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If you have sold or transferred all your shares in SiS International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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SiS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

**POSSIBLE VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE PRE-CONDITIONAL VOLUNTARY GENERAL OFFER
TO ACQUIRE THE OFFER SHARES OF
THE TARGET COMPANY BY THE OFFEROR**

A notice convening the SGM of SiS International Holdings Limited to be held at Kellett Room IV, 3/F The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on 31 October 2017 (Tuesday) at 3:00 p.m. is set out on pages 287 and 288 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* *For identification purposes only*

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
APPENDIX I — FINANCIAL INFORMATION OF THE TARGET GROUP ...	23
• HISTORICAL TRACK RECORD PERIOD ACCOUNTS	23
• MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP	211
• DIFFERENCES BETWEEN THE ACCOUNTING POLICIES ADOPTED BY THE COMPANY AND SIS THAI	233
• SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET GROUP	259
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	260
APPENDIX III — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	265
APPENDIX IV — GENERAL INFORMATION	277
NOTICE OF THE SPECIAL GENERAL MEETING	287

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Offer Share(s) by the Offeror from certain Target Company Shareholder(s) under the Offer
“acting in concert”	has the meaning ascribed to it in the Thailand’s Rules on Business Takeovers
“Announcement”	the announcement of the Company dated 13 September 2017 in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Baht”	Thai Baht, the lawful currency of Thailand
“Board”	the board of Directors
“business day(s)”	any day other than Saturday, Sunday, SET holidays, Thailand SEC holidays, or public holidays of Thailand
“Closing Date”	the closing date of the Offer
“CMSB Notification”	the Notification of the Capital Market Supervisory Board No. ThorJor. 12/2554 Re: Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeovers
“Company”	SiS International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 00529)
“connected person”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Dissenting Target Company Shareholder(s)”	the Target Company Shareholders who do not accept the Offer
“Enlarged Group”	the Group as enlarged by Target Group upon completion of the Acquisition
“FBA”	The Foreign Business Act B.E. 2542 (A.D. 1999), as amended from time to time

DEFINITIONS

“Formal Offer Announcement”	an announcement on the Offeror’s firm intention to make the Offer
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party”	a person independent of the Company and its connected persons (as defined in the Hong Kong Listing Rules)
“Intention Letter”	the intention letter sent by the Offeror to the Target Company on 13 September 2017 (after the trading hours of the Hong Kong Stock Exchange) in relation to the Offer
“IT”	Information Technology
“Last Trading Date”	means 13 September 2017, being the last trading day prior to the publication of the Pre-Conditional Offer Announcement
“Latest Practicable Date”	11 October 2017, being the latest date prior to the printing of this circular for ascertaining certain information contained herein
“Long-Stop Date”	the date falling approximately 7 weeks after the date of the Pre-Conditional Offer Announcement, being 1 November 2017, or such other date as the Offeror and the Target Company may determine in consultation with the Thailand SEC
“Material Adverse Effect”	in relation to the Target Company, (a) any event, occurrence, fact, condition or change that is, or would reasonably be expected to become, individually or in the aggregate, materially adverse to the business, results of operations, financial condition or assets of the Target Company provided that such event or act is not caused by the Group, or (b) any event or occurrence, including, among others, any act performed by the Target Company, that results or is likely to result in a substantial reduction in the market price of the Target Shares as quoted on the SET

DEFINITIONS

“Minority Ordinary Shareholders”	<p>meaning ordinary shareholders who are not Persons Taking Part in the Management. Under Thailand law, “Persons Taking Part in the Management” means person who has controlling power, and shall mean to include shareholders who are:</p> <ol style="list-style-type: none">(1) directors, managers or the first four persons in the management level next below the manager, all persons who hold positions equivalent to the fourth person in the management level of the company, including related persons and persons related by blood, marriage or registration under laws of the said persons, which are father, mother, spouse and children; or(2) shareholders holding shares in excess of 5% of the paid-up capital, which shall be inclusive of the shares held by related persons, unless such shareholders are securities companies, life-insurance companies, insurance companies, mutual funds, provident funds, social security funds, pension funds, or investment projects approved under Thailand law
“Offer”	<p>a pre-conditional voluntary general offer to be made, subject to the fulfilment or waiver by the Offeror (as applicable) of the Pre-Conditions, by the Offeror to acquire all of the Offer Shares</p>
“Offer Document”	<p>the formal offer document setting out the definitive terms and conditions of the Offer</p>
“Offer Period”	<p>the period during which the Offer will remain open</p>
“Offer Price”	<p>the final offer price per Offer Share</p>
“Offer Share(s)”	<p>184,095,498 shares, being all the issued and fully paid-up Target Shares other than those already owned and controlled by the Group, Mr. Lim Kia Hong and Mr. Lim Hwee Hai, together representing approximately 52.57% of the Target Shares as at Latest Practicable Date</p>
“Offeror”	<p>Thai Alliance Co Ltd., a company incorporated in Thailand with limited liability which was incorporated on 10 August 2017 and is directly held as to approximately 48.996% by Thai Investment, 0.004% by the Registered Shareholders, and 51% by Thai Hero Co., Ltd.</p>

DEFINITIONS

“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
“Pre-Conditional Offer Announcement”	the pre-conditional offer announcement made by the Target Company in relation to the Offer on 13 September 2017, subject to the fulfilment (or waiver, if applicable) of the Pre-Conditions (a copy of which is available on the website of the SET (https://www.set.or.th))
“Pre-Condition(s)”	the pre-conditions to the making of the Offer, as set out under the section headed “Pre-Conditions to the Offer” of this circular
“Registered Shareholders”	Mr. Lim Kia Hong and Mr. Lim Hwee Hai who each holds 0.017%, 0.011%, 0.007%, 0.004% and 0.002% interests for and on behalf of Thai Investment in Thai Success Co., Ltd., Thai Prosperity Co., Ltd., Thai Joyful Co., Ltd., Thai Hero Co., Ltd. and the Offeror, respectively
“Requirement of Minority Ordinary Shareholders”	has the meaning ascribed to it in the section headed “Listing Status of the Target Company” of this circular
“Restricted Jurisdiction”	has the meaning ascribed to it in the section headed “General” of this circular
“SEA”	the Securities and Exchange Act B.E. 2535 (A.D. 1998), as amended from time to time
“SET”	The Stock Exchange of Thailand
“SET Regulation on Listing Status”	Regulation of the SET Re: Listing of Ordinary Shares or Preferred Shares as Listed Securities B.E. 2558 (2015), Chapter 6 — Maintaining the Status of Listed Companies on the Exchange
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company (or any adjournment thereof) to be convened for the purpose of considering, and if thought fit, approving the Acquisition and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of issued Share(s)

DEFINITIONS

“Target Company”	SiS Distribution (Thailand) Public Company Limited, a company incorporated in Thailand, the shares of which are listed on the SET
“Target Company Shareholder(s)”	holder(s) of issued Target Share(s)
“Target Group”	the Target Company and its subsidiaries
“Target Share(s)”	ordinary share(s) in the capital of the Target Company. As at the Latest Practicable Date, the Target Company has 350,198,655 issued and paid-up shares
“Thai Holding Companies”	being Thai Success Co., Ltd., Thai Prosperity Co., Ltd., Thai Joyful Co., Ltd. and Thai Hero Co., Ltd.. which were incorporated in Thailand on 10 August 2017 as limited liability companies whose principal businesses are investment holding
“Thai Investment”	Thai Investment Holdings Pte. Ltd., a company incorporated in Singapore with limited liability and is an indirectly wholly owned subsidiary of the Company, with the principal activity of investment holding
“Thailand’s Rules on Business Takeovers”	the SEA and the CMSB Notification
“Thailand SEC”	the Securities and Exchange Commission of Thailand
“%”	per cent.

Unless otherwise stated, the exchange rates adopted in this circular for illustration purposes only is HK\$1 to Baht4.35.

LETTER FROM THE BOARD



SIS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

Executive Directors:

Mr. Lim Kia Hong
Mr. Lim Kiah Meng
Mr. Lim Hwee Hai
Madam Lim Hwee Noi

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Independent Non-executive Directors:

Mr. Lee Hiok Chuan
Ms. Ong Wui Leng
Mr. Ma Shiu Sun, Michael

*Principal place of business
in Hong Kong:*

803 Nine Queen's Road Central
Hong Kong

16 October 2017

To the Shareholders

Dear Sir or Madam,

**POSSIBLE VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE PRE-CONDITIONAL VOLUNTARY GENERAL OFFER
TO ACQUIRE THE OFFER SHARES OF
THE TARGET COMPANY BY THE OFFEROR**

INTRODUCTION

Reference is made to the Announcement.

The purposes of this circular are to provide you with: (i) further information regarding the Acquisition; (ii) the financial information of the Target Group; (iii) the financial information of the Group; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) the management discussion and analysis of the Group and the Target Group, respectively.

* For identification purposes only

LETTER FROM THE BOARD

THE POSSIBLE OFFER

The Offeror, on 13 September 2017, sent the Intention Letter to the board of directors of the Target Company, pursuant to which the Offeror will make a pre-conditional voluntary general offer for all the Offer Shares from the Target Company Shareholders in accordance with the Thailand's Rules on Business Takeovers, subject to the fulfilment (or waiver, as applicable) of the Pre-Conditions. The Offer is on the following basis:

For each Offer Share Baht7.00 in cash

As at the Latest Practicable Date, the Offeror does not own or control, directly or indirectly, any Target Shares.

The Pre-Conditional Offer Announcement setting out the terms and conditions of the Offer (the key terms and conditions of which have been described in this circular) and such other information as required under applicable Thailand laws and Thailand's Rules on Business Takeovers, is available on the website of the SET (<https://www.set.or.th>).

A. Pre-Conditions to the Offer

The making of the Offer and the posting of the Offer Document are subject to the fulfillment (or waiver, as applicable) of the following Pre-Conditions on or before the Long-Stop Date:

- (a) the Shareholders having approved the Acquisition at a general meeting of the Company pursuant to the requirements of the Hong Kong Listing Rules; and
- (b) there being no Material Adverse Effect on the Target Company from the date of the Pre-Conditional Offer Announcement up to the Long-Stop Date.

The Pre-Condition (a) above cannot be waived by the Offeror whereas the Pre-Condition (b) above can be waived by the Offeror. If and when all the Pre-Conditions have been fulfilled or waived by the Offeror (as applicable), the Offeror will make the Formal Offer Announcement within one business day after such Pre-Conditions are fulfilled or waived (as applicable). The Offer Document and the appropriate form(s) of acceptance for the Offer will be despatched to the Target Company Shareholders not later than seven business days from the date of the Formal Offer Announcement, or such other date permitted under the Thailand's Rules on Business Takeovers. The Offer will be made for all the Offer Shares subject to the terms and conditions to be set out in the Offer Document to be issued by the Offeror to the Target Company Shareholders in connection with the Offer. In the case of non-satisfaction of the Pre-Conditions or upon the expiration of one year from the date of the Announcement, the Offeror shall submit a statement declining to make the Offer to the Thailand SEC within three business days from the date of non-satisfaction of such Pre-Conditions or the last day of such one year period, whichever comes earlier.

If any of the Pre-Conditions are not fulfilled or waived by the Offeror (as applicable) on or before the Long-Stop Date, the Offer will not be made and the Company will issue an announcement confirming that fact as soon as reasonably practicable.

LETTER FROM THE BOARD

B. Offer Price

The Offer Price shall be Baht7.00 (subject to up to 10% adjustments based on the market conditions in Thailand) and will be satisfied in cash. Such 10% adjustments (if applicable) will be made prior to the making of the Offer and the posting of the Offer Document. If any adjustment is made to the Offer Price, the Company will issue an announcement confirming the final Offer Price as soon as reasonably practicable.

The Offer, based on the Offer Price of Baht7.00 (which is subject to adjustments) and the 184,095,498 Offer Shares, is valued at Baht1,288,668,486 (equivalent to approximately HK\$296,245,629). The total value of the Offer will be up to Baht1,417,535,335 (equivalent to approximately HK\$325,870,192), assuming an upward adjustment of 10% of the Offer Price is made.

Settlement of the Offer will be made in cash by way of either cheque or money transfer to the tender offeree on the third business day following the last day of the Offer Period upon valid acceptance of the Offer.

In determining the Offer Price, the Board has made reference to several valuation methodologies that are customary to a transaction of this nature, including the use of dividend discount model, market multiples analysis, and volume weighted average price and considered (i) the stable financial and business performance of the Target Company over the past three years, which is expected to continue to grow steadily in the foreseeable future, (ii) the well-established corporate governance of the Target Company, (iii) the historical share prices of the Target Company with the price range of Baht6.96 to Baht8.12 over the past year before the Last Trading Date, with references to the valuation methodology of volume weighted average price model provided by the Company's financial adviser in Thailand, and (iv) the closing price of Baht7.85 as quoted on the SET on the Last Trading Date.

The Offer Price of Baht7.00 represents:

- (a) a discount of approximately 10.83% over the closing price of Baht7.85 per Target Share as quoted on the SET on the Last Trading Date;
- (b) a discount of approximately 11.95% over the average closing price of Baht7.95 per Target Share, being the average closing price of Target Shares as quoted on the SET for the 5 trading days immediately prior to the Last Trading Date;
- (c) a discount of approximately 7.89% over the average closing price of Baht7.60 per Target Share, being the average closing price of Target Shares as quoted on SET for the 30 trading days immediately prior to the Last Trading Date; and
- (d) a discount of approximately 5.66% over the average closing price of Baht7.42 per Target Share, being the average closing price of Target Shares as quoted on SET for the 60 trading days immediately prior to the Last Trading Date.

If any dividend, right or other distribution or return of capital is announced, declared, paid or made by the Target Company on or after the date of the Pre-Conditional Offer Announcement, the Offeror reserves the right to reduce the Offer Price payable to the accepting Target Company Shareholder(s) by an amount equivalent to such dividend, right, other distribution or return of capital.

LETTER FROM THE BOARD

C. Minimum Acceptance Condition

The Offer (if and when made) will be conditional upon the Offeror receiving valid acceptances in respect of such number of Offer Shares which, when taken together with the shares already owned and controlled by the Group, will result in the Offeror and the Group carrying more than 51% of the voting rights attributable to the Target Shares, by the Closing Date. In the case that this minimum acceptance condition is not met, the Offeror is entitled to withdraw the Offer. However, since each of Mr. Somchai Sittichaisrichart and Mr. Sombuti Pungsrinont, who are directors of the Target Company, has given written irrevocable and unconditional undertakings to the Offeror that each of them will accept the Offer in respect of approximately 2.70% and 3.02% respectively of the Target Shares as at the Latest Practicable Date, the Offeror and the Group are expected to be able to acquire more than 51% of the voting rights attributable to the Target Shares by the Closing Date. Upon the completion of the Offer, the Target Company will become an indirectly non-wholly owned subsidiary of the Company.

D. Undertakings

As at the Latest Practicable Date, the Company, through its indirect wholly owned subsidiary, SiS Technologies (Thailand) Pte. Ltd., holds approximately 47.29% of the Target Shares. In addition, each of Mr. Lim Kia Hong and Mr. Lim Hwee Hai holds approximately 0.07% and 0.07% of the Target Shares, respectively. Each of SiS Technologies (Thailand) Pte. Ltd., Mr. Lim Kia Hong and Mr. Lim Hwee Hai have given written irrevocable and unconditional undertakings pursuant to the letters of undertakings dated 10 October 2017, respectively, to the Offeror that, among other things, they:

- (a) shall not accept the Offer in respect of their respective Target Shares; and
- (b) shall not sell, transfer, assign or dispose of their respective Target Shares to any third party or purchase or trade any Target Shares or related derivative securities or agree to do any of the foregoing, provided that nothing herein shall prohibit or preclude each of them from granting a security interest over all or any part of their respective Target Shares or the enforcement of any such security interest by the relevant beneficiary thereof in accordance with its terms.

In addition, Mr. Somchai Sittichaisrichart and Mr. Sombuti Pungsrinont, who are directors of the Target Company, hold approximately 2.70% and 3.02% respectively of the Target Shares as at the Latest Practicable Date. Each of Mr. Somchai Sittichaisrichart and Mr. Sombuti Pungsrinont has given written irrevocable and unconditional undertakings pursuant to the letters of undertakings dated 10 October 2017, respectively, to the Offeror that, among other things, they:

- (a) shall accept the Offer in respect of 2.70% and 3.02% respectively of the Target Shares in accordance with the terms of the Offer and not withdraw such acceptance of the Offer tendered in respect of any of their undertaken Target Shares; and

LETTER FROM THE BOARD

- (b) shall not directly or indirectly (i) sell, transfer, assign, charge, pledge, grant any option or otherwise dispose of their Target Shares or any beneficial interest therein to any third party, (ii) purchase or trade any Target Shares or related derivative securities or agree to do any of the foregoing, except as contemplated under their undertakings or as otherwise agreed in writing by the Offeror.

