Development Agency (NSTDA), the Communications Authority of Thailand (CAT) and the Telephone Organization of Thailand (TOT) with shareholding structure of 34:33:33 respectively. Internet Thailand Company Limited operated from October 1, 1997.
- January 18, 2000 The Cabinet approved the delay of privatization until the regulations governing the telecommunication business become effective.
- August 28, 2001 The Cabinet approved Internet Thailand's privatization plan as proposed by the State Enterprise Policy Committee as follows:
  - Increase registered capital from 16 million baht to 250 million baht. As for existing shareholders, capital increase shall be performed by converting retained earnings into capital.
  - Simultaneously offered shares to existing shareholders 49% consisting of NSTDA 17%, CAT 16 % and TOT 16%, employees 7% and general investors 44%
- September 14, 2001 The Company registered as a public company with the Ministry of Commerce and changed its par value from 10 baht per share to 1 baht per share and increased registered capital from 16 million baht to 250 million baht.
- September 17, 2001 The existing shareholders paid 106.5 million baht to the Company. Therefore, the Company had the paid-up capital of 122.5 million baht.
- November 12, 2001 The Company paid up the increase in registered capital from 122.5 million baht to 250 million baht.
- November 14, 2001 Internet Thailand Public Company Limited was listed on the Stock Exchange of Thailand.

## Change in Accounting Period

The Resolution from the Board's meeting 4/2001 on November 30, 2001 approved the change in accounting period from the fiscal year to the calendar year from January 1 to December 31. To conform to the standard and be comparative with other companies in the same industry, the company received permission to change the accounting period from the Revenue Department and the reply letter was numbered "gor kor 0841.23 / 10993" dated on December 28, 2001. The initial change in accounting period would be from October 1, 2001 to December 31, 2001 and the next would be from January 1 to December 31 for every year thereafter starting from the year 2002.

The financial statement for the three-month period beginning October 1, 2001 to December 31, 2001 has been called an extraordinary accounting period prior to the entering regular accounting period.

### **Internet Access Service**

The Company's major business is to provide Internet access service covering 76 provinces countrywide. The Company was granted a license to provide such service to Internet users from the Communications Authority of Thailand (CAT) on October 9, 1997

The type of customers according to connection method are as follows:

**Corporate Customers:** The Company provides Internet access service for corporate entities in Bangkok and suburban areas. However, the organization has to prepare equipment for connecting to the Internet, including a leased line to the Company. The organization will be responsible for the distribution of Internet access to its staff members and the management of internal network.

The smaller corporate entities may connect to the Internet via dial-up line which will cost lower than connecting via leased line.

The Company was granted ISO 9002 certificate from SGS Yarsley International, England on May 11, 2001 for 24-hour Internet access service via leased line.

**Individual Customers:** The Company provides 24-hour Internet access service to individual customers via dial-up line. The policy of the Company is to maintain the user to modem ratio at 10:1 and modem speed as high as 56 kbps.

Aside from providing Internet access service, the Company also offers other services such as Internet Data Center (IDC) and services for conducting e-Business as follows:

- **Internet Data Center (IDC)**

IDC is an Internet server facility rental service on the Company's Internet backbone. This service enables users to quickly retrieve the organization's business information from the Internet backbone. The Company also has a fully equipped maintenance service such as temperature control system in the Data Center, 24-hour security service and advisory service.

- **Provide shopping space via website [thai.com](http://www.thai.com)**

The Company provides shopping space on the Internet via website named [www.thai.com](http://www.thai.com) for trading of goods and services via Internet network.

- **Domain Name Registration**

The Company has joined with Network Solutions Inc., a subsidiary of VeriSign Inc. U.S.A., the leading provider of trusted infrastructure services to Internet related business, to provide domain name registration service such as [www.thai.com](http://www.thai.com)

- **On-line payment via Internet network**

The Company provides on-line payment via Internet network by credit cards. This on-line payment is a new service that the Company has developed with a complete security system which is fully recognized by leading commercial banks.

## Revenue Structure

Unit : Million Baht

Details of revenue	Year 2001 (special)		Year 2001	
	Oct. 01 - Dec. 01	%	Oct. 00 - Sept. 01	%
<b>Operating Revenue</b>				
• <b>Internet Access Service</b>				
- Corporate Customers	92.18	75.96	309.06	72.11
- Individual Customers	20.57	16.95	87.26	20.36
<b>Total</b>	<b>112.75</b>	<b>92.91</b>	<b>396.32</b>	<b>92.47</b>
• <b>Internet Data Center (IDC)</b>	5.98	4.93	18.36	4.28
<b>Total Operating Revenue</b>	<b>118.73</b>	<b>97.84</b>	<b>414.68</b>	<b>96.75</b>
Revenue from equipment sales *	0.66	0.54	7.13	1.67
Other revenue **	1.96	1.62	6.78	1.58
<b>Total</b>	<b>121.35</b>	<b>100.00</b>	<b>428.58</b>	<b>100.00</b>

Remarks : \* Revenue from equipment sales means revenue from selling computer equipment or other related equipment to corporate customers relating to access to the Internet. The Company will place order to the equipment distributor as per customer's order plus a certain level of profit.

\*\* Other revenue mean interest income, revenue from selling shopping space via thai.com, revenue from domain name registration service, and revenue from on-line payment service via Internet network.

### Investment in subsidiary and affiliated company

The Company holds 10% shares of registered capital of 150 million baht, paid-up capital 100 million baht in the Wethai Dot Co., Ltd. as a preparation to enter into the world of Business-to-Business E-Commerce. Wethai Dot Co., Ltd. operates in E-Commerce business regarding large portal site for manufacturer in industrial business, providing web site service, full range E-Commerce business, and training course in E-Commerce business to exporters in the group of textiles, garments, electronic products and parts, chemicals, plastic resins, and sheets. The Company will pay for the share price by providing services for the value of 10 million baht to Wethai Dot Co., Ltd. such as Internet service and Co - Location service.

Currently, Mr. Jumroen Kornkaset, Executive Vice President - Business Group, is a representative as a Director of Wethai Dot Co., Ltd. on behalf of the Company according to the resolution of the Board of Directors' meeting No. 2/2001 on October 24, 2001.

Aside from investing in Wethai Dot Co., Ltd., the Company currently has no policy to invest in any subsidiary or affiliated company. However, in the future the Company may consider investment if the business supports the Company's main business or supports the business that the Company is expected to expand into the future.

### Major shareholders are

Name	% of holding
1. Mr. Sarawut Laohapongchana	68.00%
2. Mr. Sawai Udomjaroenkit	10.00%
3. Internet Thailand Plc.	10.00%
4. Mr. Rungroeng Limchupatipa	6.66%
5. Mr. Kobkij Rukguan	2.00%
6. Mr. Preecha Laohapongchana	1.67%
7. Hewlett Packard (Thailand) Co., Ltd.	1.67%

Remarks : data as at December 31, 2001

# Risk Factors

## Industry Risk Factors

- (1) The risk arises from the uncertainty regarding the policy issues that will be approved by the future industry regulator.

Internet service provider business is eligible upon being granted a license from the Communications Authority of Thailand (CAT) and CAT is the regulator for this business in Thailand. In 2000, the Parliament approved the "Organization of Radio Frequency Assignment and Regulations of Broadcasting and Telecommunication Services Act (A.D. 2000)" which mandated the appointment of the National Telecommunication Commission. The responsibility of this Commission is to decide on the type of telecommunications business, fee structure, service fee, requirements for telecommunications providers, training and research and development for telecommunications and related industries. However, it is still uncertain when this new regulatory body will be established and how the new regulation of the Internet service provider business will be, regarding the issue of granting the license, price control, and quality of service. This is because the Act just states that the National Telecommunication Commission will be responsible for issuing all the rules and regulations. The new rules and regulations may have both a positive and negative impact on the business and the Company. Therefore, the Company is currently unable to forecast or estimate the impact in terms of value. However, the current ISP license from CAT that the company holds is a perpetual license.

- (2) The risk from liberalization of the telecom industry

Currently, there are 18 ISPs that have been granted licenses from CAT. The Company was granted a perpetual license while the other ISPs were granted 10-year licenses and most will expire before the telecom liberalization. The liberalization of the telecom business sector in 2006 will enable powerful overseas operators to establish business in Thailand. Hence, more intense competition may ensue in the industry. This may have an effect on the performance of the Company in terms of revenue and profit growth since about 93% of the Company's revenue is derived from the ISP business. However, being the pioneer in the Internet industry in Thailand has brought the Company higher potential and more competitive advantages over the future competitors. The newcomers will have to highly invest in terms of time and money to build their customer base and expand the network coverage as much as the Company has already completed. Besides, the Company has evolved from basic customer supplier relationships to become business partners. This action is primarily taken through making connection with businesses that need to expand by using Internet as a medium. Services offered are on-line payment service, Internet data center service, e-Commerce business service, and academic service. Such services will enhance the customer relationships more efficiently.