LISTING STATUS OF THE TARGET COMPANY

Pursuant to the SET Regulation on Listing Status, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer, in order to maintain the qualification of being a listed company on the SET, the number of Minority Ordinary Shareholders of the Target Company shall be not less than 150 and such shareholders shall hold shares in aggregate of not less than 15% of the paid-up capital of the Target Company (the “**Requirement of Minority Ordinary Shareholders**”). In the case that the Requirement of Minority Ordinary Shareholders is not met, the SET shall be notified of such event in writing and the Target Company shall proceed with the distribution of shareholdings to meet the Requirement of Minority Ordinary Shareholders within one year from the end of the period for submitting the share distribution report specified by the SET. In the case that the Target Company is unable to distribute its shareholdings to meet the Requirement of Minority Ordinary Shareholders within that one year period, the SET shall generally announce that the Target Company is unable to distribute shareholdings to meet the Requirement of Minority Ordinary Shareholders. The Target Company shall pay additional annual fee apart from the annual fee to be normally paid by the Target Company and report the progress of the distribution of shareholders in accordance with the guideline stipulated by the SET.

THE OFFEROR’S INTENTIONS

Upon the completion of the Offer, the Company has no plan to liquidate the Target Company’s core assets, or change the nature of the Target Company’s business, or capital structure. In addition, the Company intends to maintain the listing status of the Target Company on the SET and fulfill the Requirement of Minority Ordinary Shareholders upon the completion of the Offer.

INFORMATION ON THE COMPANY

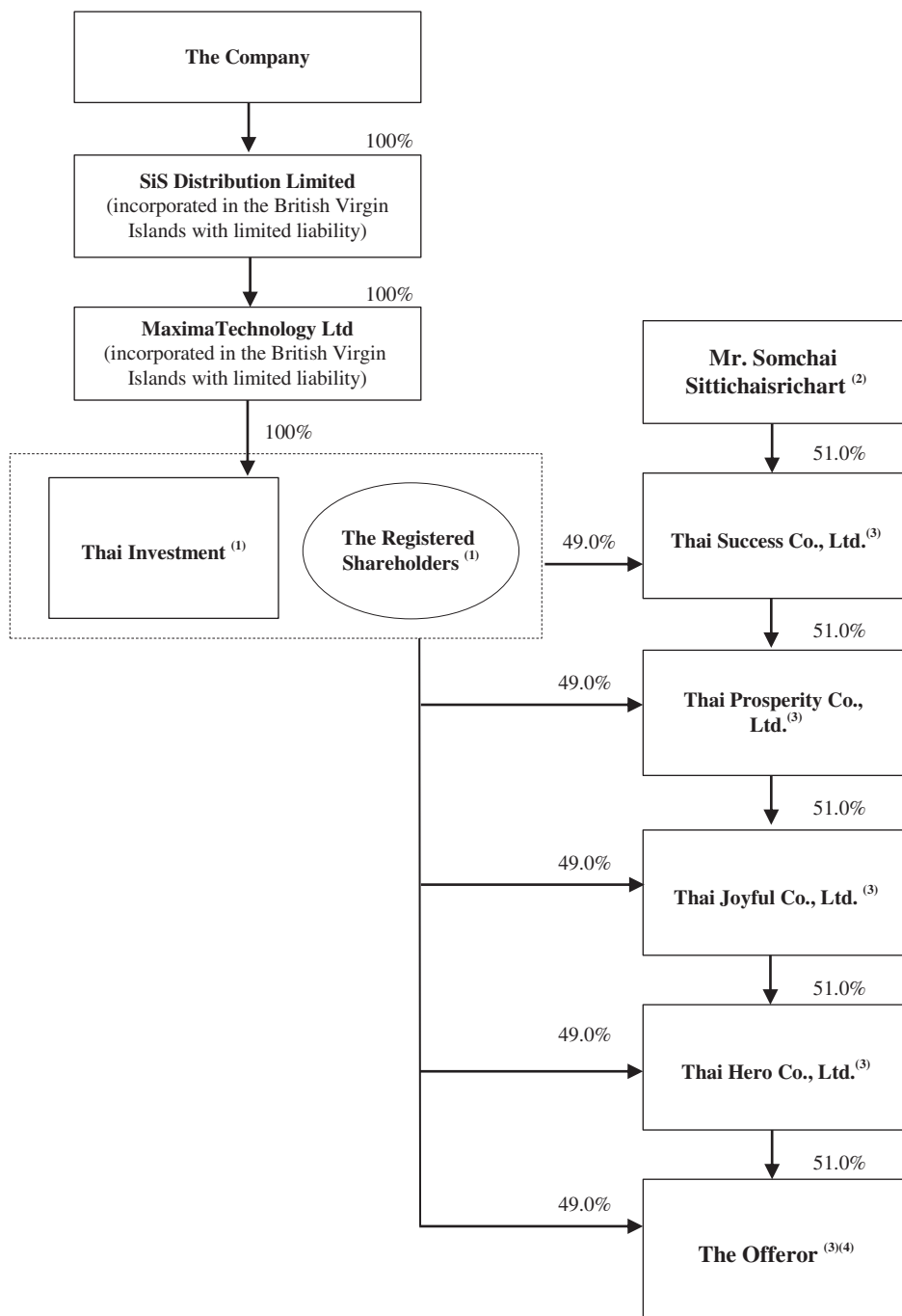
The principal activity of the Company is investment holding. The Group is principally engaged in real estate investments business, distribution of mobile and IT products and investments in IT, securities and other businesses.

INFORMATION ON THE OFFEROR

The principal activity of the Offeror is investment holding. The Offeror is a company incorporated in Thailand and is directly held as to approximately 48.996% by Thai Investment (a wholly-owned subsidiary of the Company), 0.004% by the Registered Shareholders, and 51% by Thai Hero Co., Ltd.. Both the Company and Mr. Somchai Sittichaisrichart are the ultimate beneficial owners of the Offeror.

LETTER FROM THE BOARD

Set out below is the current shareholding structure of the Offeror as at the Latest Practicable Date:



LETTER FROM THE BOARD

Notes:

- (1) Thai Investment holds 48.966%, 48.978%, 48.986%, 48.992% and 48.996% interests in Thai Success Co., Ltd., Thai Prosperity Co., Ltd., Thai Joyful Co., Ltd., Thai Hero Co., Ltd. and the Offeror. Each of the Registered Shareholders holds 0.017%, 0.011%, 0.007%, 0.004% and 0.002% interests for and on behalf of Thai Investment in Thai Success Co., Ltd., Thai Prosperity Co., Ltd., Thai Joyful Co., Ltd., Thai Hero Co., Ltd. and the Offeror, pursuant to the declarations of trust dated 19 July, 20 July, 21 July, 24 July and 25 July 2017, respectively. Also, Thai Investment obtained an undertaking from each of the Registered Shareholders under these declarations of trust that they would vote in the same way as Thai Investment on all the resolutions to be proposed at the shareholders' meeting of each of the Thai Holding Companies and the Offeror. Thai Investment together with the Registered Shareholders hold 49% interests in each of the Thai Holding Companies and the Offeror.
- (2) None of Mr. Somchai Sittichaisrichart or any of his associates is a connected person by virtue of Rule 14A.09 of the Hong Kong Listing Rules.
- (3) For each of the Thai Holding Companies and the Offeror, the board of directors are the two Registered Shareholders and Madam Lim Hwee Noi, who together represent the Company, and Mr. Somchai Sittichaisrichart.
- (4) Under this shareholding structure, the Company (through Thai Investment), together with the Registered Shareholders, will obtain an effective equity interest of 96.55% in the Offeror, which is calculated as $49\% + (49\% * 51\%) + (49\% * 51\% * 51\%) + (49\% * 51\% * 51\% * 51\%) + (49\% * 51\% * 51\% * 51\% * 51\%)$. Mr. Somchai Sittichaisrichart will obtain an effective equity interest of 3.45% in the Offeror, which is calculated as $51\% * 51\% * 51\% * 51\%$.

As advised by the Company's legal counsel in Thailand, (a) the Offer and the shareholding structure of the Offeror complies with the Thailand's Rules on Business Takeovers and the relevant laws and regulations in Thailand, and (b) the Target Company will comply with the relevant listing rules in Thailand upon completion of the Acquisition.

The FBA imposes limitations on the types of business enterprises a foreign person can operate in Thailand. A "foreign corporation" is an incorporated limited company, where at least 50% of its capital is owned by non-Thai nationals or non-Thai corporations. If a foreigner owns a 50% stake or more in the entity in Thailand, such entity will be restricted under the FBA from engaging in certain business activities, such as wholesale/retail, broker/agent, and any type of service activities, including giving advice, training, installation, repair, and maintenance. As advised by the Company's legal counsel in Thailand, since each of the Thai Holding Companies and the Offeror is held as to 49% by Thai Investment together with the Registered Shareholders and is regarded as a Thai company under the FBA, and Mr. Somchai Sittichaisrichart is Thai national, each of the Thai Holding Companies and the Offeror shall not be restricted from engaging in businesses in Thailand under the FBA.

Under Thailand law, a simple majority number of shareholders of a limited company can control the company by exercising their voting rights at shareholders' meeting by a show of hands and can appoint or remove a director at such shareholders' meeting. There is no requirement for shareholders to vote by poll at shareholders' meeting of a limited company under the relevant laws and regulations (including listing rules) in Thailand. However, a company can opt for voting by poll in its articles under Thailand law.

LETTER FROM THE BOARD

According to the articles of each of the Thai Holding Companies and the Offeror, every shareholder shall vote by a show of hands at the respective shareholders' meeting. As illustrated in the shareholding structure above, the Company, through Thai Investment, together with the two Registered Shareholders already represent the majority number of the shareholders of each of the Thai Holding Companies and the Offeror. Given that (a) Thai Investment obtained an undertaking from each of the Registered Shareholders that they would vote in the same way as Thai Investment on all the resolutions to be proposed at the shareholders' meeting of each of the Thai Holding Companies and the Offeror, and (b) a transfer, sale, pledge, or disposal of the shares or placement of the shares as a guarantee, or creating any encumbrance over the shares by other means shall be made only with prior approval from the board of directors according to these respective articles, the Company (as an ultimate shareholder of Thai Investment) has control over each of the Thai Holding Companies and the Offeror.

According to the articles of the Target Company, every Target Company Shareholder shall have one vote for each share of the Target Company at the shareholders' meeting. Since the Company, together with the Offeror, will obtain more than 51% of the voting rights attributable to the Target Shares upon completion of the Acquisition, the Company will have control over the Target Company after the Acquisition.

Under Thailand law, additions to or alterations of the articles of a limited company can only be adopted by passing a special resolution with votes of not less than 75% of total number of votes of shareholders who attend the shareholders' meeting and have the right to vote, either by a show of hands or by poll in accordance with the articles of the limited company. Since (a) the Company, through Thai Investment, together with the two Registered Shareholders already represent the majority number of the shareholders of each of the Thai Holding Companies and the Offeror, and (b) the Company, together with the Offeror, will obtain more than 51% of the voting rights attributable to the Target Shares upon completion of the Acquisition, it is not expected that the articles of each of the Thai Holding Companies, the Offeror and the Target Company will be amended or altered upon completion of the Acquisition without the approval of the Company or the Offeror.

RISKS RELATING TO DOING BUSINESS IN THAILAND

As advised by the Company's legal counsel in Thailand, foreign investors are subject to restrictions on foreign ownership in Thailand. The regulatory authorities in Thailand may re-evaluate or amend the relevant laws and regulations or policies, and any adverse changes in the laws and regulations or policies, including their application or interpretation, could require the Company to remove or amend its shareholding structure of the Target Group or reduce the Company's voting or economic interests in any existing or future subsidiaries and associates in Thailand. Any such removal, amendment or reduction could affect the Company's ability to successfully implement its business strategies and operation in Thailand. If foreign ownership restrictions are determined to have been violated, monetary and criminal penalties could be imposed and relevant licences or agreements could be cancelled or voided. Any of these events could materially and adversely affect the Company's business, financial condition and results

LETTER FROM THE BOARD

of operations. The Board has taken into account of the above risks in respect of the Acquisition and worked with the Company's legal counsel in Thailand in formulating the shareholding structure of the Offeror in order to minimize such risks.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Thailand whose shares have been quoted and traded on the SET since 21 June 2004. The principal business of the Target Company is the distribution of IT products (such as computer, software, computer components, peripheral, office automation equipment and smartphone) in Thailand.

The Target Company operates in IT distribution which purchases products and services from approximately 70 suppliers and distributes to various channel. In 2016, the Target Company distributed products and services to approximately 4,600 dealers and retailers which re-sell to end users, corporate as well as government sector. Majority of products is the IT products which cover all product categories, ranging from products that are used in households such as computers, printers, smartphones and tablets to the products that are used in corporations such as server computers, network, data storage, software and other peripheral equipment.

According to the annual report of the Target Company for the year ended 31 December 2016, the Target Group has four reportable segments:

- (1) **Commercial products.** These are IT products which are used in business. The distribution channel are corporate reseller and system integrators. Major product categories include personal computer/server, storage, network and printer.
- (2) **Consumer products.** These are IT products which are used in small enterprises and households. The main distribution channel is retail dealer. Major product categories include printer, personal computer/notebook, network, monitor, mouse/keyboard, storage and tablet.
- (3) **Value-added products.** These are the IT products which require pre-sales and after-sales services. The type of these products are new innovative, high technology for data center and mostly demanded by large organizations including both private and government sectors. Major product categories include enterprise storage, enterprise server, backup, network, security, virtualization and surveillance.
- (4) **Phones.** These are phone products including smartphone and phone accessories such as memory cards. The distribution channel is phone retailers.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made reasonable enquiries:

- (a) each of the shareholders of the Offer Shares (including Mr. Somchai Sittichaisrichart and Mr. Sombuti Pungsrinont) and its ultimate beneficial owner(s) (if applicable) is an Independent Third Party;

LETTER FROM THE BOARD

- (b) the Target Company does not have any outstanding options, warrants, derivatives or convertibles which may confer any rights to the holders to subscribe for, convert or exchange into shares of the Target Company besides the Target Shares; and
- (c) no Director has a material interest in the Acquisition, therefore no Director is required to abstain from voting on the proposed resolution to approve the Acquisition at the meeting of the Board.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of certain consolidated audited financial information of the Target Group for the two years ended 31 December 2015 and 31 December 2016, respectively, and the unaudited interim financial information of the Target Group for the six months ended 30 June 2017, which has been prepared in accordance with the Thai Financial Reporting Standards as extracted from the published financial results of the Target Group.

	For the six months ended 30 June 2017 (unaudited)	For the year ended 31 December 2016 (audited)	For the year ended 31 December 2015 (audited)
Net profit before taxation and extraordinary items (if any)	Baht180,299,000 (equivalent to approximately HK\$41,448,000)	Baht307,130,000 (equivalent to approximately HK\$70,605,000)	Baht232,498,000 (equivalent to approximately HK\$53,448,000)
Net profit after taxation and extraordinary items (if any)	Baht142,057,000 (equivalent to approximately HK\$32,657,000)	Baht227,445,000 (equivalent to approximately HK\$52,286,000)	Baht166,338,000 (equivalent to approximately HK\$38,239,000)

The audited and unaudited consolidated net asset value of the Target Group as at 31 December 2016 and 30 June 2017 was Baht1,709,123,000 (equivalent to approximately HK\$392,902,000) and Baht1,711,101,000 (equivalent to approximately HK\$393,357,000), respectively.

WAIVER IN RELATION TO THE ACCOUNTANTS' REPORT ON THE TARGET GROUP

Pursuant to Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules, the Company is required to include in this circular an accountants' report on the Target Group prepared in accordance with Chapter 4 of the Hong Kong Listing Rules. The accounts on which the report is based must relate to a financial period ended six months or less before a circular is issued and the financial information on a company being acquired as contained in the accountants' report must be prepared using accounting policies which should be materially consistent with those of the listed issuer. In addition, the relevant accountants' reports must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) for appointment as auditors of a company and who are independent both the issuer and of any other company concerned to the same extent as that required of an auditor under the Hong Kong Companies Ordinance (Chapter 622 of the Laws

LETTER FROM THE BOARD

of Hong Kong) and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants, provided that, in the case of a circular issued by a listed issuer in connection with the acquisition of an overseas company, the Hong Kong Stock Exchange may be prepared to permit the accountants' report to be prepared by a firm of practicing accountants which is not qualified under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) but which is acceptable to the Hong Kong Stock Exchange. Such a firm must normally have an international name and reputation and be a member of a recognized body of accountants.

This circular has included the Target Group's published audited financial information for the three years ended 31 December 2016 and the unaudited financial information for the six months ended 30 June 2017, which have been audited or reviewed in accordance with the Thai Financial Reporting Standards and audited or reviewed by the Target Company's auditors, KPMG Phoomchai Audit Ltd. ("**KPMG Thailand**"), in accordance with the Thai Standards on Auditing.

The Company has applied for a waiver from strict compliance with Rule 14.69(4)(a)(i) of the Hong Kong Listing Rules in relation to the requirement for an accountants' report to be prepared on the Target Group based on the following grounds:

- (a) The financial information of the Target Group is already publicly available and is audited or reviewed by KPMG Thailand, which is a firm with international name and reputation and is registered with the Federation of Accounting Professions and is subject to the independent oversight by the Thailand SEC;
- (b) Based on the initial assessment by the Company, there will not be material differences between Thai Financial Reporting Standards and International Financial Reporting Standards (which has no principal difference from the Hong Kong Financial Reporting Standards) if the accountants report were prepared under the Hong Kong Financial Reporting Standards;
- (c) Based on discussion with KPMG Thailand and KPMG Hong Kong, there is no material difference between Thai Standards on Auditing and International Standards on Auditing (which has no principal difference from the Hong Kong Standards on Auditing); and
- (d) The considerable time, resources and costs that are expected to be incurred to prepare the accountants' report on the Target Group which is likely to cause undue delay to the Acquisition.

The Hong Kong Stock Exchange has granted the above waiver to the Company on the condition that the Company will include in this circular the following additional information:

- (a) a line-by-line reconciliation by comparing the differences among the accounting policies adopted by the Target Company, International Financial Reporting Standards and the accounting policies adopted by the Company which are in compliance with Hong Kong Financial Reporting Standards, and quantifying the relevant material financial effects of such differences (if any); and

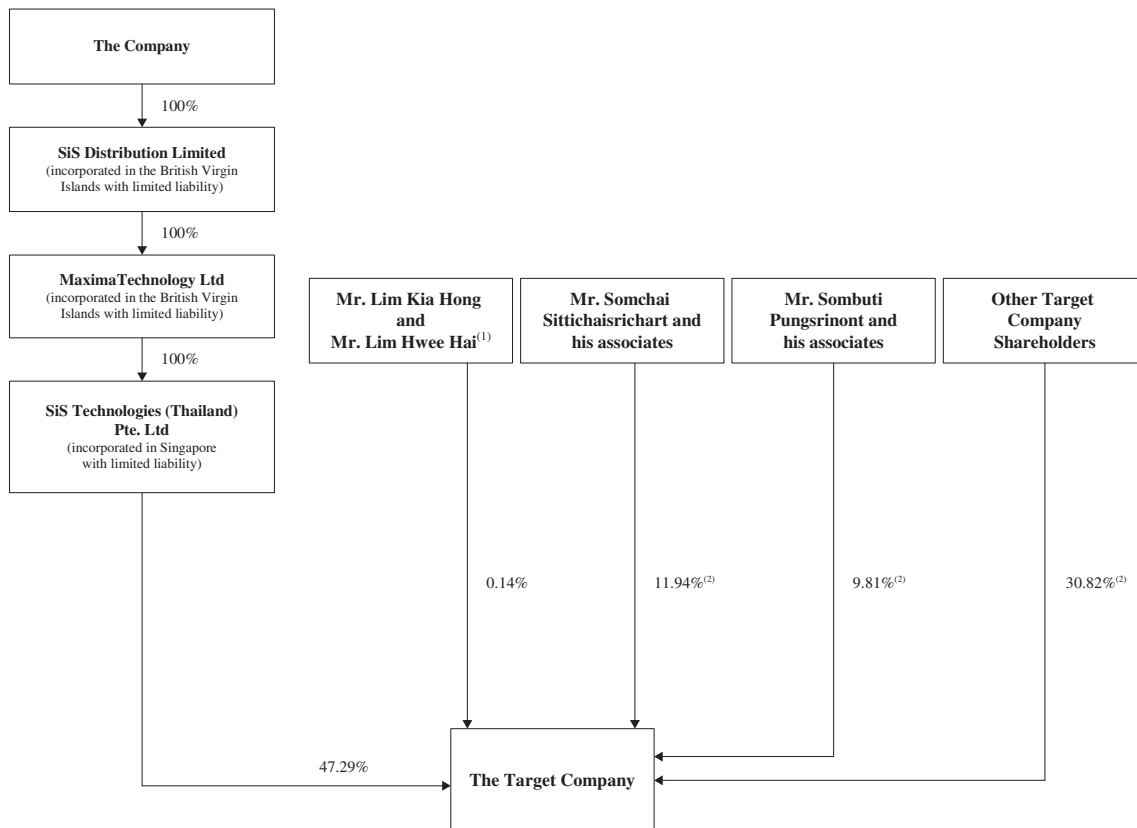
LETTER FROM THE BOARD

- (b) supplemental financial information of the Target Group for the three years ended 31 December 2016 and six months ending 30 June 2017, which is required for an accountants' report under the Hong Kong Listing Rules but not disclosed in the published financial statements of the Target Group, excluding the information required under Rule 4.08(3) of the Hong Kong Listing Rules (which requires the accountants' report to state that it has been prepared in accordance with the Auditing Guideline — Prospectuses and the reporting accountant (Statement 3.340) issued by the Hong Kong Institute Certified Public Accountants).

For details, please refer to the Appendix I of this circular.

SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

Set out below is the current shareholding structure of the Target Company as at the Latest Practicable Date:

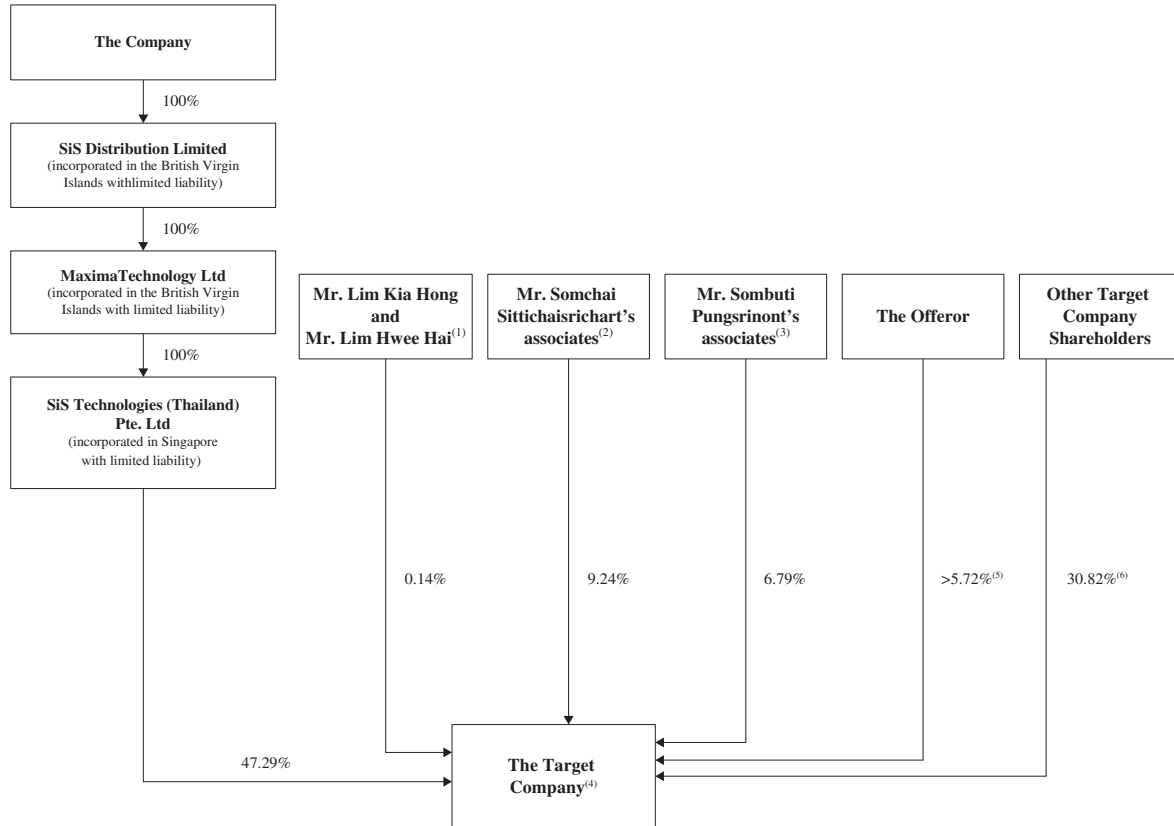


Notes

- (1) Each holds approximately 0.07% of the Target Shares.
- (2) The Offer Shares of 184,095,498 shares, being all the issued and fully paid-up Target Shares other than those already owned and controlled by the Group, Mr. Lim Kia Hong and Mr. Lim Hwee Hai, together representing approximately 52.57% of the Target Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

Set out below is the proposed shareholding structure of the Target Company immediately upon completion of the Acquisition:



Notes

- (1) Each holds approximately 0.07% of the Target Shares.
- (2) Mr. Somchai Sittichaisrichart's associates continue to hold approximately 9.24% of the Target Shares, as a result of Mr. Somchai Sittichaisrichart's undertakings to accept the Offer. Mr. Somchai Sittichaisrichart's associates did not enter into any agreement or arrangement with the Company, the Company's connected persons and the Other Target Company Shareholders in relation to the Acquisition, which confers upon Mr. Somchai Sittichaisrichart and his associates any benefits (whether economic or otherwise) not available to the Shareholders.
- (3) Mr. Sombuti Pungsrinont's associates continue to hold approximately 6.79% of the Target Shares, as a result of Mr. Sombuti Pungsrinont's undertakings to accept the Offer. Mr. Sombuti Pungsrinont's associates did not enter into any agreement or arrangement with the Company, the Company's connected persons and the Other Target Company Shareholders in relation to the Acquisition, which confers upon Mr. Sombuti Pungsrinont and his associates any benefits (whether economic or otherwise) not available to the Shareholders.
- (4) The Company (through Thai Investment) and the Registered Shareholders will obtain an effective equity interest of 52.81% in the Target Company, which is calculated as 47.29%+5.72%*(96.55%). Mr. Somchai Sittichaisrichart and his associates will obtain an effective equity interest of 9.44% in the Target Company, which is calculated as 9.24%+5.72%*(3.45%).
- (5) Pursuant to the undertakings given by Mr. Somchai Sittichaisrichart and Mr. Sombuti Pungsrinont, each of them will accept the Offer in respect of approximately 2.70% and 3.02% respectively of the Target Shares as at the Latest Practicable Date, the Offeror and the Group are expected to be able to acquire more than 51% of the voting rights attributable to the Target Shares by the Closing Date.
- (6) Subject to the Requirement of Minority Ordinary Shareholders.

LETTER FROM THE BOARD

Under the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, since the Company owns more than half of the voting power of each of the Thai Holding Companies and the Offeror under the proposed shareholding structure and will have control over the shareholders' meeting of the Target Company upon completion of the Acquisition, the financial results of the Target Group, the Offeror and the Thai Holding Companies will be consolidated into the accounts of the Group, and each of the Target Group, the Offeror and the Thai Holding Companies will be recognized as subsidiaries of the Company upon completion of the Acquisition by the Offeror. The Company's reporting accountant, Deloitte Touche Tohmatsu, has provided unmodified opinion on the unaudited pro forma financial information of the Enlarged group, which is set out in the Appendix III of this circular, that (a) the unaudited pro forma financial information has been properly compiled on the basis stated; (b) such basis is consistent with the accounting policies of the Group; and (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rules 4.29(1) of the Hong Kong Listing Rules.

FUNDING FOR THE ACQUISITION

Given the effective equity interests held in the Offeror, the Group and Mr. Somchai Sittichaisrichart will contribute up to Baht1,368,630,366 (equivalent to approximately HK\$314,627,670) and Baht48,904,969 (equivalent to approximately to HK\$11,242,522) assuming an upward adjustment of 10% of the Offer Price is made, representing approximately 96.55% and 3.45%, respectively, of the Offer Price.

The funds to be contributed by Group will be financed by a combination of bank loans and internal resources of the Company, for the Offeror to settle the Offer Price.

The funds to be contributed by Mr. Somchai Sittichaisrichart will be financed by his personal funds, for the Offeror to settle the Offer Price.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been actively assessing the global market for attractive investment opportunities to complement its existing businesses and to further develop itself into a leading company in the IT industry.

The Board believes that the Acquisition is beneficial to the Group for the following reasons:

(a) The Acquisition will bring financial benefits to the Group

According to the annual report of the Company for the year ended 31 December 2016, the Target Company continued to perform well during 2016 and contributed profit of HK\$23 million to the Group. The Board considers that the business prospects of the Target Company is promising. The Acquisition would help enhance the profitability of the Group and it is in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

(b) The Acquisition is strategically beneficial to the Group

The principal activity of the Company is investment holding. The Group is principally engaged in real estate investments business, distribution of mobile and IT products and investments in IT, securities and other businesses. As part of its investment strategy, the Group will look for acquisition opportunities in the international markets to strengthen its existing business. The Board believes that the Acquisition is strategically beneficial to the Group as it will allow the Group to:

(i) establish market presence in Thailand and other Southeast Asian regions

The Group currently only has a moderate market presence of IT business in Hong Kong and Macau. The Target Company operates in IT distribution which purchases products and services from approximately 70 suppliers and distributes to various channel in Thailand. In 2016, the Target Company has distributed products and services to approximately 4,600 dealers and retailers which re-sell to end users, corporate as well as government sector. The Acquisition can help the Group establish market presence in Thailand, which can be a gateway for the Group to expand into other Southeast Asian regions. Also, the establishment of the Group's market presence in Thailand can enhance the Target Group's business and create business synergies and economies of scales as a result of geographical diversification.

(ii) enhance the Group's IT product distribution business

Apart from real estate investments business, investment in IT, securities and other businesses, the Group is also engaged in IT products distribution business in Hong Kong and Macau. Since the business scale of the IT products distribution business of the Target Company is significantly larger than that of the Group, the Acquisition will enhance the Group's IT product distribution business by (i) bringing in new business opportunities for the Group, (ii) broadening the IT products portfolio of the Group and (iii) expanding the sellers' network of the Group.

In light of the above, the Company started to explore the possibility to increase its shareholding in the Target Company in the first quarter of 2017. The Board has known Mr. Somchai Sittichaisrichart, who was appointed as a director of the Target Company since June 1998, for over 18 years. Since Mr. Somchai Sittichaisrichart has extensive management experience in the Target Group, cooperation with Mr. Somchai Sittichaisrichart to establish the Offeror will enable the Company to better manage the Target Group after the Acquisition. Based on the above, the Board considers that the Acquisition (including the terms and conditions of the Offer) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

HONG KONG LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined in Rule 14.07 of the Hong Kong Listing Rules for the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Hong Kong Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and Shareholders' approval requirements under the Hong Kong Listing Rules.

SGM

The SGM will be convened for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder. To the best knowledge of the Board, as at the Latest Practicable Date, except for Mr. Somchai Sittichaisrichart and Mr. Sombuti Pungsrinont who hold approximately 0.072% and 0.072% of the Shares, respectively, no Shareholder has a material interest in the Acquisition, therefore no Shareholder (other than Mr. Somchai Sittichaisrichart, Mr. Sombuti Pungsrinont and their associates) is required to abstain from voting on the proposed resolution to approve the Acquisition at the SGM.

Pursuant to Rules 13.39(4) and 13.39(5) of the Hong Kong Listing Rules, the resolutions proposed to be approved at the SGM will be taken by poll and an announcement will be made by the Company on the results of the SGM.

RECOMMENDATION

The Directors consider that the Acquisition and the transactions contemplated thereunder are fair and reasonable, and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Acquisition and the transactions contemplated thereunder.

GENERAL

This circular is being distributed to the Shareholders and does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this circular in any jurisdiction in contravention of applicable law. Neither this circular nor anything contained therein shall form the basis of any contract or commitment whatsoever.

The Offer (if and when made), will be made solely by the Offer Document and the relevant form(s) of acceptance accompanying the same, which will contain the full terms and conditions of the Offer, including details of how it may be accepted. For the avoidance of doubt, the Offer (if and when made) will be open to all Target Company Shareholders holding Target Shares, including those to whom the Offer Document and relevant form(s) of acceptance may not be sent.

LETTER FROM THE BOARD

The release, publication or distribution of this circular and the Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this circular and the Offer Document are released, published or distributed should inform themselves about and observe such restrictions.

Copies of this circular and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a “**Restricted Jurisdiction**”) and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

The ability of Target Company Shareholders who are not resident in Thailand to accept the Offer may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in Thailand should inform themselves of, and observe, any applicable requirements.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

WARNING

THE OFFER WILL NOT BE MADE UNLESS AND UNTIL THE PRE-CONDITIONS ARE FULFILLED OR WAIVED BY THE OFFEROR (AS APPLICABLE) ON OR BEFORE THE LONG-STOP DATE. ACCORDINGLY, ALL REFERENCES TO THE OFFER IN THIS CIRCULAR REFER TO A POSSIBLE VOLUNTARY GENERAL OFFER WHICH WILL ONLY BE MADE IF AND WHEN SUCH PRE-CONDITIONS ARE FULFILLED OR WAIVED BY THE OFFEROR (AS APPLICABLE).

SHAREHOLDERS AND PROSPECTIVE INVESTORS OF THE COMPANY ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

Yours faithfully,
For and on behalf of the Board of
SiS International Holdings Limited
Lim Kia Hong
Chairman

HISTORICAL TRACK RECORD PERIOD ACCOUNTS**INTERIM FINANCIAL STATEMENTS ENDED 30 JUNE 2017****Independent Auditor's Report on Review of Interim Financial Information****To the Board of Directors of SiS Distribution (Thailand) Public Company Limited**

I have reviewed the accompanying consolidated and separate statements of financial position of SiS Distribution (Thailand) Public Company Limited and its subsidiaries, and of SiS Distribution (Thailand) Public Company Limited, respectively, as at 30 June 2017; the consolidated and separate statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2017, the consolidated and separate statements of changes in equity and cash flows for the six-month period ended 30 June 2017; and condensed notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with the Thai Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".