**(3) The risk from conflict of interest of major shareholders.**

Two major shareholders of the Company, the Communications Authority of Thailand (CAT) and the Telephone Organization of Thailand (TOT), equally hold shares of 16%. Both organizations assigned executives on behalf of their organizations as the Company's authorized directors. In addition, the competition has begun as both CAT and TOT have started the ISP business. CAT has provided Internet service to corporate customers (primarily the public sector). TOT has also offered Internet service to its basic phone subscribers and public Internet service that is able to connect to the Internet network countrywide without having to pay long-distance fees. The Company, however, understands that the moves undertaken are only to conform with the government policy in expanding prosperous development into the provincial areas by introducing Internet service to every district to encourage Thai people to get acquainted with new technologies. Currently, CAT does not have the policy to directly compete with any ISP. This is primarily due to the fact that CAT still holds shares in every ISP company. As a result, any action that disturbs the performance of any ISP company will in turn affect the performance of CAT as well. However, CAT may later on start ISP business after it sells off all shares in all ISP companies. These overall actions depend solely on the future appointment of the the National Telecommunication Commission including the rules and regulations to be set up. Currently, TOT also does not have the policy to compete with ISPs. Besides, the Company has stipulated a Code of Conduct regarding the confidentiality of data and information of the Company. Moreover, the Company has assigned a preventive policy that suspends the director's voting rights if any director incurs any beneficial value in any matter. The Company's Board of Directors have acknowledged the policy by signing the Code of Conduct. This criterion is to prevent retail investors from any foreseen risk that may occur.

**Business Risk Factors**

**(1) The risk from change of technology**

The Company's business primarily deals with technologies which constantly evolve and change. The Company is thus facing direct risk regarding the change of technology which may place an impact on the cost structure of offering Internet services of the Company. The Company realizes the importance of home-grown development. As a result, the Company's Research and Development Center constantly monitors, assesses, develops, tests, and deploys technologies in order to develop value-added services to customers. Besides, in the midst of competition, the Company places strong emphasis on human resources and training of employees to ensure superior understanding of the business.



**(2) The risk from scarce human resources**

The Company's business depends highly on knowledgeable and skilled human resources. The fast-growing nature of the Internet business and the current intense competition may result in drawing off skilled employees between companies. The loss of skilled employees would definitely place some negative impact on the ongoing business. However, the Company recognizes its employees as a vital source for its success. As an intention to minimize the risk of losing skilled employees, the Company has a standardized policy for human resource management and also other attractive criteria which are competitive within the industry. An example is the allocation of 7% of 250 million baht of common shares during the Initial Public Offering to the employees at a special price in November 2001 to encourage employees to feel they belong with the organization and also to motivate them to stay in a long-term time period which will in turn result in overall efficient work. As a matter of fact, since establishment, the Company has had a very low employee turnover rate.

**(3) The risk from the competition of Internet Service Providers and the downtrend of service fees**

The downtrend climate of service fees in Internet service provider business has encouraged Internet operators to continually develop content and value-added services in order to deal with the difficult environment. The Company has also forecasted the trend as new service developments are in line with value-added services to customers. This service restructuring will be revealed in terms of the Company's revenue in about the next 5 years. The major income of the Company's revenue structure will switch from Internet access service which currently generates about 93% of the Company's total income to an Internet content service and Internet transaction service. The Company expects the income from non-access services to generate about 45% of total revenue which will in turn reduce Internet access service revenue to 55% of total revenue.

The new services require high capital investment which may affect the future performance of the Company. Thus, in making any decision concerning new business or new investment, the Company always thoroughly considers both positive and negative impacts upon the image of the Company and the shareholders as could be guaranteed by the excellent past performance. Thus, the Company believes in its way of operating the business to produce appropriate return to its shareholders.

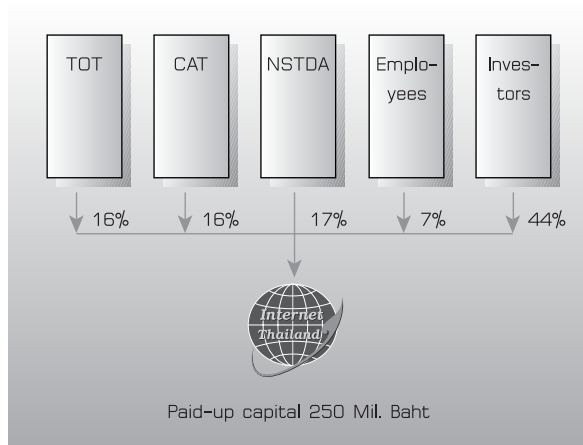
**(4) The risk from the exchange rate uncertainty**

The Company's operating revenue is mainly in Thai baht while the Company's major cost, the cost of international link, which represents about 31% of the Company's total cost, is in US dollars and Japanese yen. The Company currently pays this cost in Thai baht through CAT according to the exchange rate stated in the bill which changes everytime. The Company, thus, faces exchange rate volatility. To prevent that risk, the Company closely monitors the exchange rate movement and its volatility in order to analyze and carefully make decisions when entering into forward contracts. The Company always compares the cost of forward exchange rates with the risk involved or other related expenses. In so doing, the Company opens a 10-million baht forward contract credit line with 2 commercial banks which is sufficient to cover the risk.