(Porntip Rimdusit)

Certified Public Accountant

Registration No. 5565

KPMG Phoomchai Audit Ltd.

Bangkok

11 August 2017

STATEMENT OF FINANCIAL POSITION

Assets	Note	Consolidated financial statements		Separate financial statements	
		30 June	31 December	30 June	31 December
		2017	2016	2017	2016
		(Unaudited)		(Unaudited)	
<i>(in thousand Baht)</i>					
Current assets					
Cash and cash equivalents		148,524	147,870	106,984	106,493
Trade accounts receivable	3, 4	2,583,177	2,361,380	2,404,419	2,218,802
Other current receivables	3	294,451	272,811	107,635	88,765
Short-term loans to related parties	3	—	—	20,500	20,000
Current portion of long-term loans to related party	3	53,853	49,782	64,000	64,000
Inventories	5	1,817,943	1,718,131	1,687,702	1,620,801
Other current assets		—	5,443	—	5,348
Total current assets		4,897,948	4,555,417	4,391,240	4,124,209
Non-current assets					
Investments in subsidiaries	6	—	—	171,958	171,958
Investments in associates	7	—	—	—	—
Equipment		98,675	107,156	98,075	106,863
Intangible assets		24,853	29,592	24,853	29,592
Deferred tax assets		231,961	254,450	208,618	222,622
Other non-current assets		11,664	11,725	11,664	11,725
Total non-current assets		367,153	402,923	515,168	542,760
Total assets		5,265,101	4,958,340	4,906,408	4,666,969

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

APPENDIX I
FINANCIAL INFORMATION OF THE TARGET GROUP

Liabilities and shareholders' equity	Note	Consolidated financial statements		Separate financial statements	
		30 June	31 December	30 June	31 December
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(in thousand Baht)					
Current liabilities					
Bank overdrafts and short-term borrowings from financial institutions		1,491,060	1,219,222	1,372,212	1,017,705
Trade accounts payable	3, 8	1,620,859	1,683,714	1,425,776	1,586,602
Other current payables	3	368,704	277,139	326,030	267,871
Income tax payable		50	37	—	—
Other current liabilities		21,377	21,175	20,798	20,703
Total current liabilities		3,502,050	3,201,287	3,144,816	2,892,881
Non-current liabilities					
Provision for cost of assets dismantlement		3,960	3,960	3,960	3,960
Provisions for employee benefit		47,990	43,970	47,990	43,970
Total non-current liabilities		51,950	47,930	51,950	47,930
Total liabilities		3,554,000	3,249,217	3,196,766	2,940,811
Shareholders' equity					
Share capital:					
Authorized share capital		350,199	350,199	350,199	350,199
Issued and paid share capital		350,199	350,199	350,199	350,199
Share premium:					
Share premium on ordinary shares		435,415	435,415	435,415	435,415
Retained earnings					
Appropriated					
Legal reserve		35,020	35,020	35,020	35,020
Unappropriated		890,467	888,489	889,008	905,524
Total shareholders' equity		1,711,101	1,709,123	1,709,642	1,726,158
Total liabilities and shareholders' equity		5,265,101	4,958,340	4,906,408	4,666,969

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

STATEMENT OF INCOME (UNAUDITED)

		Consolidated financial statements Three-month period ended 30 June		Separate financial statements Three-month period ended 30 June	
	Note	2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Revenues					
Revenues from sales	3	4,935,050	4,510,274	4,182,403	3,768,215
Revenues from services		12,434	12,223	3,582	6,936
Other income		22,958	20,304	31,494	28,046
Net foreign exchange gain		—	389	—	439
Total revenues		4,970,442	4,543,190	4,217,479	3,803,636
Expenses					
Cost of sale of goods	3	4,668,707	4,293,562	3,936,439	3,591,928
Cost of rendering of services		6,061	3,200	5,683	3,454
Selling expenses		51,678	55,303	47,968	52,455
Administrative expenses	3	132,753	100,690	131,501	100,564
Net foreign exchange loss		4,644	—	4,700	—
Finance costs	3	11,219	13,255	10,550	10,554
Total expenses		4,875,062	4,466,010	4,136,841	3,758,955
Share of profit of investments in associates		1,428	1,030	—	—
Profit before tax expense		96,808	78,210	80,638	44,681
Tax expense		(23,021)	(15,419)	(16,139)	(8,944)
Profit for the period		73,787	62,791	64,499	35,737
Profit attributable to:					
Owners of the Company		73,787	62,791	64,499	35,737
Non-controlling interests		—	—	—	—
Profit for the period		73,787	62,791	64,499	35,737
Basic earnings per share <i>(in Baht)</i>	10	0.21	0.18	0.18	0.10

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

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Consolidated financial statements		Separate financial statements	
	Three-month period ended 30 June		Three-month period ended 30 June	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Profit for the period	73,787	62,791	64,499	35,737
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	<u>73,787</u>	<u>62,791</u>	<u>64,499</u>	<u>35,737</u>
Total comprehensive income attributable to:				
Owners of the Company	73,787	62,791	64,499	35,737
Non-controlling interests	—	—	—	—
Total comprehensive income for the period	<u>73,787</u>	<u>62,791</u>	<u>64,499</u>	<u>35,737</u>

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

STATEMENT OF INCOME (UNAUDITED)

		Consolidated financial statements Six-month period ended 30 June		Separate financial statements Six-month period ended 30 June	
	Note	2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Revenues					
Revenue from sale of goods	3	9,610,453	8,923,126	8,181,761	7,480,314
Revenue from rendering of services		29,265	23,605	6,540	16,901
Other income		<u>33,537</u>	<u>34,933</u>	<u>49,432</u>	<u>49,191</u>
Total revenues		<u>9,673,255</u>	<u>8,981,664</u>	<u>8,237,733</u>	<u>7,546,406</u>
Expenses					
Cost of sale of goods	3	9,095,669	8,486,134	7,692,805	7,105,453
Cost of rendering of services		10,760	9,483	10,713	10,236
Selling expenses		91,478	97,865	86,079	92,905
Administrative expenses	3	259,717	212,117	257,591	210,914
Net foreign exchange loss		17,647	8,241	17,467	7,874
Finance costs		<u>21,756</u>	<u>25,757</u>	<u>19,808</u>	<u>21,597</u>
Total expenses		<u>9,497,027</u>	<u>8,839,597</u>	<u>8,084,463</u>	<u>7,448,979</u>
Share of profit (loss) of investments in associates	3, 7	<u>4,071</u>	<u>(1,799)</u>	<u>—</u>	<u>—</u>
Profit before tax expense		180,299	140,268	153,270	97,427
Tax expense		<u>(38,242)</u>	<u>(28,393)</u>	<u>(29,707)</u>	<u>(19,505)</u>
Profit for the period		<u>142,057</u>	<u>111,875</u>	<u>123,563</u>	<u>77,922</u>
Profit attributable to:					
Owners of the Company		142,057	111,875	123,563	77,922
Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the period		<u>142,057</u>	<u>111,875</u>	<u>123,563</u>	<u>77,922</u>
Basic earnings per share <i>(in Baht)</i>	10	<u>0.41</u>	<u>0.32</u>	<u>0.35</u>	<u>0.22</u>

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

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Consolidated financial statements Six-month period ended 30 June		Separate financial statements Six-month period ended 30 June	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Profit for the period	142,057	111,875	123,563	77,922
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	<u>142,057</u>	<u>111,875</u>	<u>123,563</u>	<u>77,922</u>
Total comprehensive income attributable to:				
Owners of the Company	142,057	111,875	123,563	77,922
Non-controlling interests	—	—	—	—
Total comprehensive income for the period	<u>142,057</u>	<u>111,875</u>	<u>123,563</u>	<u>77,922</u>

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

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Consolidated financial statements							
			Retained earnings					
	Note	Issued and paid share capital	Share premium	Legal reserve	Unappropriated (in thousand Baht)	Equity attributable to owners of the Company	Non- controlling interests	Total shareholders' equity
Six month period ended 30 June 2016								
Balance at 1 January 2016		350,199	435,415	35,020	766,104	1,586,738	—	1,586,738
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners of the Company								
Dividend to owners of the Company	11	—	—	—	(105,060)	(105,060)	—	(105,060)
Total contributions by and distributions to owners of the Company		—	—	—	(105,060)	(105,060)	—	(105,060)
Comprehensive income for the period								
Profit and other comprehensive income		—	—	—	111,875	111,875	—	111,875
Total comprehensive income for the period		—	—	—	111,875	111,875	—	111,875
Balance at 30 June 2016		350,199	435,415	35,020	772,919	1,593,553	—	1,593,553

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

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Consolidated financial statements							
			Retained earnings					
	Note	Issued and paid share capital	Share premium	Legal reserve	Unappropriated (in thousand Baht)	Equity attributable to owners of the Company	Non- controlling interests	Total shareholders' equity
Six month period ended 30 June 2017								
Balance at 1 January 2017		350,199	435,415	35,020	888,489	1,709,123	—	1,709,123
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners of the Company								
Dividend to owners of the Company	11	—	—	—	(140,079)	(140,079)	—	(140,079)
Total contributions by and distributions to owners of the Company		—	—	—	(140,079)	(140,079)	—	(140,079)
Comprehensive income for the period								
Profit and other comprehensive income		—	—	—	142,057	142,057	—	142,057
Total comprehensive income for the period		—	—	—	142,057	142,057	—	142,057
Balance at 30 June 2017		350,199	435,415	35,020	890,467	1,711,101	—	1,711,101

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

FINANCIAL INFORMATION OF THE TARGET GROUP

	Note	Separate financial statements				
		Issued and paid share capital	Share premium	Retained earnings		Total shareholders' equity
				Legal reserve (in thousand Baht)	Unappropriated	
Six month period ended 30 June 2016						
Balance at 1 January 2016		350,199	435,415	35,020	862,849	1,683,483
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the Company						
Dividend to owners of the Company	11	—	—	—	(105,060)	(105,060)
Total contributions by and distributions to owners of the Company		—	—	—	(105,060)	(105,060)
Comprehensive income for the period						
Profit and other comprehensive income		—	—	—	77,922	77,922
Total comprehensive income for the period		—	—	—	77,922	77,922
Balance at 30 June 2016		350,199	435,415	35,020	835,711	1,656,345

– 32 –

FINANCIAL INFORMATION OF THE TARGET GROUP

	Note	Separate financial statements				
		Issued and paid share capital	Share premium	Retained earnings		Total shareholders' equity
				Legal reserve (in thousand Baht)	Unappropriated	
Six month period ended 30 June 2017						
Balance at 1 January 2017		350,199	435,415	35,020	905,524	1,726,158
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the Company						
Dividend to owners of the Company	11	—	—	—	(140,079)	(140,079)
Total contributions by and distributions to owners of the Company		—	—	—	(140,079)	(140,079)
Comprehensive income for the period						
Profit and other comprehensive income		—	—	—	123,563	123,563
Total comprehensive income for the period		—	—	—	123,563	123,563
Balance at 30 June 2017		350,199	435,415	35,020	889,008	1,709,642

– 33 –

STATEMENT OF CASH FLOWS (UNAUDITED)

	Consolidated financial statements Six-month period ended 30 June		Separate financial statements Six-month period ended 30 June	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit for the period	142,057	111,875	123,563	77,922
<i>Adjustments to reconcile profit to cash receipts (payments)</i>				
Tax expense	38,242	28,393	29,707	19,505
Finance costs	21,756	25,757	19,808	21,597
Depreciation and amortization	18,085	18,988	18,010	18,927
Unrealised gain on exchange	(31)	(1,171)	(31)	(1,191)
Loss (gain) on disposal of equipment	22	(268)	22	(268)
Loss on disposal of intangible assets	1,755	—	1,755	—
Share of (profit) loss of investments in associates	(4,071)	1,799	—	—
(Reversal of) bad debts and doubtful debts expense	12,927	(1,014)	12,710	226
(Reversal of) provision for obsolete and defective stocks	(44,807)	48,308	(42,275)	49,137
Employee benefit expenses	4,020	3,493	4,020	3,493
Interest income	(4,318)	(3,750)	(3,832)	(4,173)
	185,637	232,410	163,457	185,175
<i>Change in operating assets and liabilities</i>				
Trade accounts receivable	(234,724)	(247,350)	(198,327)	(203,194)
Other receivables	(18,412)	(9,778)	(16,280)	(12,281)
Inventories	(55,006)	(607,081)	(24,627)	(418,133)
Other current assets	5,443	3,425	5,348	3,033
Other non-current assets	29	1,046	29	1,028
Trade accounts payable	(62,779)	438,395	(160,751)	397,729
Other current payables	91,519	61,622	58,116	44,143
Other current liabilities	202	2,484	95	2,265
	(88,091)	(124,827)	(172,940)	(235)
Net cash used in operating	(88,091)	(124,827)	(172,940)	(235)
Employee benefit obligation paid	—	(1,550)	—	(1,550)
Taxes paid	(18,342)	(37,528)	(18,305)	(37,528)
Net cash used in operating activities	(106,433)	(163,905)	(191,245)	(39,313)

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

APPENDIX I**FINANCIAL INFORMATION OF THE TARGET GROUP**

	Consolidated financial statements		Separate financial statements	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<i>Cash flows from investing activities</i>				
Acquisition of equipment	(6,802)	(6,316)	(6,420)	(6,115)
Proceeds from sales of equipment	160	912	160	912
Acquisition of intangible assets	—	(460)	—	(460)
Interest received	3,680	3,750	3,832	4,925
Repayment of (proceeds from) loans to related parties	—	(9,800)	(500)	117,000
Net cash from (used in) investing activities	(2,962)	(11,914)	(2,928)	116,262
<i>Cash flows from financing activities</i>				
Interest paid	(21,710)	(25,800)	(19,764)	(21,207)
Net proceeds of bank overdrafts and short-term borrowings from financial institutions	271,838	469,423	354,507	203,142
Dividends paid to owners of the Company	(140,079)	(105,060)	(140,079)	(105,060)
Net cash from financing activities	110,049	338,563	194,664	76,875
Net increase in cash and cash equivalents	654	162,744	491	153,824
Cash and cash equivalents at beginning of period	147,870	49,490	106,493	31,699
Cash and cash equivalents at ending of period	148,524	212,234	106,984	185,523

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS*For the three-month and six-month periods ended 30 June 2017 (Unaudited)*

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Related parties
4	Trade accounts receivable
5	Inventories
6	Investment in subsidiaries
7	Investment in associates
8	Trade accounts payable
9	Segment information
10	Earnings per share
11	Dividends
12	Financial instruments
13	Commitments with non-related parties
14	Reclassification of accounts

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorized for issue by the Board of Directors on 11 August 2017.

1 GENERAL INFORMATION

SiS Distribution (Thailand) Public Company Limited, “the Company”, is incorporated in Thailand and has its registered office at 9 Pakin Building, 9th Floor, Room No. 901, Ratchadaphisek Road, Din Daeng, Bangkok, Thailand.

The Company was listed on the Stock Exchange of Thailand on 21 June 2004.

The Company’s major shareholders during the financial period were SiS Technologies (Thailand) Pte. Ltd. which was incorporated in Singapore (47.29% shareholding), Sittichaisrichart Family (12.78% shareholding) and Pungsrinont Family (9.83% shareholding).

The principal activities of the Company are trading in computer components, smartphone, office automation equipment and service and rental of computers and other peripheral. Details of the Company’s subsidiaries as at 30 June 2017 and 31 December 2016 are given in notes 3 and 6.

2 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS**(a) Statement of compliance**

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2016) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2016. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2016 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2017. The adoption of these new and revised TFRS did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group.

(b) Functional and presentation currency

The interim financial statements are presented in Thai Baht, which is the Company’s functional currency. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

(c) Use of judgements and estimates

The preparation of interim financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2016.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

3 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and associates are described in notes 6 and 7. Relationship with key management and other related parties were as follows:

Name of the parties	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thailand Singapore	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group
SiS International Holdings Ltd.	Bermuda	Ultimate parent of the Group and some common directors
SiS Technologies (Thailand) Pte. Ltd.	Singapore	Under the same control of the ultimate parent company
Nippon Pack Trading Co., Ltd.	Thailand	Associate, 49% shareholding by the subsidiary company
Wiko Mobile (Thailand) Co., Ltd.	Thailand	Associate, 45% shareholding by the subsidiary company
Alliance & Link Corporation Co., Ltd	Thailand	15% shareholding by the subsidiary company
Click Connect Co., Ltd.	Thailand	15% shareholding by the subsidiary company
Hardware House International Co., Ltd.	Thailand	Indirect shareholding by the subsidiary
Direct subsidiaries		
SiS Venture Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding
Qool Distribution (Thailand) Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Sale of goods	Market price plus actual related expenses
Rendering of services	Contractually agreed price
Management income/fee	Contractually agreed price
Purchase of goods	Actual cost plus actual related expenses
Interest income	Reference from interest rate of financial institution
Other income	Actual cost plus margin

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

Significant transactions for the three-month and six-month periods ended 30 June 2017 and 2016 with related parties were as follows:

<i>Three-month period ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Ultimate parent company				
Management fee	3,092	2,837	2,614	2,370
Subsidiaries				
Sale of goods	—	—	1,771	4,365
Purchase of goods	—	—	10,620	732
Management income	—	—	9,206	12,107
Interest income	—	—	157	305
Associates				
Sale of goods	130	120	130	65
Purchase of goods	451,138	344,946	—	—
Rendering of service	4,676	470	—	—
Other income	1,692	5,230	1,227	1,526
Interest income	836	880	488	560
Key management personnel				
Key management personnel compensation				
Short-term benefits	16,637	9,962	15,059	8,798
Other long-term benefits	557	440	499	382
Total key management personnel compensation	17,194	10,402	15,558	9,180
<i>Six-month period ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Ultimate parent company				
Management fee	6,015	5,605	5,114	4,699
Subsidiaries				
Sale of goods	—	—	3,556	6,023
Purchase of goods	—	—	10,621	911
Management income	—	—	17,548	23,659
Interest income	—	—	311	1,112
Associates				
Sale of goods	279	157	279	102
Purchase of goods	853,126	642,071	—	—
Rendering of service	5,705	920	—	—
Other income	3,508	5,783	2,659	2,069
Interest income	1,636	1,751	971	1,120
Key management personnel				
Key management personnel compensation				
Short-term benefit	34,374	22,885	31,256	20,717
Other long-term benefits	1,046	743	939	653
Total key management personnel compensation	35,420	23,628	32,195	21,370

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

Balances as at 30 June 2017 and 31 December 2016 with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	(in thousand Baht)			
<i>Trade accounts receivable from associates</i>				
Nippon Pack Trading Co., Ltd.	117	556	—	—
<i>Trade accounts receivable from other related party</i>				
Hardware House International Co., Ltd.	46,223	46,223	46,223	46,223
	46,340	46,779	46,223	46,223
Less allowance for doubtful accounts	(46,223)	(46,223)	(46,223)	(46,223)
Net	117	556	—	—
<i>Other current receivables from associates</i>				
Nippon Pack Trading Co., Ltd.	1,498	860	—	—
Wiko Mobile (Thailand) Co., Ltd.	3,110	20	451	20
<i>Other current receivable from other related party</i>				
Hardware House International Co., Ltd.	557,087	557,087	541,542	541,542
	561,695	557,967	541,993	541,562
Less allowance for doubtful accounts	(557,087)	(557,087)	(541,542)	(541,542)
Net	4,608	880	451	20
<i>Accrued income from subsidiary</i>				
Qool Distribution (Thailand) Co., Ltd.	—	—	3,631	3,660

The Company and its subsidiary (Qool Distribution (Thailand) Co., Ltd.) have agreement on consignment with a related party (Hardware House International Co., Ltd.) which has notified the call for return all consignment from the related party in November 2012 because of the default of the terms of agreement for consignment. The Company and its subsidiary are in the process to reclaim those losses from the related party. As at 30 June 2017 the receivable from the loss of consignment amounted to approximately Baht 557.09 million in the consolidated financial statements and Baht 541.54 million in the separate financial statements, respectively (31 December 2016: Baht 557.09 million in the consolidated financial statements and Baht 541.54 million in the separate financial statements, respectively). The Company is undertaking litigation proceedings, therefore, pending the outcome of these proceedings, the Company and its subsidiary estimated the allowance for doubtful account, amounted to Baht 557.09 million and Baht 541.54 million, respectively.

APPENDIX I

FINANCIAL INFORMATION OF THE TARGET GROUP

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

Loans to related party	Interest rate		Consolidated		Separate	
	30 June	31 December	financial statements		financial statements	
	2017	2016	30 June	31 December	30 June	31 December
	(% per annum)		(in thousand Baht)			
<i>Short-term loans to</i>						
Subsidiaries						
SiS Venture Co., Ltd.	2.80–3.25	2.80–3.25	—	—	20,500	20,000
Total			—	—	20,500	20,000
Associate						
Nippon Pack Trading Co., Ltd.	5.25	5.25	24,500	24,500	—	—
Less allowance for doubtful account			(10,163)	(10,163)	—	—
Less share of loss exceeds its interest in associate			(14,337)	(14,337)	—	—
Total			—	—	—	—
Grand total			—	—	20,500	20,000
<i>Current portion of long-term loans to</i>						
Associate						
Wiko Mobile (Thailand) Co., Ltd.	3.03–3.15	3.03–3.15	64,000	64,000	64,000	64,000
Less share of loss exceeds its interest in associate			(10,147)	(14,218)	—	—
Grand total			53,853	49,782	64,000	64,000

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

Movements during the six-month periods ended 30 June 2017 and 2016 of loans to subsidiaries were as follows:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
Short-term loans to Subsidiaries				
At 1 January	—	—	20,000	137,000
Increase	—	—	500	—
Decrease	—	—	—	(117,000)
At 30 June	—	—	20,500	20,000
Associates				
At 1 January	—	11,523	—	—
Increase	—	9,800	—	—
Share of loss exceeds its interest in associates	—	(5,434)	—	—
At 30 June	—	15,889	—	—

Short-term loans to related parties were due on demand.

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	(in thousand Baht)			
Long-term loans to Associate				
At 1 January	49,782	44,973	64,000	73,259
Reversal of share of loss exceeds its interest in associates	4,071	3,634	—	—
At 30 June	53,853	48,607	64,000	73,259

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

During 2015 the Company entered into an unsecured long-term loan agreement with an associate company, Wiko Mobile (Thailand) Co., Ltd., for the loan principal of Baht 73 million. The loan principal is receivable in the various amounts as stipulated in the agreement, commencing in August 2017 and maturity in December 2017.

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	(in thousand Baht)			
<i>Trade payable to associate</i>				
Wiko Mobile (Thailand) Co., Ltd.	115,335	57,104	—	—
<i>Trade payable to other related party</i>				
Alliance & Link Corporation Co., Ltd.	86	86	86	86
Total	115,421	57,190	86	86
<i>Other current payable to ultimate parent company</i>				
SiS International Holdings Ltd.	2,172	2,053	1,835	1,789

Significant agreements with related parties

Management income

The Company has an agreement with a subsidiary (Qool Distribution (Thailand) Co., Ltd.) for sharing the combined staff and assets cost. The parties agreed to enter into new agreement effective from 1 January 2017 to charge the monthly rate of management fee to Baht 0.50 million per month plus 1% of the net sales of the subsidiary for each month. The agreement is in force for an indefinite period of time and may be terminated by either party giving to the other notice in writing.

Administrative support agreement

On 30 December 2015, the Company entered into an administrative service agreement with Wiko Mobile (Thailand) Co., Ltd. to provide certain administrative supports. Under the terms of the agreement, the Company is committed to pay monthly administrative service fee at the rate as specified in the agreement. The agreement is in force for an indefinite period of time and may be terminated by either party giving to the other notice in writing not less than 30 days.

Management fee

In 2004, the Company entered into an agreement with SiS International Holdings Ltd. for sharing the combined the management cost. The term of the agreement is from 1 January 2004 onward, and the monthly rate of management fee is 0.0625% of the sale of each month. The agreement is in force for an indefinite period of time and may be terminated by either party giving to the other notice in writing.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

4 TRADE ACCOUNTS RECEIVABLE

		Consolidated financial statements		Separate financial statements	
	Note	30 June 2017	31 December 2016	30 June 2017	31 December 2016
		(in thousand Baht)			
Related parties	3	46,340	46,779	46,223	46,223
Other parties		<u>2,693,170</u>	<u>2,587,359</u>	<u>2,511,358</u>	<u>2,442,462</u>
Total		2,739,510	2,634,138	2,557,581	2,488,685
Less allowance for doubtful accounts		<u>(156,333)</u>	<u>(272,758)</u>	<u>(153,162)</u>	<u>(269,883)</u>
Net		<u>2,583,177</u>	<u>2,361,380</u>	<u>2,404,419</u>	<u>2,218,802</u>
		2017	2016	2017	2016
		(in thousand Baht)			

Bad debts and doubtful debts expenses
(reversal) for the:

— Three-month period ended 30 June 5,095 (5,884) 4,573 (4,807)

— Six month period ended 30 June 12,927 (1,014) 12,710 226

Aging analysis for trade accounts receivable were as follows:

		Consolidated financial statements		Separate financial statements	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
		(in thousand Baht)			
Related parties					
Within credit terms		117	128	—	—
Overdue:					
Less than 3 months		—	428	—	—
Over 12 months		<u>46,223</u>	<u>46,223</u>	<u>46,223</u>	<u>46,223</u>
		46,340	46,779	46,223	46,223
Less allowance for doubtful accounts		<u>(46,223)</u>	<u>(46,223)</u>	<u>(46,223)</u>	<u>(46,223)</u>
		<u>117</u>	<u>556</u>	<u>—</u>	<u>—</u>
Other parties					
Within credit terms		2,233,014	1,957,914	2,067,570	1,849,228
Overdue:					
Less than 3 months		348,619	402,087	335,187	368,695
3–6 months		9,609	5,019	9,091	4,844
6–12 months		5,581	8,042	5,382	8,042
Over 12 months		<u>96,347</u>	<u>214,297</u>	<u>94,128</u>	<u>211,653</u>
		2,693,170	2,587,359	2,511,358	2,442,462
Less allowance for doubtful accounts		<u>(110,110)</u>	<u>(226,535)</u>	<u>(106,939)</u>	<u>(223,660)</u>
		<u>2,583,060</u>	<u>2,360,824</u>	<u>2,404,419</u>	<u>2,218,802</u>
Net		<u>2,583,177</u>	<u>2,361,380</u>	<u>2,404,419</u>	<u>2,218,802</u>

The normal credit term granted by the Group is ranging from 30 days to 90 days.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

5 INVENTORIES

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Finished goods	1,830,159	1,568,999	1,691,504	1,459,539
Work in progress	1,884	712	655	645
Goods in transit	<u>158,277</u>	<u>365,604</u>	<u>158,255</u>	<u>365,604</u>
Total	1,990,320	1,935,315	1,850,414	1,825,788
Less allowance for decline in value of inventories	<u>(172,377)</u>	<u>(217,184)</u>	<u>(162,712)</u>	<u>(204,987)</u>
Net	<u><u>1,817,943</u></u>	<u><u>1,718,131</u></u>	<u><u>1,687,702</u></u>	<u><u>1,620,801</u></u>

6 INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries as at 30 June 2017 and 31 December 2016, and dividend income from those investments for the six-month period ended 30 June 2017 and 2016, were as follows:

		Separated financial statements											
		Ownership interest		Paid-up capital		Cost		Impairment		At cost-net		Dividend income	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	30 June 2016
		<i>(%)</i>		<i>(in thousand Baht)</i>									
<i>Subsidiaries</i>													
SIS Venture Co., Ltd.	Holding	99.99	99.99	120,000	120,000	120,000	120,000	69,401	69,401	50,599	50,599	—	—
	Investment												
Qool Distribution (Thailand) Co., Ltd	Trading	99.99	99.99	200,000	200,000	199,994	199,994	78,635	78,635	121,359	121,359	—	—
Total				<u>320,000</u>	<u>320,000</u>	<u>319,994</u>	<u>319,994</u>	<u>148,036</u>	<u>148,036</u>	<u>171,958</u>	<u>171,958</u>	<u>—</u>	<u>—</u>

All subsidiaries were incorporated in Thailand.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

7 INVESTMENT IN ASSOCIATES

Investments in associates as at 30 June 2017 and 31 December 2016, and dividend income from those investments for the six-month periods ended 30 June 2017 and 2016 were as follows:

	Type of business	Consolidated financial statements									
		Ownership interest		Paid-up capital		Cost method		Equity method		Dividend income	
		30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	30 June
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		(%)				(in thousand Baht)					
<i>Associates</i>											
Nippon Pack Trading Co., Ltd.	Trading and rendering service	49.00	49.00	20,000	20,000	9,800	9,800	—	—	—	—
Wiko Mobile (Thailand) Co., Ltd.	Trading	45.00	45.00	100,000	100,000	45,000	45,000	—	—	—	—
Total				120,000	120,000	54,800	54,800	—	—	—	—

None of the Group's associates are publicly listed and consequently do not have published price quotations.

As at 30 June 2017, the Group's accumulated share of loss of investment in Wiko Mobile (Thailand) Co., Ltd. and Nippon Pack Trading Co., Ltd. exceeded the carrying amount of the investment in shares. The excess loss is adjusted to loan to the associates. Future reversals of losses are first be applied to the loan to the extent that such loss is previously applied against this loan and subsequently recognised in the investment in shares.

8 TRADE ACCOUNTS PAYABLE

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
		(in thousand Baht)			
Related parties	3	115,421	57,190	86	86
Other parties		1,505,438	1,626,524	1,425,690	1,586,516
Total		1,620,859	1,683,714	1,425,776	1,586,602

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

9 SEGMENT INFORMATION

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Segment 1 Commercial products
- Segment 2 Consumer products
- Segment 3 Value added products
- Segment 4 Phones

None of other operations meets the quantitative thresholds for determining reportable segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments:

	Consolidated financial statements													
									Total reportable segments		Others		Total	
	Segment 1		Segment 2		Segment 3		Segment 4							
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Three-month period ended 30 June</i>	<i>(in million Baht)</i>													
External revenues	<u>1,500</u>	<u>1,242</u>	<u>1,950</u>	<u>1,578</u>	<u>621</u>	<u>525</u>	<u>674</u>	<u>756</u>	<u>4,745</u>	<u>4,101</u>	<u>190</u>	<u>409</u>	<u>4,935</u>	<u>4,510</u>
Total segment revenues	<u>1,500</u>	<u>1,242</u>	<u>1,950</u>	<u>1,578</u>	<u>621</u>	<u>525</u>	<u>674</u>	<u>756</u>	<u>4,745</u>	<u>4,101</u>	<u>190</u>	<u>409</u>	<u>4,935</u>	<u>4,510</u>
Segment gross profit	<u>50</u>	<u>45</u>	<u>100</u>	<u>51</u>	<u>65</u>	<u>64</u>	<u>13</u>	<u>18</u>	<u>228</u>	<u>178</u>	<u>38</u>	<u>38</u>	<u>266</u>	<u>216</u>
	Consolidated financial statements													
									Total reportable segments		Others		Total	
	Segment 1		Segment 2		Segment 3		Segment 4							
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Six-month period ended 30 June</i>	<i>(in million Baht)</i>													
External revenues	<u>2,803</u>	<u>2,386</u>	<u>3,700</u>	<u>3,188</u>	<u>1,358</u>	<u>1,125</u>	<u>1,330</u>	<u>1,491</u>	<u>9,191</u>	<u>8,190</u>	<u>419</u>	<u>733</u>	<u>9,610</u>	<u>8,923</u>
Total segment revenues	<u>2,803</u>	<u>2,386</u>	<u>3,700</u>	<u>3,188</u>	<u>1,358</u>	<u>1,125</u>	<u>1,330</u>	<u>1,491</u>	<u>9,191</u>	<u>8,190</u>	<u>419</u>	<u>733</u>	<u>9,610</u>	<u>8,923</u>
Segment gross profit	<u>117</u>	<u>89</u>	<u>190</u>	<u>130</u>	<u>122</u>	<u>122</u>	<u>27</u>	<u>41</u>	<u>456</u>	<u>382</u>	<u>59</u>	<u>55</u>	<u>515</u>	<u>437</u>
Reportable segment assets as at 30 June/31 December	<u>488</u>	<u>426</u>	<u>968</u>	<u>916</u>	<u>214</u>	<u>149</u>	<u>65</u>	<u>104</u>	<u>1,735</u>	<u>1,595</u>	<u>83</u>	<u>123</u>	<u>1,818</u>	<u>1,718</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

Reconciliation of reportable segment profit or loss and assets

<i>Three-month period ended 30 June</i>	Consolidated financial statements	
	2017	2016
	<i>(in million Baht)</i>	
Gross profit or loss		
Total profit for reportable segments	228	178
Other segment's profit	<u>38</u>	<u>38</u>
	266	216
Unallocated amounts:		
— Other income	35	33
— Other corporate expenses	(194)	(159)
— Finance costs	(11)	(13)
— Share of profit of investments in associates	<u>1</u>	<u>1</u>
Consolidated profit before income tax	<u>97</u>	<u>78</u>
<i>Six-month period ended 30 June</i>	Consolidated financial statements	
	2017	2016
	<i>(in million Baht)</i>	
Gross profit or loss		
Total profit for reportable segments	456	382
Other segment's profit	<u>59</u>	<u>55</u>
	515	437
Unallocated amounts:		
— Other income	62	58
— Other corporate expenses	(379)	(327)
— Finance costs	(22)	(26)
— Share of profit (loss) of investments in associates	<u>4</u>	<u>(2)</u>
Consolidated profit before income tax	<u>180</u>	<u>140</u>
	Consolidated financial statements	
	30 June 2017	31 December 2016
	<i>(in million Baht)</i>	
Assets		
Total assets for reportable segments	1,735	1,595
Other segment's assets	83	123
Unallocated amounts:	<u>3,447</u>	<u>3,240</u>
Consolidated assets	<u>5,265</u>	<u>4,958</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

10 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the three-month and six-month periods ended 30 June 2017 and 2016 were based on the profit for the period attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the periods as follows:

<i>Three-month period ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht/thousand shares)</i>			
Profit attributable to equity holders of the Company (basic)	<u>73,787</u>	<u>62,791</u>	<u>64,499</u>	<u>35,737</u>
Number of ordinary shares outstanding	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
Basic earnings per share (in Baht)	<u>0.21</u>	<u>0.18</u>	<u>0.18</u>	<u>0.10</u>
<i>Six-month period ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht/thousand shares)</i>			
Profit attributable to equity holders of the Company (basic)	<u>142,057</u>	<u>111,875</u>	<u>123,563</u>	<u>77,922</u>
Number of ordinary shares outstanding	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
Basic earnings per share (in Baht)	<u>0.41</u>	<u>0.32</u>	<u>0.35</u>	<u>0.22</u>

11 DIVIDENDS

At the annual general meeting of the shareholders of the Company held on 21 April 2017, the shareholders passed the resolution to approved the appropriation of dividend from the profit for the year ended 31 December 2016 for 350.20 million ordinary shares at the rate of Baht 0.25 per share and the special rate of Baht 0.15 per share in totalling rate of Baht 0.40 per share, totalling Baht 140.08 million. The dividend was paid on 19 May 2017.