# Shareholding Structure and Management

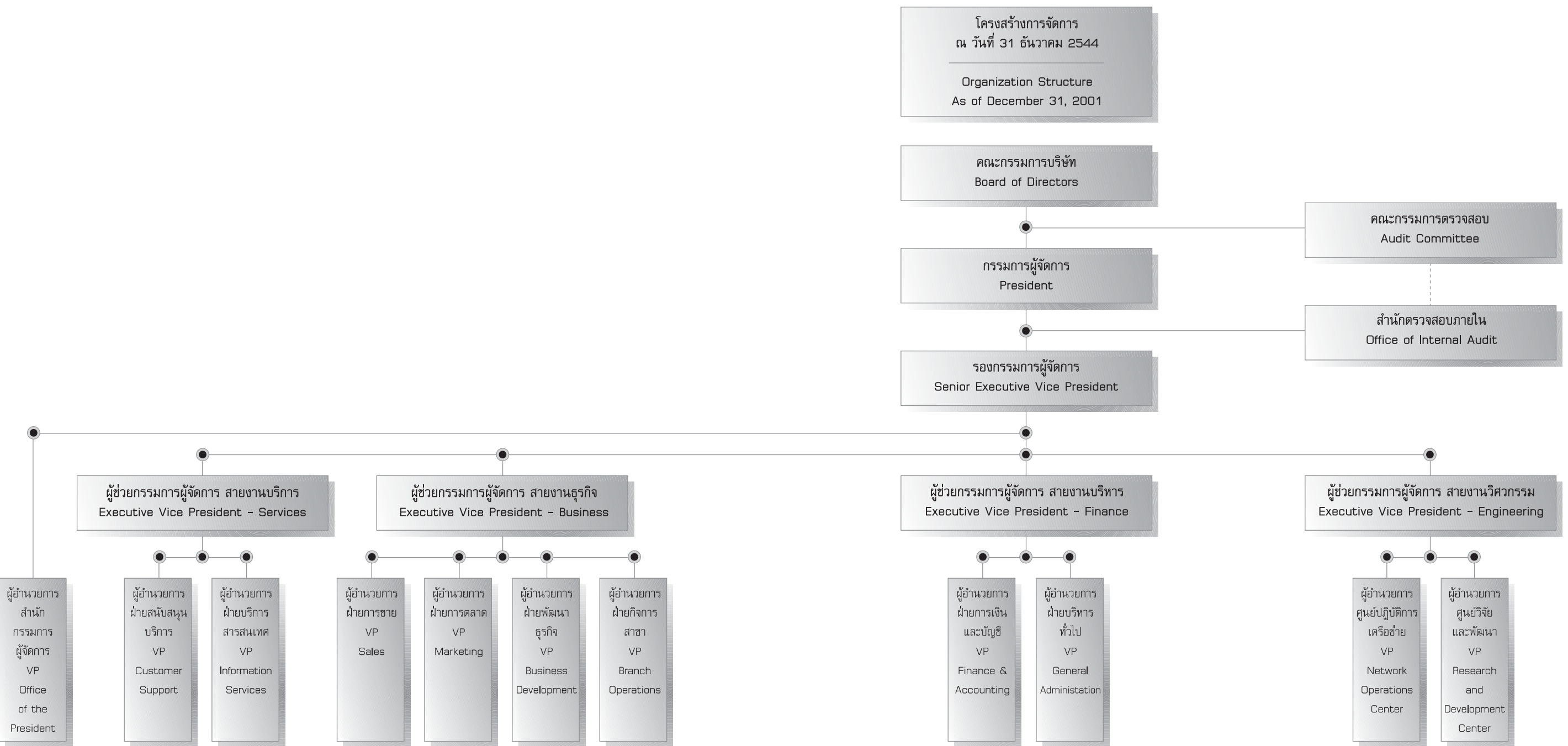
## Shareholding Structure

As of December 31, 2001



## Top 10 Shareholders as of December 31, 2001

No.	Name-Surname	Shareholding	(%)
1	The National Science and Technology Development Agency	42,499,940	17.00
2	The Telephone Organization of Thailand	40,000,000	16.00
3	The Communications Authority of Thailand	40,000,000	16.00
4	Mr. Manas Manassiriwithaya	7,477,500	2.99
5	Miss Arisda Jungrungreangkit	2,000,000	0.80
6	Udom Sab-Dividend Fund 2	1,913,300	0.77
7	Mr. Yutthana Panrattanamongkol	1,850,000	0.74
8	Mr. Chanachai Leenabanjong	1,500,000	0.60
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,220,000	0.49
10	Buakaew open end fund	1,214,100	0.49



## Board of Directors

As at September 30, 2001 the Company has 2 Boards : The Company's Board of Directors and the Audit Committee

### The Company's Board of Directors

The Company's Board of Directors consists of 11 scholars and experts whose personal qualifications strictly conform with Section 68 of the Public Company Act 1992 and the Notification of the Board of Directors of the Securities and Exchange Commission kor jor. 12/2543 Re : Application for approval and granting of approval for an offer for sale of newly issued shares 22<sup>th</sup> March 2000 in every matter :

1. Prof. Dr. Pairash Thajchayapong Chairman of the Board
2. Dr. Kittin Udomkiat First Vice Chairman
3. Mr. Aran Permpiboon Second Vice Chairman
4. Dr. Thaweesak Koanantakool Director
5. Mr. Chamras Tantreesukhun Director
6. Mr. Kittipong Mekvichitsaeng Director
7. Mr. Sahas Treetipbut Director\*
8. Mr. Dheeramet Pokmanee Director and Chairman of the Audit Committee
9. Mr. Sawait Santanond Director and Audit Committee
10. Mr. Pichai Vongsri Director and Audit Committee
11. Mr. Trin Tantsetthi Director and Secretary to the Board of Directors

*\* Remark : Mr. Khemchai Chutiwongse resigned as Director since November 14, 2001. The Board meeting no. 5/2001 on December 13, 2001 has appointed Mr. Sahas Treetipbut as a Director.*

### The Company's Authorized Persons

The Company's authorized persons comprise of Prof. Dr. Pairash Thajchayapong, Dr. Thaweesak Koanantakool, Mr. Trin Tantsetthi, one of these 3 persons co-signs with Mr. Aran Permpiboon, Mr. Chamras Tantreesukhun, and Dr. Kittin Udomkiat, or Mr. Kittipong Mekvichitsaeng, one of these 4 persons which adds up to 2 persons together with the seal of the Company. Alternatively, Mr. Aran Permpiboon, or Mr. Chamras Tantreesukhun, co-signs with either Dr. Kittin Udomkiat or Mr. Kittipong Mekvichitsaeng, which adds up to 2 persons together with the seal of the Company.

### Limits, Authority, and duties of the Company's Board of Directors

The Board of Directors' authority and duties conform with the objectives, rules and regulations, and resolutions of shareholders' meeting and include the following :

1. Set the Company's business policies
2. Approve the Company's business plans
3. Set the Company's investment plan and manage sources of investment funds
4. Control the business operation to conform with the Company's business plans
5. Manage and govern the Company's operation to achieve highest benefits and conform with the Company's rules and regulations and the resolution of shareholders' meeting

6. Assign one or more of the Company's directors or other persons to execute any task on behalf of the Board of Directors
7. Members of the Board of Directors will not operate any business which is similar to or competes with the Company or become a partner in any common partnership or an unlimited responsibility partner in any limited partnership or a director in any private company or other companies that operate a similar type of business and compete with the Company, whether for self-benefit or for the benefit of others except upon approval by the shareholders' meeting
8. The Director must instantly inform the Company if any beneficiaries arise from the contracts signed on behalf of the Company either directly or indirectly or holds an increase in share or debenture of the Company or subsidiary of the Company

#### Audit Committee

The Audit Committee comprises of

- |    |                        |                                  |
|----|------------------------|----------------------------------|
| 1. | Mr. Dheeramet Pokmanee | Chairman of the Audit Committee  |
| 2. | Mr. Sawait Santanond   | Audit Committee                  |
| 3. | Mr. Pichai Vongsri     | Audit Committee                  |
| 4. | Mr. Akardej Pralomgan  | Secretary to the Audit Committee |

The Audit Committee has the following authority and duties :

1. Cross-check the correctness and information disclosure of the Company's financial reports by coordinating with the Auditor and executives whose responsibilities are to prepare the financial statements both quarterly and yearly. The Audit Committee may suggest the Auditor to cross-check or to investigate any transactions that are necessary and material to the Company during the auditing period
2. Cross-check with the Auditor and internal audit to ascertain that the internal audit system of the Company is appropriate and efficient
3. Cross-check that the Company operates in conformity with the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand or other laws which relate to the business of the Company
4. Consider, select and propose the Company's Auditor including the remuneration. The selection should depend upon the reputation, the human resources, and the quantity of jobs in hand of that Auditor including the experience of the assigned Auditor.
5. Consider the disclosure of information related to intercompany transactions or transactions with conflicts of interest to ascertain that they are correct and complete
6. Other executions approved by the Company's Board of Directors and the Audit Committee agrees, such as review the financial and risk management policy, review the operation of management to conform with the code of ethics, review any management report that is to be reported to the public as stated by laws such as the report and analysis of the management and etc.

7. Summarize the activities of the Audit Committee and disclose them in the Company's annual report. The activities should be signed by the Chairman of Audit Committee and should compose of the following information :
- Opinion on the correctness, completion and trustworthiness of the preparation and disclosure of information in the Company's financial reports
  - Opinion about the sufficiency of the Company's internal audit
  - Opinion about the conformity with regulations of the Securities and Exchange Commission, the Stock Exchange of Thailand, or other laws related to the business of the Company
  - A good reason to extend the term for the Auditor
  - Other reports that should be disclosed to shareholders and other investors under the limits, duties, and responsibilities assigned by the Company's Board of Directors

Executives consist of 6 persons as follows :

1. Mr. Trin Tantsetthi                      President & CEO
2. Mrs. Morrakot Kulatumyotin      Senior Executive Vice President & COO
3. Mr. Jumroen Kornkaset              Executive Vice President - Business Group and Acting Vice President - Office of the President, Business Development Division, and Branch Operations Division
4. Mr. Buncha Srisamanuwat          Executive Vice President - Engineering Group and Acting Vice President - Research and Development Center
5. Mr. Craig Emmott                      Executive Vice President - Services Group and Acting Vice President - Customer Support Division and Information Services Division
6. Mr. Suweat Ongla-or                  Executive Vice President - Finance Group and Acting Vice President - Finance and Accounting Division

#### Seeking and Selecting Directors and Executives

The Company does not have a special committee for seeking and selecting directors or executives. The appointment of individuals to become the Company's Board of Directors follows the criteria stated in the Company's regulations.