At the annual general meeting of the shareholders of the Company held on 22 April 2016, the shareholders passed the resolution to approved the appropriation of dividend from the profit for the year ended 31 December 2015 for 350.20 million ordinary shares at the rate of Baht 0.30 per share, totalling Baht 105.06 million. The dividend was paid on 19 May 2016.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

12 FINANCIAL INSTRUMENTS

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Consolidated financial statements			
		Fair value			
		Level 1	Level 2	Level 3	Total
		(in thousand Baht)			
30 June 2017					
<i>Financial assets/Financial liabilities measured at fair value</i>					
Forward contracts	(10,226)	—	(10,226)	—	(10,226)
31 December 2016					
<i>Financial assets/Financial liabilities measured at fair value</i>					
Forward contracts	5,444	—	5,444	—	5,444
Swap contracts	(1)	—	(1)	—	(1)
	Carrying amount	Separate financial statements			
		Fair value			
		Level 1	Level 2	Level 3	Total
		(in thousand Baht)			
30 June 2017					
<i>Financial assets/Financial liabilities measured at fair value</i>					
Forward contracts	(10,226)	—	(10,226)	—	(10,226)
31 December 2016					
<i>Financial assets/Financial liabilities measured at fair value</i>					
Forward contracts	5,350	—	5,350	—	5,350
Swap contracts	(1)	—	(1)	—	(1)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

	Consolidated financial statements		Separate financial statements	
	Fair value	Carrying amount	Fair value	Carrying amount
	(in thousand Baht)			
<i>Financial asset not measured at fair value</i>				
30 June 2017				
Long-term loans to related party	<u>53,815</u>	<u>53,853</u>	<u>63,962</u>	<u>64,000</u>
Total	<u>53,815</u>	<u>53,853</u>	<u>63,962</u>	<u>64,000</u>
31 December 2016				
Long-term loans to related party	<u>49,686</u>	<u>49,782</u>	<u>63,904</u>	<u>64,000</u>
Total	<u>49,686</u>	<u>49,782</u>	<u>63,904</u>	<u>64,000</u>

The Group determines Level 2 fair values for forward contracts rate and swap contracts rate are based on counterparties' quotes. Fair value of the instrument reflect the credit risk and include adjustment to take account of the credit risk.

13 COMMITMENTS WITH NON-RELATED PARTIES

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	(in million Baht)			
<i>Future minimum lease payments under non-cancellable operating leases</i>				
Within one year	20	13	20	13
After one year but within five years	<u>28</u>	<u>2</u>	<u>28</u>	<u>2</u>
Total	<u>48</u>	<u>15</u>	<u>48</u>	<u>15</u>
<i>Other commitments</i>				
Unutilised credits facilities	4,517	4,773	4,316	4,572
Forward contracts	673	451	673	445
Swap contracts	—	21	—	21
Bank guarantee	<u>167</u>	<u>183</u>	<u>167</u>	<u>165</u>
Total	<u>5,357</u>	<u>5,428</u>	<u>5,156</u>	<u>5,203</u>

Lease and service agreements

The Group had commitments for building, warehouse and equipment lease contracts with terms of 1–3 years.

Forward contracts

As at 30 June 2017, the Company had forward contract facilities with banks in the amount of USD 129.8 million equivalent to Baht 4,431.1 million (31 December 2016: USD 126.1 million equivalent to Baht 4,540.6 million).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

As at 30 June 2017, the Group had forward contract facilities with banks in the amount of USD 137.1 million equivalent to Baht 4,681.1 million (31 December 2016: USD 133.1 million equivalent to Baht 4,790.6 million).

As at 30 June 2017, the Company had purchased forward contracts in the amount of USD 19.5 million equivalent to Baht 673.5 million. The contracts are due in December 2017 (31 December 2016: USD 12.6 million, equivalent to Baht 445.5 million, the contracts were due in July 2017).

As at 30 June 2017, the Group had purchased forward contracts in the amount of USD 19.5 million equivalent to Baht 673.5 million. The contracts are due in December 2017 (31 December 2016: USD 12.7 million, equivalent to Baht 450.8 million, the contracts were due in July 2017).

Swap contracts

As at 30 June 2017, the Group and the Company had no currency swap contract (31 December 2016: USD 0.6 million, equivalent to Baht 21 million which the contracts were due in March 2017).

14 RECLASSIFICATION OF ACCOUNTS

Certain accounts in the statement of financial position as at 31 December 2016 which are included in the 2017 interim financial statements for comparative purposes, have been reclassified to conform to the presentation in the 2017 interim financial statements as follows:

	2016					
	Consolidated financial statements			Separate financial statements		
	Before reclass.	Reclass.	After reclass.	Before reclass.	Reclass.	After reclass.
			(in thousand Baht)			
<i>Statement of financial position as at 31 December 2016</i>						
Trade accounts receivable	2,412,339	(50,959)	2,361,380	2,269,761	(50,959)	2,218,802
Other current receivables	221,852	<u>50,959</u>	272,811	37,806	<u>50,959</u>	88,765
		<u> </u>			<u> </u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Group's business.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**Independent Auditor's Report****To the shareholders of SiS Distribution (Thailand) Public Company Limited****Opinion**

I have audited the consolidated and separate financial statements of SiS Distribution (Thailand) Public Company Limited and its subsidiaries (the “Group”) and of SiS Distribution (Thailand) Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2016, the consolidated and separate statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2016 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 Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King that is relevant to my audit of the consolidated and separate 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 period. 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, and I do not provide a separate opinion on these matters.

Recognition of deferred tax assets

Refer to Note 3(r) and note 14

The key audit matter

The Group has recognised deferred tax assets in the consolidated statements of financial position as at 31 December 2016 of Baht 254.5 million which was deferred tax assets from loss carry forward of Baht 24.8 million.

Significant management judgment is required over the recoverability of deferred tax assets because realisation of tax benefits from these deferred tax assets is dependent on future taxable profit projections and there are uncertainties about business actual performance may different from future profit projections. This is a focus area in my audit.

How the matter was addressed in the audit

My audit procedures included:

- Inquiring of the management who is responsible for preparation of the Group's future taxable profit projection.
- Reconciliation of taxable loss carry forward and expiration year with tax report.
- Consideration of the key assumption underlying the future taxable profit projections prepared by the Group's management to support the Group's assessment of its ability to recover deferred tax assets. The key assumptions are the revenue growth rates and profit margins which drive the future profit projections.
- Comparison of actual revenue growth rates with the Company business plan to business forecasts and assessing the reasonableness of that forecasting process in the past and consider whether profit margins in the projections are achievable which reference to the recent business performance, business plans and management expectation.
- Recalculation test of future taxable profit projection; and
- Consideration of the adequacy of the Group's disclosures in respect of income tax in accordance with Thai Financial Reporting Standards.

Valuation of inventory

Refer to Note 3(g) and note 8

The key audit matter

The Group and the Company has a significant level of inventory. Management judgment is required in assessing the appropriateness of the allowance for decline in value of inventory in respect of obsolete and slow moving inventories. Therefore, there is a risk that the allowance for decline in value of inventory may not adequately provided for due to the products based on technology. This is a focus area in my audit.

How the matter was addressed in the audit

My audit procedures included:

- Inquiring the management who is responsible in this area to obtain an understanding of the Group's and the Company's policy and procedure in estimating the allowance for decline in value of inventory.
- Assessment of the Group's and the Company's compliance with their accounting policy.
- Assessment of the reasonableness of the inventory aging report by using KPMG's information technology specialist to test, on a sample test basis, whether the inventory items in the report were categorised in appropriate aging bracket and I test aging of inventory with relating supporting document on a sample basis.
- Reasonableness testing on methodology used for calculating the allowance for obsolescence by challenging the assumptions used and comparing with historical experience, sale plan as well as recalculating of the inventory report and also performing test on a sample basis of net realisable value of inventories by investigating the latest sales documents and comparing the cost of inventories against expected net realisable value; and
- Consideration of the adequacy of disclosures in relation to inventory in accordance with Thai Financial Reporting Standards.

Other Information

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

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

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available 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.

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

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company'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 and the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate 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 consolidated and separate 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 and the Company'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 and the Company'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 consolidated and separate 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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate 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.

(Ekkasit Chuthamsatid)

Certified Public Accountant

Registration No. 4195

KPMG Phoomchai Audit Ltd.

Bangkok

23 February 2017

STATEMENT OF FINANCIAL POSITION

		Consolidated financial statements		Separate financial statements	
		31 December		31 December	
Assets	Note	2016	2015	2016	2015
		(in thousand Baht)			
Current assets					
Cash and cash equivalents	5	147,870	49,490	106,493	31,699
Trade accounts receivable	4, 6	2,412,339	2,045,107	2,269,761	1,907,230
Other receivables	4, 7	221,852	520,292	37,806	316,452
Short-term loans to related parties	4	—	11,523	20,000	137,000
Current portion of long-term loans to related party	4	49,782	—	64,000	—
Inventories	8	1,718,131	1,323,205	1,620,801	1,281,617
Other current assets		<u>5,443</u>	<u>3,425</u>	<u>5,348</u>	<u>3,033</u>
Total current assets		<u>4,555,417</u>	<u>3,953,042</u>	<u>4,124,209</u>	<u>3,677,031</u>
Non-current assets					
Investments in subsidiaries	9	—	—	171,958	181,758
Long-term loans to related party	4	—	44,973	—	73,259
Equipment	12	107,156	112,275	106,863	112,096
Intangible assets	13	29,592	34,522	29,592	34,522
Deferred tax assets	14	254,450	271,172	222,622	216,781
Other non-current assets		<u>11,725</u>	<u>11,707</u>	<u>11,725</u>	<u>11,689</u>
Total non-current assets		<u>402,923</u>	<u>474,649</u>	<u>542,760</u>	<u>630,105</u>
Total assets		<u>4,958,340</u>	<u>4,427,691</u>	<u>4,666,969</u>	<u>4,307,136</u>

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

APPENDIX I
FINANCIAL INFORMATION OF THE TARGET GROUP

Liabilities and equity	Note	Consolidated financial statements 31 December		Separate financial statements 31 December	
		2016	2015	2016	2015
		(in thousand Baht)			
<i>Current liabilities</i>					
Bank overdrafts and short-term loans from financial institutions	15	1,219,222	1,258,005	1,017,705	1,093,005
Trade accounts payable	4, 16	1,683,714	1,245,065	1,586,602	1,207,273
Other payables	4, 17	277,139	260,842	267,871	246,948
Income tax payable		37	16,571	—	16,571
Other current liabilities		<u>21,175</u>	<u>17,975</u>	<u>20,703</u>	<u>17,361</u>
Total current liabilities		<u>3,201,287</u>	<u>2,798,458</u>	<u>2,892,881</u>	<u>2,581,158</u>
<i>Non-current liabilities</i>					
Provision for cost of assets dismantlement		3,960	3,960	3,960	3,960
Employee benefit obligations	18	<u>43,970</u>	<u>38,535</u>	<u>43,970</u>	<u>38,535</u>
Total non-current liabilities		<u>47,930</u>	<u>42,495</u>	<u>47,930</u>	<u>42,495</u>
Total liabilities		<u>3,249,217</u>	<u>2,840,953</u>	<u>2,940,811</u>	<u>2,623,653</u>
<i>Equity</i>					
Share capital:	19				
Authorised share capital		<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
Issued and paid-up share capital		350,199	350,199	350,199	350,199
Premium on ordinary shares	19	435,415	435,415	435,415	435,415
Retained earnings					
Appropriated					
Legal reserve	20	35,020	35,020	35,020	35,020
Unappropriated		<u>888,489</u>	<u>766,104</u>	<u>905,524</u>	<u>862,849</u>
Total equity		<u>1,709,123</u>	<u>1,586,738</u>	<u>1,726,158</u>	<u>1,683,483</u>
Total liabilities and equity		<u>4,958,340</u>	<u>4,427,691</u>	<u>4,666,969</u>	<u>4,307,136</u>

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

STATEMENT OF INCOME

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	Note	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Income					
Revenue from sale of goods	4	18,374,515	17,969,111	15,599,991	15,631,725
Revenue from rendering of services		60,344	54,201	34,185	28,947
Other income	4, 22	59,610	73,159	94,033	89,652
Gain on exchange rate		232	23,522	596	19,723
Gain from loss of controlling interests in subsidiary		—	895	—	—
Total income		18,494,701	18,120,888	15,728,805	15,770,047
Expenses					
Cost of sale of goods	4, 24	17,437,296	17,028,185	14,794,494	14,828,435
Cost of rendering of services		29,822	29,577	27,157	29,573
Selling expenses	24	193,441	227,060	185,108	204,126
Administrative expenses	4, 24	479,702	455,747	475,652	447,564
Finance costs		50,218	64,346	41,592	59,113
Total expenses		18,190,479	17,804,915	15,524,003	15,568,811
Share of profit (loss) of investments in associates		2,908	(83,475)	—	—
Profit before income tax expense		307,130	232,498	204,802	201,236
Income tax expense	25	(79,685)	(66,160)	(57,067)	(42,446)
Profit for the year		227,445	166,338	147,735	158,790
Profit (loss) attributable to:					
Owners of the Company		227,445	168,851	147,735	158,790
Non-controlling interests		—	(2,513)	—	—
Profit for the year		227,445	166,338	147,735	158,790
Basic earnings per share (Baht)	26	0.65	0.48	0.42	0.45

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

STATEMENT OF COMPREHENSIVE INCOME

	Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Profit for the year	227,445	166,338	147,735	158,790
Other comprehensive income	—	—	—	—
Total comprehensive income for the year	<u>227,445</u>	<u>166,338</u>	<u>147,735</u>	<u>158,790</u>
Total comprehensive income attributable to:				
Owners of the Company	227,445	168,851	147,735	158,790
Non-controlling interests	—	(2,513)	—	—
Total comprehensive income for the year	<u>227,445</u>	<u>166,338</u>	<u>147,735</u>	<u>158,790</u>

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

STATEMENT OF CHANGES IN EQUITY

Consolidated financial statements							
		Retained earnings			Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Note	Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated (in thousand Baht)		
Year ended 31 December 2015							
Balance at 1 January 2015		350,199	435,415	35,020	667,293	1,487,927	—
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners of the Company</i>							
Loss of non-controlling interests from dilution of interests in subsidiary		—	—	—	—	—	2,513
Dividend to owners of the Company	27	—	—	—	(70,040)	(70,040)	—
<i>Total contributions by and distributions to owners of the Company</i>		—	—	—	(70,040)	(70,040)	2,513
Comprehensive income for the year							
Profit (loss) and other comprehensive income		—	—	—	168,851	168,851	(2,513)
Total comprehensive income for the year		—	—	—	168,851	168,851	(2,513)
Balance at 31 December 2015		350,199	435,415	35,020	766,104	1,586,738	—
Year ended 31 December 2016							
Balance at 1 January 2016		350,199	435,415	35,020	766,104	1,586,738	—
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners of the Company</i>							
Dividend to owners of the Company	27	—	—	—	(105,060)	(105,060)	—
<i>Total contributions by and distributions to owners of the Company</i>		—	—	—	(105,060)	(105,060)	—
Comprehensive income for the year							
Profit and other comprehensive income		—	—	—	227,445	227,445	—
Total comprehensive income for the year		—	—	—	227,445	227,445	—
Balance at 31 December 2016		350,199	435,415	35,020	888,489	1,709,123	—

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

STATEMENT OF CHANGES IN EQUITY

		Separate financial statements				
		Issued and paid-up share capital	Share premium	Retained earnings		Total equity
Note				Legal reserve <i>(in thousand Baht)</i>	Unappropriated	
Year ended 31 December 2015						
Balance at 1 January 2015		350,199	435,415	35,020	774,099	1,594,733
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Dividend to owners of the Company	27	—	—	—	(70,040)	(70,040)
<i>Total contributions by and distributions to owners of the Company</i>						
		—	—	—	(70,040)	(70,040)
Comprehensive income for the year						
Profit and other comprehensive income		—	—	—	158,790	158,790
Total comprehensive income for the year						
		—	—	—	158,790	158,790
Balance at 31 December 2015		350,199	435,415	35,020	862,849	1,683,483
Year ended 31 December 2016						
Balance at 1 January 2016		350,199	435,415	35,020	862,849	1,683,483
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Dividend to owners of the Company	27	—	—	—	(105,060)	(105,060)
<i>Total contributions by and distributions to owners of the Company</i>						
		—	—	—	(105,060)	(105,060)
Comprehensive income for the year						
Profit and other comprehensive income		—	—	—	147,735	147,735
Total comprehensive income for the year						
		—	—	—	147,735	147,735
Balance at 31 December 2016		350,199	435,415	35,020	905,524	1,726,158

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

STATEMENT OF CASH FLOWS

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	Note	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>					
Profit for the year		227,445	166,338	147,735	158,790
<i>Adjustments for</i>					
Depreciation	12	31,248	33,229	31,126	32,327
Amortisation of intangible assets	13	5,804	5,883	5,804	5,883
Interest income		(8,808)	(6,927)	(8,887)	(19,815)
Finance costs		50,218	64,346	41,592	59,113
Unrealised loss on exchange		813	761	812	786
Gain on disposal of equipment		(354)	(1,309)	(354)	(179)
Bad debts and doubtful debts expense (reversal)	6	(14,406)	13,979	(12,813)	12,517
Doubtful debts expense for short-term loans to related party	4	10,163	—	—	—
Provision of allowance for obsolete and defective stocks (reversal)	8	68,020	(40,003)	61,251	(2,238)
Provision for employee benefit obligation		6,985	6,059	6,985	6,059
Impairment losses on investment in subsidiary		—	—	9,800	8,571
Impairment losses on other long-term investments		—	8,571	—	—
Share of (profit) loss of investments in associates		(2,908)	83,475	—	—
Gain from loss of controlling interests in subsidiary		—	(895)	—	—
Income tax expense	25	<u>79,685</u>	<u>66,160</u>	<u>57,067</u>	<u>42,446</u>
		453,905	399,667	340,118	304,260
<i>Changes in operating assets and liabilities</i>					
Trade accounts receivable		(352,826)	(108,978)	(349,718)	(190,054)
Other receivables		298,419	(9,794)	277,894	113,525
Inventories		(462,946)	607,371	(400,435)	300,105
Other current assets		(2,018)	(643)	(2,315)	(841)
Other non-current assets		(18)	412	(36)	134
Trade accounts payable		437,836	444,649	378,517	442,895
Other payables		15,981	114,717	20,565	11,057
Other current liabilities		<u>3,200</u>	<u>2,208</u>	<u>3,342</u>	<u>2,028</u>
Cash generate from operating activities		391,533	1,449,609	267,932	983,109
Employee benefit obligations paid		(1,550)	(600)	(1,550)	(600)
Income tax paid		<u>(79,497)</u>	<u>(42,222)</u>	<u>(79,479)</u>	<u>(42,222)</u>
Net cash provided by operating activities		<u>310,486</u>	<u>1,406,787</u>	<u>186,903</u>	<u>940,287</u>

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

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	Note	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
<i>Cash flows from investing activities</i>					
Interest received		8,829	6,927	9,639	21,278
Purchase of equipment		(26,789)	(29,976)	(26,553)	(29,400)
Sale of equipment		1,014	6,255	1,014	1,081
Cash inflow (outflow) on loans to related parties		(541)	(87,959)	126,259	267,878
Purchase of intangible assets		(874)	(1,259)	(874)	(1,259)
Net payment from investment in associate		—	(44,985)	—	—
Net cash from (used in) investing activities		<u>(18,361)</u>	<u>(150,997)</u>	<u>109,485</u>	<u>259,578</u>
<i>Cash flows from financing activities</i>					
Interest paid		(49,902)	(65,007)	(41,234)	(59,812)
Payment of dividend	27	(105,060)	(70,040)	(105,060)	(70,040)
Net payments of loan from financial institutions		(38,783)	(1,169,589)	(75,300)	(1,078,589)
Repayment of short-term loan from subsidiary		—	—	—	(49,000)
Net cash used in financing activities		<u>(193,745)</u>	<u>(1,304,636)</u>	<u>(221,594)</u>	<u>(1,257,441)</u>
Net increase (decrease) in cash and cash equivalents		98,380	(48,846)	74,794	(57,576)
Cash and cash equivalents from loss control's subsidiary		—	(10,835)	—	—
Cash and cash equivalents at 1 January		<u>49,490</u>	<u>109,171</u>	<u>31,699</u>	<u>89,275</u>
Cash and cash equivalents at 31 December	5	<u>147,870</u>	<u>49,490</u>	<u>106,493</u>	<u>31,699</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Note	Contents
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related parties
5	Cash and cash equivalents
6	Trade accounts receivable
7	Other receivables
8	Inventories
9	Investments in subsidiaries
10	Investment in associates
11	Other long-term investments
12	Equipment
13	Intangible assets
14	Deferred tax
15	Interest-bearing liabilities
16	Trade accounts payable
17	Other payables
18	Employee benefit obligations
19	Share capital
20	Reserves
21	Operating Segment
22	Other income
23	Employee benefit expenses
24	Expenses by nature
25	Income tax expense
26	Earnings per share
27	Dividends
28	Financial instruments
29	Commitments with non-related parties
30	Events after the reporting period
31	Thai Financial Reporting Standards (TFRS) not yet adopted

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 23 February 2017.

1 GENERAL INFORMATION

SiS Distribution (Thailand) Public Company Limited, “the Company”, is incorporated in Thailand and has its registered office at 9 Pakin Building, 9th Floor, Room No. 901, Ratchadaphisek Road, Din Daeng, Bangkok, Thailand.

The Company was listed on the Stock Exchange of Thailand on 21 June 2004.

The Company’s major shareholders during the financial year were SiS Technologies (Thailand) Pte. Ltd. which was incorporated in Singapore (47.29% shareholding), Sittichaisrichart Family (14.66% shareholding) and Pungsrinont Family (9.83% shareholding).

The principal activities of the Company are trading in computer component, smartphone, office automation equipment, service and rental of computers and accessories and trading in Digital Disc — Movie and Music. Details of the Company’s subsidiaries as at 31 December 2016 and 2015 are given in notes 4 and 9.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**(a) Statement of compliance**

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

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2016. The initial application of these new and revised TFRS has resulted in changes in certain of the Group’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2017 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Group’s operations are disclosed in note 31.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

Items	Measurement bases
Derivative financial instruments	Fair value
Defined benefit liability	Present value of the defined benefit obligation as explained in Note 3 (n)

(c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company’s functional currency. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

(d) Use of estimates and judgements

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

Note 3(r)	Current and deferred taxation;
Note 14	Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
Note 18	Measurement of defined benefit obligations: key actuarial assumptions; and
Note 28	Valuation of financial instruments

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in notes 28 financial instruments.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the group’s interests in associate.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity — accounted investees

The Group’s interests in equity-accounted investees was interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity — accounted investees, until the date on which significant influence or joint control ceases.

NOTES TO THE FINANCIAL STATEMENTS

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in profit or loss.

(c) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from operational activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(d) Hedging*Fair value hedges*

Where a derivative financial instrument hedges the changes in fair value of a recognised asset, liability or unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on remeasuring the fair value or foreign currency component of the hedging instrument is recognised in the profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

(e) 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. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

(f) Trade and other accounts receivable

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

The allowance for doubtful accounts is based on management's assessment of loss which may arise from the outstanding accounts receivable. Such assessment is provided by considering the accounts receivable outstanding over 3 months, for which allowance for doubtful accounts is set at the rate of 100%, together with the analysis of payment histories, future expectations of customer payment and the local economic conditions. Bad debts are written off when incurred.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase or other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The Group sets an allowance for the decline in value of obsolete and defective stock by management reviewing.

(h) Investment*Investment in subsidiaries and associates*

Investment in subsidiaries and associates in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

Equity securities

Equity securities which are not marketable are stated at cost less any impairment losses.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average applied to the carrying value of the total holding of the investment.

(i) Equipment*Recognition and measurement**Owned assets*

Equipment is stated at cost less accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of 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 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 and loss on a straight-line basis over the estimated useful lives of each component of an item of equipment. The estimated useful lives are as follows:

Vehicles	5 years
Furniture & fixtures	5 years
Computer & office equipment	3 and 5 years
Leasehold improvements	3, 5, 10 and 12 years

No depreciation is provided on asset under construction.

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

(j) Intangible assets*Software licences*

Software licences that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of software licences from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are 5 and 10 years.

NOTES TO THE FINANCIAL STATEMENTS

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

(k) Impairment

The carrying amounts of the Group'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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(l) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(m) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(n) Employee benefits*Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

NOTES TO THE FINANCIAL STATEMENTS

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

Sale of goods and services rendered

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs, the probable return of goods or the continuing management involvement with the goods.

Revenue from the sale of goods for Digital Disc — Movie and Music products after provision for sales return is recognised when have been sold to the customer.

Revenue from services is recognised when services are rendered.

Interest income

Interest income is recognised in profit or loss as it accrues.

(p) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration.

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

(q) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

Contingent rentals are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

(r) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in 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 at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised 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 recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement 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 realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for share options granted to employees.

(t) Segment reporting

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and tax assets and liabilities.

4 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and associate are described in notes 9 and 10. Relationship with other related parties were as follows:

Name of the entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thailand Singapore	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.
SiS International Holdings Ltd.	Bermuda	Ultimate parent of the Group and some common directors
SiS Technologies (Thailand) Pte. Ltd.	Singapore	Under the same control of the ultimate parent company
Nippon Pack Trading Co.,Ltd.	Thailand	Associate, 49% shareholding by the subsidiary company
Wiko Mobile (Thailand) Co., Ltd.	Thailand	Associate, 45% shareholding by the subsidiary company
Alliance & Link Corporation Co., Ltd	Thailand	15% shareholding by the subsidiary company
Click Connect Co., Ltd.	Thailand	15% shareholding by the subsidiary company
Hardware House International Co., Ltd.	Thailand	Indirect shareholding by the subsidiary company
Direct subsidiaries		
SiS Venture Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding
Qool Distribution (Thailand) Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding

NOTES TO THE FINANCIAL STATEMENTS

On 15 February 2015, a subsidiary was diluted in its ownership interest of Wiko Mobile (Thailand) Co., Ltd. from 60% to 45%. As a result, Wiko Mobile (Thailand) Co., Ltd. was ceased to be a subsidiary to become an associated company.

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Sale of goods	Market price plus actual related expenses
Rendering of services	Contractually agreed price
Management income/expense	Contractually agreed price
Purchase of goods	Actual cost plus actual related expenses
Interest income/expense of loan to/from	Reference from interest rate of financial institution

Significant transactions for the years ended 31 December with related parties are summarised as follows:

<i>Year ended 31 December</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Ultimate parent company				
Management fee	11,492	11,252	9,750	9,789
Subsidiary				
Sale of goods	—	—	9,218	582
Purchase of goods	—	—	2,810	2,439
Management income	—	—	46,253	33,871
Interest income	—	—	1,561	13,747
Interest expense	—	—	—	265
Associates				
Sale of goods	2,314	16,595	1,270	5,563
Purchase of goods	1,261,460	498,646	—	—
Service income	9,992	—	—	—
Other income	17,745	34,135	11,432	5,265
Interest income	3,453	2,613	2,175	2,198
Related party				
Sale of goods	—	45	—	45
Key management				
Key management personnel				
Compensation				
Short-term employee benefit	51,081	55,231	46,584	50,588
Other long-term benefits	1,646	1,997	1,440	1,789
Total key management personnel compensation	52,727	57,228	48,024	52,377

NOTES TO THE FINANCIAL STATEMENTS

Balances as at 31 December with related parties are as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(in thousand Baht)			
<i>Trade accounts receivable from associates</i>				
Nippon Pack Trading Co., Ltd.	556	316	—	316
Wiko Mobile (Thailand) Co., Ltd.	—	920	—	920
<i>Trade accounts receivable from other related parties</i>				
Hardware House International Co., Ltd.	46,223	46,223	46,223	46,223
	46,779	47,459	46,223	47,459
Less allowance for doubtful accounts	(46,223)	(46,223)	(46,223)	(46,223)
Net	556	1,236	—	1,236
<i>Other receivables from subsidiary</i>				
SiS Venture Co., Ltd.	—	—	—	54
<i>Other receivables from associates</i>				
Nippon Pack Trading Co., Ltd.	860	414	—	—
Wiko Mobile (Thailand) Co., Ltd.	20	29,036	20	752
<i>Other receivable from other related parties</i>				
Hardware House International Co., Ltd.	557,087	557,087	541,542	541,542
Less allowance for doubtful accounts	(557,087)	(557,087)	(541,542)	(541,542)
	880	29,450	20	806
<i>Accrued income from subsidiary</i>				
Qool Distribution (Thailand) Co., Ltd.	—	—	3,660	3,698

NOTES TO THE FINANCIAL STATEMENTS

The Company and its subsidiary (Qool Distribution (Thailand) Co., Ltd.) have an agreement on consignment with a related company (Hardware House International Co., Ltd.) which has notified the call for return all consignment from the related company in November 2012 because of the default of the terms of the agreement for consignment. The Company and its subsidiary are in the process to reclaim those losses from the related company. As at 31 December 2016 the receivable from the loss of consignment amounted to approximately Baht 557.09 million in the consolidated financial statements and Baht 541.54 million in separate financial statements, respectively (31 December 2015: Baht 557.09 million in the consolidated financial statements and Baht 541.54 million in the separate financial statements, respectively). The Company is undertaking litigation proceedings, therefore, pending the outcome of these proceedings, the Company and its subsidiary has estimated the allowance for doubtful account, amounted to Baht 557.09 million and 541.54 million, respectively.

Loans to related party	Interest rate		Consolidated		Separate	
	2016	2015	financial statements		financial statements	
	(% per annum)		2016	2015	2016	2015
(in thousand Baht)						
<i>Short-term loans to Subsidiaries</i>						
Qool Distribution (Thailand) Co., Ltd.	—	3.00	—	—	—	127,000
SiS Venture Co., Ltd.	2.80–3.25	3.25	—	—	20,000	10,000
Total			—	—	20,000	137,000
<i>Associate</i>						
Nippon Pack Trading Co., Ltd.	5.25	5.25	24,500	14,700	—	—
Less allowance for doubtful debt			(10,163)	—	—	—
Less share of loss exceeds its interest in associates			(14,337)	(3,177)	—	—
Total			—	11,523	—	—
Grand Total			—	11,523	20,000	137,000
<i>Current portion of long-term loans to Associate</i>						
Wiko Mobile (Thailand) Co., Ltd.	3.03–3.15	—	64,000	—	64,000	—
Less share of loss exceeds its interest in associates			(14,218)	—	—	—
Total			49,782	—	64,000	—
<i>Long-term loans to Associate</i>						
Wiko Mobile (Thailand) Co., Ltd.	—	3.03–3.15	—	73,259	—	73,259
Less share of loss exceeds its interest in associates			—	(28,286)	—	—
Grand Total			—	44,973	—	73,259

NOTES TO THE FINANCIAL STATEMENTS

Movements during the years ended 31 December of loans to related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Short-term loans to Subsidiaries				
At 1 January	—	—	137,000	478,137
Increased	—	—	10,000	—
Decreased	—	—	(127,000)	(341,137)
At 31 December	—	—	20,000	137,000
Associate				
At 1 January	11,523	—	—	—
Increase	9,800	14,700	—	—
Allowance for doubtful debt	(10,163)	—	—	—
Share of loss exceeds its interest in associates	(11,160)	(3,177)	—	—
At 31 December	—	11,523	—	—

Short-term loans to related parties were due on demand.

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Long-term loans				
Associate				
At 1 January	44,973	—	73,259	—
Increase (decrease)	(9,259)	73,259	(9,259)	73,259
(Reversal of) share of loss exceeds its interest in associates	14,068	(28,286)	—	—
Reclassify to current portion of long-term loans	(49,782)	—	(64,000)	—
At 31 December	—	44,973	—	73,259

NOTES TO THE FINANCIAL STATEMENTS

During January 2015 the Company entered into an unsecured long-term loan agreement with an associate company, Wiko Mobile (Thailand) Co., Ltd., for the loan principal of Baht 73 million. The loan principal is receivable in the various amounts as stipulated in the agreement, commencing in April 2017.

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(in thousand Baht)			
<i>Trade payable to associate</i>				
Wiko Mobile (Thailand) Co., Ltd.	57,104	11,072	—	—
<i>Trade payable to other related parties</i>				
Alliance & Link Corporation Co., Ltd.	86	86	86	86
Total	57,190	11,158	86	86
<i>Other payable to ultimate parent company</i>				
SiS International Holdings Ltd.	909	841	778	744
<i>Accrued expense to ultimate parent company</i>				
SiS International Holdings Ltd.	1,144	870	1,011	733

Significant agreements with related parties*Management income*

The Company has an agreement with a subsidiary (Qool Distribution (Thailand) Co., Ltd.) for sharing the combined staff and assets cost. The parties agreed to enter into new agreement effective from 1 January 2013 to change the monthly rate of management fee to Baht 1.50 million per month plus 1% of the net sales of the subsidiary for each month. The agreement is in force for an indefinite period of time and may be terminated by either party giving to the other notice in writing.