Name	Position	Qualification	Experience Record
Prof. Dr. Pairash Thajchayapong	Chairman of the Board	Ph. D. Electronics and Computer Engineering University of Cambridge, United Kingdom	1998-Present President National Science and Technology Development Agency
Dr. Kittin Udomkiat	First Vice Chairman	Ph. D. Electrical Engineering University of Missouri, USA	1994-Present Senior Executive Vice President (Telecom- munications Systems) Communi- cations Authority of Thailand
Mr. Aran Permpiboon	Second Vice Chariman	Master of Public Administration National Institution of Development Administration (NIDA)	2000-Present Senior Vice President Telephone Organiza- tion of Thailand
Dr. Thaweesak Koanantakool	Director	Ph. D. Digital Communication, Imperial College of Science and Technology University of London,United Kingdom	1998-Present Director National Electronics and Computer Technology Center
Mr. Chamras Tantreesukhun	Director	Master of Business Administration Asian Institute of Technology	2000-Present Executive Vice President Telephone Organization of Thailand
Mr. Kittipong Mekvichitsaeng	Director	Master of Science in Electrical Engineering University of Minnesota, USA	2000-Present Senior Director of Data Communication Department Communications Authority of Thailand
Mr. Sahas Treetipbut	Director	Master of Science (Computer and Information Sciences) Syracuse University, USA	1995-Present Senior Executive Vice President Krung Thai Bank Public Company Limited
Mr. Dheeramet Pokmanee	Director and Chairman of the Audit Committee	Bachelor of Economics Thammasat University	1999-Present Director of Informa- tion Center The Comptroller General's Department Ministry of Finance
Mr. Sawait Santanond	Director and Audit Committee	Master of Business Administration Georgia State University, USA	1996-2000 Senior Executive Vice President (Economics and Marketing) Communications Authority of Thailand

Name	Position	Qualification	Experience Record
Mr. Pichai Vongsri	Director and Audit Committee	Master of Management SASIN Graduate Institute of Business Administration	1968-2001 Vice President of Law Office Telephone Organization of Thailand
Mr. Trin Tantsetthi	President & CEO	Master of Business Administration SASIN Graduate Institute of Business Administration	1997-2001 President Internet Thailand Co., Ltd.
Mrs. Morragot Kulatumyotin	Senior Executive Vice President & COO	Master of Science in Computer Science University of Missouri, USA	1999-2001 Senior Executive Vice President Internet Thailand Co., Ltd
Mr. Jumroen Kornkaset	Executive Vice President- Business Group	Certificate of Sale Rajamangala Institute of Technology Chakrapong Phuvanarth Campus	1997-2001 Vice president of Office of the President, Business Development Division, and Branch Operations Division Internet Thailand Co., Ltd.
Mr. Buncha Srisamanuwat	Executive Vice President- Engineering Group	Bachelor of Industrial Technology in Industrial Electrical Technology King Mongkut's Institute of Technology	1998-2001 Vice President of Network Operations Center Internet Thailand Co., Ltd.
Mr. Craig Emmott	Executive Vice President- Services Group	General Certificate of Education "O" Level, Stockton/Billingham Tech College, Cleveland, United Kingdom	1997-2001 Vice President of Support Services Division Internet Thailand Co., Ltd.
Mr. Suweat Ongla-or	Executive Vice President- Finance Group	Master of Accountancy (Executive) Chulalongkorn University	1998-2001 Vice President of Finance and Accounting Division Internet Thailand Co., Ltd.



## Directors' Remuneration

### Remuneration in terms of money

#### Total remuneration of the Directors

Type of remuneration	Oct. - Dec. 2000
Director's attendance fees	183,125
No. of Directors	11

#### Total remuneration of the Executives

Type of remuneration	Oct. - Dec. 2000
Salary, Bonus, Executives' fuel	1,835,400
No. of Executives	6

\*\* The number of executives stated above follows the definition of the SEC as follows: President and the next 4 executives.

### Other compensation

#### The allocation of common shares during the Initial Public Offering

The Shareholders' meeting No. 5/2001 on September 13, 2001 had the resolution to increase the registered capital from 16 million baht to 250 million baht, following the cabinet resolution on August 28, 2001. The cabinet resolution was to offer 7% of 250 million baht of the public offering of increase in common shares of registered capital or 17,500,000 shares at 1 baht par value to the Company's executives and employees at a special price and also received special privilege to buy the Company's stock at a price not less than the par value. The Company's executives and employees shall receive the benefit (the difference between the share's IPO price and the special price offered to executives and employees) not more than 8 times of the per-month average of the executives' and employees' salary. ESOP was calculated at 1.87 Baht per share which was higher than par and book value at the time. The Company set up the lock-up period for 2 years. The Company's executives and employees are allowed to sell the stock every 6 months.

### **The Code of Conduct**

At present the Board of Directors has together assigned the code of conduct which strictly follows the rules of SET. The Board of Directors is responsible to strictly practice according to the code of conduct.

### **Internal Confidentiality**

The Company has established procedures of internal confidentiality and all the directors have signed to acknowledge that procedure as follows :

1. The Board of Directors, executives, employees must strictly keep internal information of the Company confidential.
2. The Board of Directors, executives, employees are not allowed to disclose any confidentiality or any information of the Company or seek personal advantages or as advantages to outsiders either directly or indirectly and either being compensated or uncompensated.
3. The Board of Directors, executives, employees are not allowed to buy or sell stocks by using insider information or enter into any legal act with insider information which by any means may result in directly or indirectly harmful action to the Company.

### **Internal audit**

At the Board of Directors' meeting No. 1/2002 on February 25, 2002 with the attendance of 3 directors of internal audit. The Board of directors has evaluated the Company's internal audit system in 5 areas : organisation and environment, risk management, control of management, information system and communication of information, and audit system. The Board of directors has agreed that the Company has a sufficient and efficient internal audit system and conform with the evaluation form of the SEC.

## Intercompany Transaction

Beneficial individual/corporate	Relationship	Details of intercompany transaction	Value of intercompany transaction (baht) Year 2001 special (oct. 01-Dec. 01)	Opinions of intercompany transactions
1. The Communications Authority of Thailand (CAT)	Major shareholding and directorship	<u>Expense:</u>		
		1. Cost of international link	33,175,905.00	Market Price
		2. Cost of access to the National Internet Exchange (NIX)	69,000.00	Market Price
2. The Telephone Organization of Thailand (TOT)	Major shareholding and directorship	3. Other Expenses	281,250.00	Market Price
		<u>Expense:</u>		
		1. Leased line expense	2,520,325.81	Market Price
		2. Internet phone service expense	2,342,037.62	Market Price
		3. Other expenses	80,302.46	Market Price
		<u>Revenue:</u>		
1. Income from providing Internet access service	6,804,900.00	Market Price		
3. The National Science and Technology Development Agency (NSTDA)	Major shareholding and directorship	<u>Expense</u>		
		1. Cost of access to the Internet Information Research (IIR)	10,172.81	Market Price
		<u>Revenue</u>		
1. Income from providing Internet access service	4,829,960.00	Market Price		

### The necessity and appropriateness of transactions

The above intercompany transactions were normal for business operation in providing Internet access. The Company has carefully considered the necessity and the appropriateness in order to obtain highest benefit for the Company and its shareholders. The Company has received and paid for the compensation at a fair market price as shown in the above table.

#### Criteria or steps in approving intercompany transactions

Previously, the Company's director who was a representative from a major shareholder was eligible for approving the intercompany transactions due to the Company's status as a limited company and was not bound by any rules or regulations regarding the intercompany transaction in the Company's code of conduct. However, every intercompany transaction that occurred had been carefully considered and approved by the Company's Board of Directors in which highest regards were attributed to the benefit of the Company. Each of the major shareholders was allowed 3 representatives equally to prevent an unfair decision or decision that may provide higher benefits to one shareholder than the others.

However, after the Company has evolved to a public company, the Company conforms to the rules and regulations stated by the Stock Exchange of Thailand regarding intercompany transactions. The beneficiary to any intercompany transaction has no voting right to the approving issue and the Company made this criterion a rule stated in the Company's new code of conduct.

#### Policy or tendency for future intercompany transaction

In the future, the intercompany transactions will continually occur. The Company appointed the audit committee to be responsible for fully disclosure of the Company's information should any intercompany transaction or transactions with conflict of interest occur. Below is the Company's criteria or steps in approving future intercompany's transaction.

- Operate as normal business operation
- Approving intercompany transaction by the Board of Directors (if necessary)
- Disclose related transactions to conform with the rules and regulations of SEC and the Stock Exchange of Thailand
- Disclose the accounting standard approved by the Institute of Certified Accountants and Auditors of Thailand

#### Policies to protect investors

- The Company has clearly stated the standard for intercompany transaction in the Company's code of conduct. Any beneficiary director, representing a shareholder, will have no voting right upon that issue.
- The Company will disclose type and value of intercompany transaction attached with reasons for approving that transaction upon the annual shareholders' meeting.

# Explanation and Analysis of the Company's Financial Status and its Performance

## Performance

### The overview of past performance

The resolution from the Annual General Meeting of Shareholders on January 15, 2002, approved the change in accounting period from the fiscal year of October 1 - September 30 to the calendar year of January 1 - December 31. The change in the fiscal period will enable the Company to compare its performance with others in the same industry. As a result, the financial statement in this report is the special financial statement of the year 2001 for the 3-month period from October 1 - December 31, 2001. Since then, the Company's fiscal period will be from January 1 - December 31. During the year 2001 special (Oct. - Dec.), the Company has increased common shares for 127.5 million shares with 1 baht par value to offer to the public and the Company's employees and executives at the price of 3.50 baht and 1.87 baht respectively. The Company has been listed on the Stock Exchange of Thailand and started trading on November 14, 2001. In the year 2001 special (Oct. - Dec.), the Company had total revenue of 121 million baht, total cost of 101 million baht and net profit of 20 million baht.

### Past Performance

#### Revenue

In the year 2001 special (Oct. - Dec.), the Company has total revenue of 121 million baht. The operating revenue of 119 million baht was comprised of revenues from providing Internet access service and Internet Data Center (IDC). However, the major source of income was from providing Internet access service which amounted to 113 million baht or 93% of total revenue, of which 92 million baht was from corporate customers and another 21 million baht was from individual customers.

The revenue from Internet Data Center (IDC), which officially started its service in the year 2000, was 6 million baht in the year 2001 special (Oct. - Dec.). Besides, the Company's income from sale of equipment, interest received, and other income amounted to 0.6 million baht, 0.5 million baht, and 1.4 million baht respectively.

#### Cost

The cost of the Company was comprised of the cost of providing service, the cost of selling computer equipment and other equipment. However, the cost of providing service was the major cost as it contributed to 54 million baht or 44% of total revenue for the year 2001 special (Oct. - Dec.). The major part of the cost of providing service was comprised of the cost of international leased line which amounted to 66% of the total cost of providing service. This cost was, however, subjected to pay in foreign currency which directly brought the Company upon the exchange rate volatility. The Company, thus, has prevented and reduced the exchange rate risk through making forward contracts at appropriate times by which the cost of making forward contracts must worth the costs and expenses that will be incurred at that moment. On the other hand, the cost of selling computer equipment and other equipment amounted to only 0.5 million baht. Besides, the selling and administrative expenses in the year 2001 special (Oct. - Dec.) was 38 million baht or 31% of total revenue. The Company was responsible to pay corporate income tax for this fiscal period for 9 million baht.

### Profit

In the year 2001 special (Oct.-Dec.), the Company had gross profit margin ratio and operating profit ratio of 54% and 22% respectively. In the same period, the Company had net profit of 20 million baht or 16% of the total revenue.

## The Financial Status

### 1. Assets

#### The components of Assets

The Company's total assets as of December 31, 2001 amounted to 742 million baht, an increase of 423 million baht when compared with the total assets as of September 30, 2001. This was due to an increase in cash and bank deposits of 371 million baht, an increase in loan to employees of 21 million baht, an increase in long term investment of 10 million baht, an increase in land, building and equipment-net of 14 million baht and an increase in net account receivables - trade of 8 million baht. More than 85% of assets were current assets and 83% of these current assets were cash and bank deposits of which amounted to 524 million baht for the year 2001 special (Oct.-Dec.). Such a high level of cash and bank deposits has resulted from the share offering to the public and the Company's employees together with the Company's policy to avoid debt. As a result, these cash and bank deposits are to be used as a revolving fund and for further investment instead of using outside source of fund.

Money in transit from NSTDA was the service fee for providing Internet access service to customers that have been transferred from the National Electronics and Computer Technology Center (Internet Thailand Service Center Account) of which the service fees have been prepaid. As a result, as the Company started operation on October 1, 1997 and provided service to this transferred group of customers from Internet Thailand Service Center, that prepaid service fees which amounted to 11.41 million baht were already recorded in the financial statement of NSTDA as of December 31, 2001. However, the Company already received this service fee from NSTDA on February 18, 2002.

Long term investment of 10 million baht was paid as share price to Wethai Dot Co.,Ltd. in the form of providing service such as Co-Location service as stated in the section of investment in subsidiaries and affiliated companies.

Intangible assets mean the license fee of software for web advertising project that the Company had bought in July 2000 for 1.6 million baht.

The Company's land, building, and equipment-net as of December 31, 2001 amounted to 84 million baht, comprising of office development, durable network equipment, durable computer equipment, durable office equipment and vehicles. The Company's valuable assets were durable network equipment and durable computer equipment which were major components of the Company's Internet backbone. These 2 types of assets amounted to 70% and 12% of the Company's land, building, and equipment-net respectively.

#### Quality of assets

##### Account receivables

The Company's net account receivables-trade as of December 31, 2001 amounted to 69 million baht or 9% of total assets. The Company's trade account receivables were composed of individual and corporate trade account receivables. The corporate trade account receivables could be classified into 2 types: private corporate account receivable and public or state enterprise account receivable.

Policies in granting credits to customers could be classified into 2 types:

- Credit term for individual and private corporate account receivables were 30 days
- Credit term for public or state enterprise account receivables were 90 days

However, if the operating revenue has been annualized, the Company's average receivables collection period would increase from 38 days in year 2001 (Sept. - Oct.) to 47 days in year 2001 special (Oct.-Dec.). This was due to an increase in the corporate customer base which was mostly public and state enterprise organizations. These organizations were subjected to longer credit terms. As a result, the growth of the Company's trade account receivables was higher when compared with the growth of the Company's operating revenue and revenue from sale of equipment, which further attributed to longer days sale outstanding period.

The table below shows detail of the Company's trade account receivables as of December 31, 2001. The amount of receivables that the customers paid off within 90 days amounted to 55.41 million baht or as high as 80% of total trade account receivables which conforms with the Company's credit policy and possesses no receivables collection difficulties.

##### Trade account receivables as of December 31, 2001

Credit Term	Unit : million baht
0-30 days	20.10
31-90 days	35.31
91-180 days	5.03
181-360 days	4.59
More than 360 days	3.85
<b>Total</b>	<b>68.88</b>

The Company has set up the allowance for doubtful debt for estimated loss which should be occurred from uncollected debts for 4.97 million baht in the year 2001 special (Oct.-Dec.). As a result, the Company's trade account receivables-net totaled 64 million baht. The Company has set up the policy for doubtful debt as follows :

- Individual and private corporation trade account receivables
- Doubtful debt accounts (unsettled for 181-360 days). Set up allowance for not less than 50% of total debts of which depend upon the credit quality of debtors or expected collectible amount.
- Bad debt accounts (unsettled for more than 360 days). Set up allowance for full amount.
- Public and state enterprise trade account receivables are to be considered and seek approval to set up allowance separately for each account.

## 2. Liquidity

### Cash flow

The Company's cash flow from operating activities for the year 2001 special (Oct.-Dec.) was in deficit to the amount of 6 million baht. This was mainly due to the loan to employees of 21 million baht and the debt paid to its creditor, which resulted in the reduction of service account payable to 19 million baht.

### Liquidity

The Company was highly liquid considering from the liquidity ratio and current liquidity ratio which were at 5.68 times and 5.29 times respectively for the year 2001 special (Oct.-Dec.). This was due to the collection of share prices of the increase of its registered capital and high cash reserves according to the policy of using revolving cash as a source of investment fund. The Company's time period in paying off debt increased from 45 days in the year 2001 (Sept.-Oct.) to 62 days for the year 2001 special (Oct.-Dec.). This was due to the longer credit term that has been granted by the creditors.

The good cost and network management of the Company has resulted in an efficient use of assets as reflected in the return on asset ratio of 15% and return on fixed asset ratio of 140% for the year 2001 special (Oct.-Dec.) if the data were annualized.

## 3. Investment expenses

The Company has invested in fixed asset for 21 million baht for the year 2001 special (Oct.-Dec.) which comprised of durable network equipment for 19 million baht, durable computer equipment for 0.5 million baht, and durable office equipment for 1.5 million baht. The Company had sold out vehicles which resulted in a reduce in assets of 1 million baht. Besides, the Company has taken shares in Wethai Dot Co.,Ltd. for 10% of registered capital of 150 million baht, paid-up capital 100 million baht, as a preparation to enter into the world of Business-to-Business E-Commerce. The share price would be paid in return of the services provided to Wethai Dot Co., Ltd. such as Internet service and Co-Location service.

## 4. Source of fund

### The appropriateness of funding structure

The Company increased its shares of 127.5 million shares by offering to the public and its employees. As a result, as of December 31, 2001, the Company had a registered and paid-up capital of 250 million baht which conformed with the Cabinet's resolution on August 28, 2001. As the policy of the Company was to grow from the inside source of fund, the investment expenses of the Company were from revolving cash and retained earnings. The Company's debt to equity ratio was rather low of 0.2 times for the year 2001 special (Oct.-Dec.). The debt part consisted mostly of trade account payables.



#### **Shareholders' equity**

The Company's performance has continually been successful as proven in the resulted profit every year. Moreover, the increase in common shares of the Company's registered capital has resulted in the share premium. Therefore, the shareholders' equity part grew for 343% for the year 2001 special (Oct.-Dec.). Besides, in the year 2001 special (Oct.-Dec.), the Company had share premium from donation of 0.93 million baht comprised of durable network equipment 0.54 million baht which was donated from the NSTDA and 0.39 million baht donation from the Company's executives to subsidize the excessive part from the budget price of company's car.

#### **Liability**

The Company had total liabilities of 123 million baht for the year 2001 special (Oct.-Dec.) which comprised of current liabilities of 111 million baht, other liabilities of 8 million baht, and leasing liabilities for 3 million baht. The current liabilities was mainly composed of service account payable and payable of corporate income tax which amounted to 55% of current liabilities. The service account payable was composed of service fees payable to TOT and CAT and other companies. The Company did not have any debt to financial institutions due to the policy of avoiding debt.

#### **Risk factors which may affect the Company's future performance and financial status**

The parliament approved the "Organization of Radio Frequency Assignment and Regulations of Broadcasting and Telecommunication Services Act (A.D. 2000)" which mandated the appointment of the National Telecommunication Commission to receive transfer from CAT for all its authority related to governing the telecommunication business including the authority for approving concession and regulate the Internet industry. However, it is still uncertain when this new regulatory will be established and how the new regulation of the Internet service provider business will be, regarding the issue of granting the license, price control, and quality of service. This is because the Act just states that the National Telecommunication Commission will be responsible for issuing all the rules and regulations. The new rules and regulations may have both a positive and negative impact on the business and the Company. Therefore, the Company is currently unable to forecast or estimate the impact in terms of value.

	2001	2001	2000	1999
	(Oct.-Dec.)	(Oct.-Sept.)	(Oct.-Sept.)	(Oct.-Sept.)
<b>Liquidity Ratios</b>				
Liquidity ratio (times)	5.68	2.04	2.75	2.51
Quick liquidity ratio (times)	5.29	1.82	2.44	2.27
Cash flow liquidity ratio (times) 1/	-0.22	1.24	0.82	1.45
Account receivable turnover ratio (times) 1/	7.73	9.38	11.08	15.71
Days sale outstanding (days)	47	38	33	23
Account payable turnover ratio (times) 1/	5.85	7.96	8.11	6.14
Days payable outstanding (days)	62	45	44	59
<b>Profitability Ratios</b>				
Gross profit margin ratio (%)	54.42%	49.00%	43.62%	58.93%
Operating profit margin ratio (%)	22.36%	22.18%	22.00%	31.24%
Cash to earning capability ratio (%)	-23.02%	116.81%	75.58%	102.14%
Net profit ratio (%)	16.79%	17.07%	16.51%	24.09%
Return on equity ratio (%) 1/	19.90%	43.69%	45.31%	80.14%
<b>Efficiency Ratios 1/</b>				
Return on assets ratio (ROA)	15.37%	26.62%	24.02%	34.13%
Return on fixed assets ratio (%)	139.82%	147.01%	146.79%	184.58%
Asset turnover Ratio (times)	0.92	1.56	1.46	1.42
<b>Financial Policy Ratios</b>				
Debt to equity ratio (times)	0.20	0.60	0.71	1.16
Overall cashflow coverage ratio (Cash Basis) (times)	-0.31	0.59	1.01	7.80
Dividend ratio (%) 2/	N/A	189.00%	12.51%	12.12%
<b>Data per share 3/</b>				
Book value per share (Baht)	2.48	1.63	8.47	5.65
Net profit per share (Baht) 4/	0.11	3.70	3.20	3.30
Dividend per share (Baht) 2/	N/A	0.1171 and 6.813	0.4	0.4
<b>Growth rate</b>				
Total assets (%)	132.95%	37.75%	18.76%	69.94%
Total liabilities (%)	3.04%	24.35%	-8.27%	42.59%
Operating income (%) 1/	11.65%	35.88%	40.71%	54.81%
Selling and administrative expenses (%) 1/	13.66%	36.89%	64.83%	36.95%
Net profit (%) 1/	11.37%	43.00%	-3.06%	114.87%

Remarks : 1/ Data for the year 2001 (Oct.-Dec.) had been annualized.

2/ Calculated from the dividend paid for the year. However, in the year 2001 (Oct.-Sept.), a special dividend was paid for 68.13 baht per share for 1.6 million shares at 10 baht par value to pay for the increased in common shares of the Company in accordance with cabinet resolution on privatization of INET. The annual dividend was paid for 0.1171 baht per share for 250 million shares at 1 baht par value.

3/ Data in year 1999 and year 2000 had adjusted the value of share to 1 baht per share for comparison.

4/ Calculated from the weighted average shares outstanding and paid up during the year.



# Auditors' Report

Internet Thailand Public Company Limited

As at 30 September 2001 and 2000


## TO THE SHAREHOLDERS OF INTERNET THAILAND PUBLIC COMPANY LIMITED

The State Audit Office has audited the accompanying balance sheets of Internet Thailand Public Company Limited (the Company) as of December 31, 2001, and the related statements of income, changes in shareholder's equity, retained earnings, cash flows for the three months ended December 31, 2001. These financial statements are the responsibility of the Company's management. The State Audit Office's responsibility is to address an opinion on these financial statements contingent on our audits.

Conducted the audits in accordance with generally accepted auditing standards, the State Audit Office is required to plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also involves assessing the accounting principles used and significant estimate made by the management, as well as evaluating the overall financial statement presentation. The State Audit Office believes that the audits provide a reasonable basis for our opinion.

In our viewpoint, the financial statements referred to as of December 31, 2001 with respect to operations, changes in shareholder's equity, and cash flows for the three months ended represent fairly for financial position in accordance with the Generally Accepted Accounting Principles.

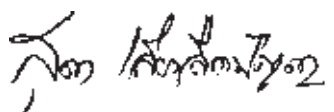
Without qualifying our opinion on the aforementioned financial statements, the State Audit Office drew attention to Note 2 in the matter that the company has changed the accounting period from the fiscal year to be the calendar year and the original period is from October 1 to December 31.



Mrs. Jaruvan Maintaka

Auditor General

The State Audit Office



Miss Suda Luengluepunya

Auditor in Charge

The State Audit Office

20 February 2002

# Balance Sheets

Internet Thailand Public Company Limited

For the three months ended 31 December 2001

	Notes	2001 Baht
ASSETS		
CURRENT ASSETS		
Cash on hand and at bank	4.1	524,361,629.39
Accounts Receivable	4.3	68,878,678.13
Less Allowance for doubtful accounts	3.3	(4,974,613.27)
Accounts Receivable - Trade net		63,904,064.86
Cash transferable from NECTEC	4.4	11,405,260.45
Loans - Employees	4.5	21,011,154.38
Other Receivables		2,012,616.63
Inventory	3.4	138,198.92
Supplies	3.5	963,249.25
Other Current Assets		8,045,566.22
Total Current Assets		631,841,740.10
Long Term Investment	3.6	10,000,000.00
Land, Building, and Equipment - Net	3.7,4.7	84,365,306.08
Intangible Assets - License fee	3.8	3,580,500.77
Other Assets	3.9	12,253,171.35
TOTAL ASSETS		<u>742,040,718.30</u>

The notes to the financial statements form an integral part of these financial statements.

## Balance Sheets (Continued)

Internet Thailand Public Company Limited

For the three months ended 31 December 2001

	Notes	2001 Baht
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Prepaid service income		7,773,291.95
Corporate Income Tax Payable		25,891,289.28
Accounts Payable - Service	4.9	35,269,356.90
Current Financial Lease Contract	4.10	2,944,548.24
Other Current Liabilities	4.11	39,267,254.81
Total Current Liabilities		<u>111,145,741.18</u>
Accounts Payable- Financial Lease	4.10	3,346,468.71
Other Liabilities		8,190,150.23
Total Liabilities		<u>122,682,360.12</u>
<b>SHAREHOLDER'S EQUITY</b>		
Share Capital	4.12	
Authorised Capital		
250,000,000 ordinary shares of Baht 1 each		<u>250,000,000.00</u>
Issued and Paid-up		
250,000,000 ordinary shares of Baht 1 each		250,000,000.00
Premium on Share		272,044,000.00
Equity from donation	4.13	929,560.84
Retained Earning		
Appropriated		
Legal Reserve	3.10	1,765,904.56
Unappropriated		94,618,892.78
Total Shareholders' Equity		<u>619,358,358.18</u>
Total Liabilities and Shareholders' Equity		<u>742,040,718.30</u>

The notes to the financial statements form an integral part of these financial statements.

# Statement of Income

Internet Thailand Public Company Limited

For the three months ended 31 December 2001

	Notes	2001 Baht
<b>REVENUE</b>		
Income - Operating	3.1	118,731,343.54
Income - Sales of Supplies	3.1	658,833.31
Interest Income	3.1	527,583.68
Other Income		1,433,808.59
Total Revenue		121,351,569.12
<b>EXPENSES</b>		
Cost of Service		53,878,684.28
Cost of Sales		535,896.47
Selling and Admin. Expense		37,618,158.10
Total Expenses		92,032,738.85
Profit (Loss) before tax		29,318,830.27
Tax	3.9	(8,947,611.10)
Net Profit (Loss)		20,371,219.17
Net Profit (Loss) per share	3.12	0.11

The notes to the financial statements form an integral part of these financial statements.

# Statement of Changes in Shareholders' Equity

Internet Thailand Public Company Limited

For the three months ended 31 December 2001

	2001
	Baht
<b>SHARE CAPITAL</b>	
ORDINARY SHARES	
Beginning balance	122,500,000.00
Addition(Deduction) during the year	127,500,000.00
Ending balance	<u>250,000,000.00</u>
<b>PREMIUM ON SHARE</b>	
PREMIUM ON ORDINARY SHARE	
Beginning balance	-
Addition(Deduction) during the year	272,044,000.00
Ending balance	<u>272,044,000.00</u>
<b>PAID-IN CAPITAL</b>	
EQUITY FROM DONATION	
Beginning balance	963,560.84
Addition(Deduction) during the year	(34,000.00)
Ending balance	<u>929,560.84</u>
<b>RETAINED EARNING</b>	
Appropriated	
Legal reserve	
Beginning balance	1,765,904.56
Addition(Deduction) during the year	-
Ending balance	<u>1,765,904.56</u>
Unappropriated	
Beginning balance	74,247,673.61
Addition(Deduction) during the year	20,371,219.17
Ending balance	<u>94,618,892.78</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><u>619,358,358.18</u></u>

The notes to the financial statements form an integral part of these financial statements.



# Statement of Retained Earnings

Internet Thailand Public Company Limited

For the three months ended 31 December 2001

	2001
	Baht
RETAINED EARNING	<u>74,247,673.61</u>
<u>Add Net profit during the year</u>	<u>20,371,219.17</u>
Total retained earning	<u><u>94,618,892.78</u></u>

The notes to the financial statements form an integral part of these financial statements.

# Statement of Cash Flows

Internet Thailand Public Company Limited

For the three months ended 31 December 2001

	2001
	Baht
<b>OPERATING CASH FLOW</b>	
Net Profit	20,371,219.17
Adjustment to reconcile net (loss) profit	
Depreciation	6,702,220.05
Bad Debt	1,821,590.18
Loss from sale of Supplies	33,576.34
Profit before changed in assets and operating liabilities	28,928,605.74
<b>Operating assets (increase) decrease</b>	
Increased in A/R Trade	(11,758,425.19)
Increase in Receivable from Employees' Loan	(21,011,154.38)
Increase (Decrease) Prepaid Income	519,400.52
Increase (Decrease) in A/P service	(19,027,596.99)
Increase (Decrease) in Corporate Income Tax Payable	8,571,821.01
Increase in Other Receivable	3,135,051.87
Increase in Supplies	(272,499.50)
Increase in Inventory	(57,471.03)
Increase in Other Current Assets	638,959.46
Increase in Bank's guarantee	(680,510.10)
Increase in current liabilities	(18,892.30)
Increase in Other Current Liabilities	4,885,972.09
<b>Net Operating Cash Flow</b>	<b>(6,146,738.80)</b>

The notes to the financial statements form an integral part of these financial statements.

# Statement of Cash Flows (Continued)

Internet Thailand Public Company Limited

For the three months ended 31 December 2001

	Notes	2001 Baht
	<hr/>	<hr/>
<b>INVESTING CASH FLOW</b>		
Asset Acquisition		(19,678,813.71)
Decrease in Intangible Assets		99,856.92
Increase in Other Assets		(3,080,476.68)
Increase in Financial Lease Contract		(547,228.06)
Net Investing Cash Flow		<hr/> (23,206,661.53) <hr/>
<b>FINANCING CASH FLOW</b>		
Cash Received from Initial Public Offering		127,500,000.00
Increase in Share Premium		272,044,000.00
Net Financing Cash Flow		<hr/> 399,544,000.00 <hr/>
<b>Net Increase (Decrease) in Cash Flow</b>		370,190,599.67
Opening Balance		149,448,063.47
Closing Balance	4.2	<hr/> <hr/> 519,638,663.14 <hr/> <hr/>
<b>Supplemental cash flows information</b>		
Cash Paid During the Period		
Corporate income tax		2,413,534.51

The notes to the financial statements form an integral part of these financial statements.

# Notes to the Financial Statements

Internet Thailand Public Company Limited

For three months ended 31 December 2001

## 1. Establishment and objective

Established by the Cabinet's Resolution on May 14, 1996 with the objective to provide commercial Internet services, the Internet Thailand Company is the joint venture of the National Science and Technology Development Agency (NSTDA), the Communications Authority of Thailand (CAT), and the Telephone Organization of Thailand (TOT), which have shareholdings of 34%, 33%, and 33% respectively. With NSTDA's investment of 5.44 million Baht and CAT's and TOT's investment of 5.28 million Baht, the company has the registered capital of Bt 16 million on 13 May 1997. The Company had to prepare for privatization and increase its capital within 2 years. On 28 August 2001, the Cabinet's Resolution regarding the privatization plan could be summarized as follows:

1. Increase the registered capital from Bt 16 million to Bt 250 million. The former shareholders restructure retained earning to capital.
2. Diversify shares of the original shareholders (NSTDA: CAT: TOT) to 17:16:16, Inet's employees 7%, general investors 44%.

The Company registered as a Public Company Limited at the Ministry of Commerce on 14 September 2001 and changed its par value of Bt 10 per share to Bt 1 per share. Its registered capital diversified from Bt 16 million to Bt 250 million and was fully paid-up on November 12, 2001. The company has been listed on the Stock Exchange of Thailand since November 14, 2001.

## 2. Change in Accounting Period

The Resolution from Board's meeting 4/2544 on November 30, 2001 approved the change in accounting period from the fiscal year to the calendar year from January 1 to December 31. To conform to the standard and be comparative with other companies in the same industry, the company received the permission to change the accounting period from the Revenue Department and the replied letter numbered "กค 0841.23 / 10993" dated on December 28, 2001. The initial change on accounting period would be from October 1, 2001 to December 31, 2001 and the next would be from January 1 to December 31 for every year thereafter starting from the year of 2002.

The financial statement for the three-month period beginning October 1, 2001 to December 31, 2001 has been called an extraordinary accounting period prior to the entering the regular accounting period. As a result, no financial comparison has been provided.

**3****Significant Accounting Policies****3.1 Revenue Recognition**

- Service revenue is recognized when the service has commenced. For Pay Per Use services, the revenue is recognized once the package has been sold.
- Sales revenue is recognized as the products have been delivered.
- Interest is recognized on timely basis, using the effective rate of return.

**3.2 Expense Recognition**

- Expense Recognition is based on an accrual basis.

**3.3 Allowances for doubtful accounts**

- The company provides allowances for doubtful accounts equal to estimated losses that may incur from the collection of the account receivables based on the evaluation of the amount of receivables at the end of the period including the collection history and the management's forecast.

**3.4 Inventory**

- Inventory evaluation is based on either capital value or net value, whichever is lower, on the FIFO basis.

**3.5 Inventory Supplies**

- Inventory supplies are evaluated on the FIFO basis.

**3.6 Long-term Investment**

- Long-term investment has been recognized based on capital value.

**3.7 Land, Building and Equipment**

- Land, Building and Equipment is presented in the capital value after deduction of accumulated depreciation on the straight-line method over the estimated useful lives of the assets in the following rate

Asset type	Annual rate (%)
Building	5
Hardware and Equipment	20
Vehicle	20

Depreciation of the assets receiving from donation used for the operation is recognized as expense. Those that were not directly used for operation will be deducted from paid-in surplus.

**3.8 Intangible Assets**

- Intangible Assets such as License fee, are based on net value with the straight line depreciation means with the rate of 10% yearly.

### **3.9 Income Tax Expense**

Income Tax Expense or Income Tax refers to income tax in that period, which is determined under the Revenue Code by calculating from the temporary differences between net asset in book value and in tax expense expected to gain benefits or to be paid in the future. The calculation is prepared in conformity with the Generally Accepted International Accounting Principles, volume 12: Income Tax Expense (amended).

### **3.10 Appropriated for legal reserve**

The company is required to appropriate at 5% of its income at each dividend declaration. This requirement shall cease to be compulsory when the reserve equals 10 % of the authorized capital.

### **3.11 Provident Fund**

To follow the Board of Director's Resolution No. 8/2001 dated May,16 2001, the Company was required to found the Provident Fund for its employees, which was registered with the Registered Provident Fund under the operation of the Thai Farmer Bank on September 17, 2001. Membership of the fund is for employees who have passed probation before August 31, 2001. Those employees have an option to make a monthly contribution to the fund at the rate of 3%, 5%, or 10% of their basic salaries and the Company, whereby the company will make a monthly contribution at the rate of 10%. The Provident Fund was not included in the Balance Sheets.

### **3.12 Earning (Loss) per Share**

Earning (Loss) per Share is determined by dividing the net income by the weighted average number of shares that were paid in during 3 months period ended 31 December 2001.

### **3.13 Cash and Cash Equivalent**

Cash and Cash Equivalent in statement of cash flows include cash on hand and bank deposits with the maturities not more than three months.

### **3.14 Financial Instruments**

Assets and liability of the company dated in balance sheet refers to financial leases that require complying with contractual arrangement. The company managed risks causes from exchange rate through financial instruments, for instance, Forward Exchange contract made to prevent the risk in fluctuations of foreign exchange rate. The forward contract made up by determining the exchange rate, which will earn from or compensate on asset or liability depending on contractual arrangement of foreign currency noted in balance sheet on the day contract is made. Discount or fee derived from making contract will be considered as income or expense according to the contract.

## 4. Additional Information

### 4.1 Cash on hand and bank deposits

	Unit: Bt Million
Cash	0.15
Bank deposits-current account	2.63
saving account	297.79
fixed account	219.10
Outstanding	4.69
<b>Total</b>	<b>524.36</b>

Current Accounts dated December 31, 2001 was used for supporting the Lease contract of Internet Service in the amount of 1.72 million baht. It was also used as assurance of FORWARD CONTRACT (SOLD) in the amount of 3.00 million baht including the deposits on contractual arrangement in the amount of 4.72 million baht.

### 4.2 Cash and Cash Equivalents

	Unit: Bt. Million
Cash and Cash Equivalents in the balance sheet	524.36
Less Deposits on Bank in 3 months	4.72
Cash and cash Equivalents in the cash flow statement	519.64

### 4.3 Accounts Receivable-Net

	Unit: Bt. Million
Accounts receivable	68.87
Less Allowance for Doubtful Accounts	4.97
Accounts receivable-Net	63.90

### 4.4 Receivables transferable from NSTDA

Income transferring from NSTDA is the amount of money receiving from the income service giving to previous members of National Science and Technology Development Agency. The total amount dated on 31 December 2001 is 11.41 million baht, which requires transferring to the company in the future.

### 4.5 Accounts Receivable and Loans to employees

Accounts Receivable and Loans to employees is the amount of money provided for the employees as welfare loans to buy Company's stocks. The Borrowers were required to sign contracts according to the Company's regulations on loan by paying interest rate of 5% of the loans. The Company will deduct the payment from each borrowers' salary every month. The borrowers have to repay 25% of the amount of money loaned every 6 months.

#### 4.6 Related Transactions

Related transactions among CAT, TOT and NSTDA for the 3 months period ended 31 December 2001 can be summarized as follows:

##### 4.6.1 Company Service Transactions

	Unit: Bt Million
Service taken	38.48
Service Given	11.63

##### 4.6.2 Company Debt Transaction

	Unit: Bt Million
Debtor	10.52
Creditor	21.66

Related Transactions' Policy is determined to use the normal cost of other businesses. Service taken will be in accordance with the cost of each agency.

#### 4.7 Land, Building and Equipment-Net

	Unit: Bt Million					
	Building	Network Improvement	Computer Equipment	Office	Vehicle Supply	TOTAL
<b>COST</b>						
1 October 2001	2.45	74.74	20.20	13.70	5.59	116.68
Increase	0.07	18.61	0.53	1.54	-	20.75
Decrease	-	-	-	-	(0.88)	(0.88)
31 December 2001	2.52	93.35	20.73	15.24	4.71	136.55
<b>ACC. DEPRECIATION</b>						
1 October 2001	1.33	29.93	9.60	3.94	1.37	46.17
Decrease	-	-	-	-	(0.69)	(0.69)
Depreciation						
In 3 months period	0.23	4.44	1.04	0.74	0.25	6.70
	1.56	34.37	10.64	4.68	0.93	52.18
Net Value on						
31 December 2001	0.96	58.98	10.09	10.56	3.78	84.37



Depreciation in 3 months period ended 31 December 2001 totalling 6.70 million baht includes the services cost of 4.44 million baht. Asset based on financial lease contract includes network equipment 6.31 million baht, vehicle 4.71 million baht.

	Unit: million Baht
Network Equipment	6.31
Vehicle	4.71
Total	11.02
Less Accumulated Depreciation	
- Network Equipment	0.37
- Vehicles	0.93
Book value	9.72

#### 4.8 Other Assets

	Unit: million Baht
Bank deposit	6.77
Prepaid Internet Phone fee	2.44
Income tax	3.04
Total	12.25

#### 4.9 Creditor of Service Cost

Cost of service totaled 35.27 million baht, mostly paid to the Telephone Organization of Thailand, 3.91 million baht, to CAT 17.74 million baht, other companies 13.62 million baht.

#### 4.10 Payables on Financial Contract

	Unit : million Baht
Accounts receivable based on financial lease contracts, which are more than 1 year but not over 5 years	3.98
Future financial expense	(0.63)
Present value of accounts receivable based on financial lease contract	3.35
Present value of accounts receivable based on financial lease contract	
Current liabilities (not over 1 year)	2.94
Long-term liabilities (over 1 year but not over 5 year)	3.35
TOTAL	6.29

#### 4.11 Other Current Assets

	Unit: Million Baht
Accrued Expense	12.04
Accrued Bonus of board and employees	13.65
Accrued pension	4.38
Income Tax	0.34
Value Added Tax	0.50
Other Payables	8.36
Total	39.27

Accrued pension of 4.38 million baht is the amount of money employees had chosen to obtain, since the company has listed as a Public Company Limited. According to Board's Resolution No. 8/2001 dated 16 August 2001, employees have options to follow the rule of company regarding pension or to apply for the Provident Fund based on the length of employment and transfer the money to the fund later on.

#### 4.12 Capital Stock

On December 13, 2001, the company has 250 million registered and paid-in shares at the par value of 1 baht totaling 250 million baht. Of the total shares, there are 122.5 registered and paid-in shares at the par value of 1 baht totaling 122.50 million baht. Between 2-7 November 2001, the Company offered shares to employees in the amount of 17.5 million shares at the par value of 1.87 baht, equivalent to 32.73 million baht, and to the general public in the amount of 110 million shares, at the par value of 3.50 baht, equivalent to 385 million baht, totaling 250 million baht of the paid-in capital. Equity from remaining share value after deducting expenses of the operation totaled 272.04 million baht.

#### 4.13 Equity from donation

Equity from donation amounting to 0.93 million baht was the portion that the Company transferred network equipment from National Sciences Technology Development Agency, which was recorded in Landed, Plant and Equipment, as for the additional information in 4.7, at the amount of 0.54 million baht and the donation for vehicle purchasing totaling 0.39 million baht.

## General Information

**Registered Office** : Internet Thailand Public Company Limited  
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Rangnam Road, Khwaeng Thanon Phayathai, Rajdhevee, Bangkok 10400  
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Fax : 02-640-0456/7  
home page : www.inet.co.th

**Business** : Internet Service and e-Business Infrastructure Provider

**ISIN No.** : Bor Mor Jor 670

**No. of Paid-up Ordinary Share**: As of December 31, 2001 250 million share  
Par Value is at Bt 1 per share

**Associated Company** : Wethai Dot Company Limited  
Bangna Complex Tower B, 22<sup>th</sup> Floor,  
947/121 Bangna Trad Road Km. 3, Bangkok 10260

### References

(A) **Registrar** : Thailand Securities Depository Center Company Limited  
The Stock Exchange of Thailand Tower 4<sup>th</sup>, 6<sup>th</sup>-7<sup>th</sup> Floor,  
62 Ratchadaphisek Road, Khwaeng Klongtoey, Klongtoey, Bangkok 10110  
Phone : 0-2359-1200  
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(B) **Auditor** : The State Audit Office  
Pharam 6 Road, Bangkok 10400  
Phone : 0-2618-5807  
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