Administrative support agreement

On 31 December 2015, the Company entered into an administrative service agreement with Wiko Mobile (Thailand) Co., Ltd to provide certain administrative supports. Under the terms of the agreement, the Company is committed to pay monthly administrative service fee at the rate as specified in the agreement. The agreement is in force for an indefinite period of time and may be terminated by either party giving to the other notice in writing not less than 30 days.

Management fee

In 2004, the Company entered into an agreement with SiS International Holdings Ltd. for sharing the combined staff and assets cost. The term of the agreement is from 1 January 2004 onward, and the monthly rate of management fee is 0.0625% of each month's sales. The agreement is in force for an indefinite period of time and may be terminated by either party giving to the other notice in writing.

NOTES TO THE FINANCIAL STATEMENTS

5 CASH AND CASH EQUIVALENTS

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Cash on hand	165	164	165	164
Cash at banks — current accounts	(7,919)	(58,903)	(8,060)	(60,870)
Cash at banks — savings accounts	<u>155,624</u>	<u>108,229</u>	<u>114,388</u>	<u>92,405</u>
Total	<u>147,870</u>	<u>49,490</u>	<u>106,493</u>	<u>31,699</u>

Cash and cash equivalents of the Group and the Company as at 31 December 2016 and 2015 were denominated entirely in Thai Baht.

6 TRADE ACCOUNTS RECEIVABLE

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Related parties	4	46,779	47,459	46,223	47,459
Other parties		<u>2,638,318</u>	<u>2,280,022</u>	<u>2,493,421</u>	<u>2,138,506</u>
Total		2,685,097	2,327,481	2,539,644	2,185,965
Less allowance for doubtful accounts		<u>(272,758)</u>	<u>(282,374)</u>	<u>(269,883)</u>	<u>(278,735)</u>
Net		<u>2,412,339</u>	<u>2,045,107</u>	<u>2,269,761</u>	<u>1,907,230</u>
Bad debts and doubtful debts expenses for the year (reversal)		<u>(14,406)</u>	<u>13,979</u>	<u>(12,813)</u>	<u>12,517</u>

NOTES TO THE FINANCIAL STATEMENTS

Aging analysis for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	128	1,236	—	1,236
Overdue:				
Less than 3 months	428	—	—	—
Over 12 months	46,223	46,223	46,223	46,223
	46,779	47,459	46,223	47,459
<i>Less allowance for doubtful accounts</i>	<u>(46,223)</u>	<u>(46,223)</u>	<u>(46,223)</u>	<u>(46,223)</u>
	556	1,236	—	1,236
Other parties				
Within credit terms	2,008,864	1,589,499	1,900,179	1,471,341
Overdue:				
Less than 3 months	402,096	433,805	368,703	415,635
3–6 months	5,019	31,820	4,844	30,966
6–12 months	8,042	14,314	8,042	13,103
Over 12 months	214,297	210,584	211,653	207,461
	2,638,318	2,280,022	2,493,421	2,138,506
<i>Less allowance for doubtful accounts</i>	<u>(226,535)</u>	<u>(236,151)</u>	<u>(223,660)</u>	<u>(232,512)</u>
	2,411,783	2,043,871	2,269,761	1,905,994
Total	<u>2,412,339</u>	<u>2,045,107</u>	<u>2,269,761</u>	<u>1,907,230</u>

The normal credit term granted by the Group is ranging from 30 days to 90 days.

The currency denomination of trade accounts receivable as at 31 December 2016 and 2015 were as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Thai Baht (Baht)	2,412,339	2,044,397	2,269,761	1,906,520
United States Dollars (USD)	<u>—</u>	<u>710</u>	<u>—</u>	<u>710</u>
Total	<u>2,412,339</u>	<u>2,045,107</u>	<u>2,269,761</u>	<u>1,907,230</u>

NOTES TO THE FINANCIAL STATEMENTS

7 OTHER RECEIVABLES

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Related parties					
Other receivables	4	880	29,450	20	806
Receivable from losses of consignment	4	557,087	557,087	541,542	541,542
Accrued income	4	—	—	3,660	3,698
		557,967	586,537	545,222	546,046
Less allowance for doubtful accounts		(557,087)	(557,087)	(541,542)	(541,542)
Net		880	29,450	3,680	4,504
Other parties					
Account receivable from Revenue					
Department		144,002	397,165	—	256,118
Accrued income		22,881	49,314	7,383	34,967
Prepaid expenses		9,723	10,729	7,366	7,005
Others		44,366	33,634	19,377	13,858
Total		220,972	490,842	34,126	311,948
Total		221,852	520,292	37,806	316,452

8 INVENTORIES

		Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Finished goods — computer components, and telecommunication components		1,568,999	1,369,197	1,459,539	1,322,747
Finished goods Digital Disc — Movie and Music		—	21,880	—	21,880
Work in progress		712	13,169	645	13,146
Goods in transit		365,604	68,123	365,604	67,580
		1,935,315	1,472,369	1,825,788	1,425,353
Less allowance for decline in value of inventories		(217,184)	(149,164)	(204,987)	(143,736)
Net		1,718,131	1,323,205	1,620,801	1,281,617
Inventories recognised as an expense in “cost of sales of goods”:					
— Cost		17,369,276	17,068,188	14,733,243	14,830,673
— Write-down to net realisable value (reversal)		68,020	(40,003)	61,251	(2,238)
Net		17,437,296	17,028,185	14,794,494	14,828,435

NOTES TO THE FINANCIAL STATEMENTS

9 INVESTMENTS IN SUBSIDIARIES

	Separate financial statements	
	2016	2015
	(in thousand Baht)	
At 1 January	181,758	190,329
Allowance for impairment	(9,800)	(8,571)
At 31 December	171,958	181,758

Investments in subsidiaries as at 31 December 2016 and 2015, and dividend income from those investments for the years then ended, were as follows:

		Separated financial statements											
	Type of business	Ownership interest		Paid-up capital		Cost		Impairment		At cost-net		Dividend income	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		(%)		(in thousand Baht)									
<i>Subsidiaries</i>													
SiS Venture Co., Ltd.	Holding	99.99	99.99	120,000	120,000	120,000	120,000	69,401	59,601	50,599	60,399	—	—
Qool Distribution (Thailand) Co., Ltd	Investment Trading	99.99	99.99	200,000	200,000	199,994	199,994	78,635	78,635	121,359	121,359	—	—
Total				320,000	320,000	319,994	319,994	148,036	138,236	171,958	181,758	—	—

All subsidiaries were incorporated in Thailand.

In 2016, the Company set up allowance for impairment in the value of SiS Venture Co., Ltd. amounting to Baht 9.8 million (2015: 8.6 million).

10 INVESTMENT IN ASSOCIATES

	Consolidated financial statements	
	2016	2015
	(in thousand Baht)	
For the period ended 31 December		
At 1 January	—	9,800
Share of loss of associates	—	(52,013)
Reclassification from indirect subsidiary	—	(2,772)
Acquisitions	—	44,985
At 31 December	—	—

NOTES TO THE FINANCIAL STATEMENTS

At the extra ordinary shareholders' meeting of a subsidiary (Wiko Mobile (Thailand) Co., Ltd.) held on 9 February 2015, the shareholders of the subsidiary passed resolution to approve the increase of authorised share capital from Baht 0.1 million to Baht 100 million to current shareholders. SiS Venture Co., Ltd. has invested in 449,400 new ordinary shares on 15 February 2015, at par value of Baht 100 per share, totaling of Baht 44.9 million and consequently its decrease of ownership interest from 60% to 45%. Wiko Mobile (Thailand) Co., Ltd. thereby ceased to be a subsidiary and become an associate. The carrying amount of Wiko Mobile (Thailand) Co., Ltd.'s net assets in the Group's financial statements on the date of invested was Baht 6.2 million. The fair value of the Group's retained interest in the associate at the date when control was lost was Baht 2.8 million, which became the carrying value of the Group's interest in associate at that date. The Group recognised an increase in retained earnings of Baht 5.3 million; loss of non-controlling interests from dilution of interests in subsidiary of Baht 2.5 million; and gain from loss of controlling interests in subsidiary of Baht 0.9 million, which is included in the consolidate statement of income.

For the year ended 31 December 2016, the Group's share of profit of investment in Wiko Mobile (Thailand) Co., Ltd. amounted to Baht 14.1 million (*2015: share of loss of investment amounted to Baht 70.5 million*). As at 31 December 2016, the Group's accumulated share of loss of investment in Wiko Mobile (Thailand) Co., Ltd. exceeded the carrying amount of the investment in shares. The excess loss is adjusted to loan to Wiko Mobile (Thailand) Co., Ltd. Future reversals of losses are first be applied to the loan investment to the extent that such loss is previously applied against this loan investment and subsequently recognised in the investment in shares.

Moreover, for the year ended 31 December 2016, the Group's share of loss of investment in Nippon Pack Trading Co., Ltd. amounted to Baht 11.2 million (*2015: Baht 13.0 million*). As at 31 December 2016, the Group's accumulated share of loss of investment in Nippon Pack Trading Co., Ltd. exceeded the carrying amount of the investment in shares. The excess loss is adjusted to loan to Nippon Pack Trading Co., Ltd. Future reversals of losses are first be applied to the loan investment to the extent that such loss is previously applied against this loan investment and subsequently recognised in the investment in shares.

Investments in associate as at 31 December 2016 and 2015, and dividend income for the years then ended, were as follows:

	Type of business	Consolidated financial statements									
		Ownership interest		Paid-up capital		Cost method		Equity method		Dividend income	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		(%)		(in thousand Baht)							
<i>Associate</i>											
Nippon Pack Trading Co., Ltd.	Trading and service	49.00	49.00	20,000	20,000	9,800	9,800	—	—	—	—
Wiko Mobile (Thailand) Co., Ltd.	Trading	45.00	45.00	100,000	100,000	45,000	45,000	—	—	—	—
Total				120,000	120,000	54,800	54,800	—	—	—	—

None of the Group's associates are publicly listed and consequently do not have published price quotations.

NOTES TO THE FINANCIAL STATEMENTS

The following table summarises the financial information of the associates as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these companies.

	Nippon Pack Trading Co., Ltd.		Wiko Mobile (Thailand) Co., Ltd	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Revenue	11,719	13,105	1,269,013	519,665
Total income (100%)	(22,808)	(26,306)	24,209	(154,754)
Total income (45% hold)	—	—	13,963	(70,013)
Total income (49% hold)	(11,176)	(12,890)	—	—
Elimination of unrealised profit on downstream sales	16	(87)	105	(501)
Group's share of total income	(11,160)	(12,977)	14,068	(70,514)
Current assets	11,026	16,748	227,852	186,448
Non-current assets	13,909	18,169	16,006	11,920
Current liabilities	(68,577)	(55,142)	(128,546)	(86,376)
Non-current liabilities	(659)	(547)	(146,086)	(166,975)
Net assets (100%)	(44,301)	(20,772)	(30,774)	(54,983)
Group's share of net assets (45% hold)	—	—	(13,848)	(25,013)
Group's share of net assets (49% hold)	(21,707)	(10,179)	—	—
Reclassification from indirect subsidiary	—	—	—	(2,772)
Elimination of unrealised profit on downstream sales	281	(87)	(370)	(501)
Differences between amount paid and carrying amount of interest in associate	7,089	7,089	—	—
Share of loss exceeded the carrying amount of investment adjusted to loan to associates	14,337	3,177	14,218	28,286
Carrying amount of investment in associates	—	—	—	—

11 OTHER LONG-TERM INVESTMENTS

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Other long-term investment				
Other non-marketable equity security	59,601	59,601	—	—
	59,601	59,601	—	—
Less Allowance for impairment	(59,601)	(59,601)	—	—
Net	—	—	—	—

Other long-term investments were investments in ordinary shares of Alliance & Link Corporation Co., Ltd. at 15% and Click Connect Co., Ltd. at 15% of authorised share capital, by the Company's subsidiary (SiS Venture Co., Ltd.).

NOTES TO THE FINANCIAL STATEMENTS

In 2011, SiS Venture Co., Ltd. set up allowance for impairment in the value of long-term investment in Alliance & Link Corporation Co., Ltd. Baht 51.0 million.

In 2015, SiS Venture Co., Ltd. set up allowance for impairment in the value of long-term investment in Click Connect Co., Ltd. Baht 8.6 million.

12 EQUIPMENT

	Consolidated financial statements					
	Vehicles	Furniture & fixtures	Computer & office equipment <i>(in thousand Baht)</i>	Leasehold improvements	Assets under installation	Total
<i>Cost</i>						
At 1 January 2015	7,473	16,807	196,240	69,979	—	290,499
Additions	—	413	29,189	374	—	29,976
Disposals	—	(2,785)	(38,178)	(3,948)	—	(44,911)
At 31 December 2015 and 1 January 2016	7,473	14,435	187,251	66,405	—	275,564
Additions	—	706	25,468	115	500	26,789
Disposals	(1,012)	—	(574)	—	—	(1,586)
Transfers	—	—	—	500	(500)	—
At 31 December 2016	6,461	15,141	212,145	67,020	—	300,767
<i>Depreciation</i>						
At 1 January 2015	6,284	9,439	129,561	24,741	—	170,025
Depreciation charge for the year	602	1,525	24,603	6,499	—	33,229
Disposals	—	(2,784)	(33,233)	(3,948)	—	(39,965)
At 31 December 2015 and 1 January 2016	6,886	8,180	120,931	27,292	—	163,289
Depreciation charge for the year	70	1,307	23,604	6,267	—	31,248
Disposals	(495)	—	(431)	—	—	(926)
At 31 December 2016	6,461	9,487	144,104	33,559	—	193,611
<i>Net book value</i>						
At 1 January 2015						
Owned assets	1,189	7,368	66,679	45,238	—	120,474
	<u>1,189</u>	<u>7,368</u>	<u>66,679</u>	<u>45,238</u>	<u>—</u>	<u>120,474</u>
At 31 December 2015 and 1 January 2016						
Owned assets	587	6,255	66,320	39,113	—	112,275
	<u>587</u>	<u>6,255</u>	<u>66,320</u>	<u>39,113</u>	<u>—</u>	<u>112,275</u>
At 31 December 2016						
Owned assets	—	5,654	68,041	33,461	—	107,156
	<u>—</u>	<u>5,654</u>	<u>68,041</u>	<u>33,461</u>	<u>—</u>	<u>107,156</u>

The gross amount of the Group's fully depreciated equipment that was still in use as at 31 December 2016 amounted to Baht 100.8 million (2015: Baht 97.6 million).

APPENDIX I
FINANCIAL INFORMATION OF THE TARGET GROUP
NOTES TO THE FINANCIAL STATEMENTS

			Separate financial statements			
			Computer			
	Vehicles	Furniture & fixtures	& office equipment	Leasehold improvements	Assets under installation	Total
			(in thousand Baht)			
<i>Cost</i>						
At 1 January 2015	7,473	16,807	191,267	69,979	—	285,526
Additions	—	413	28,613	374	—	29,400
Disposals	—	(2,785)	(33,055)	(3,948)	—	(39,788)
At 31 December 2015 and 1 January 2016	7,473	14,435	186,825	66,405	—	275,138
Additions	—	706	25,232	115	500	26,553
Disposals	(1,012)	—	(574)	—	—	(1,586)
Transfers	—	—	—	500	(500)	—
At 31 December 2016	6,461	15,141	211,483	67,020	—	300,105
<i>Depreciation</i>						
At 1 January 2015	6,284	9,439	129,138	24,740	—	169,601
Depreciation charge for the year	602	1,525	23,701	6,499	—	32,327
Disposals	—	(2,784)	(32,154)	(3,948)	—	(38,886)
At 31 December 2015 and 1 January 2016	6,886	8,180	120,685	27,291	—	163,042
Depreciation charge for the year	70	1,307	23,482	6,267	—	31,126
Disposals	(495)	—	(431)	—	—	(926)
At 31 December 2016	6,461	9,487	143,736	33,558	—	193,242
<i>Net book value</i>						
At 1 January 2015						
Owned assets	1,189	7,368	62,129	45,239	—	115,925
	1,189	7,368	62,129	45,239	—	115,925
At 31 December 2015 and 1 January 2016						
Owned assets	587	6,255	66,140	39,114	—	112,096
	587	6,255	66,140	39,114	—	112,096
At 31 December 2016						
Owned assets	—	5,654	67,747	33,462	—	106,863
	—	5,654	67,747	33,462	—	106,863

The gross amount of the Company's fully depreciated equipment that was still in use as at 31 December 2016 amounted to Baht 100.6 million (2015: Baht 97.6 million).

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

	Consolidated financial statements/ Separate financial statements		
	Software licences	Software licences in progress	Total
	<i>(in thousand Baht)</i>		
Cost			
At 1 January 2015	81,361	3,585	84,946
Additions	939	320	1,259
Transfers	(25,459)	—	(25,459)
At 31 December 2015 and 1 January 2016	56,841	3,905	60,746
Additions	874	—	874
Disposal	250	(250)	—
At 31 December 2016	57,965	3,655	61,620
Amortisation			
At 1 January 2015	45,800	—	45,800
Amortisation charge for the year	5,883	—	5,883
Disposal	(25,459)	—	(25,459)
At 31 December 2015 and 1 January 2016	26,224	—	26,224
Amortisation charge for the year	5,804	—	5,804
At 31 December 2016	32,028	—	32,028
Net book value			
At 1 January 2015	<u>35,561</u>	<u>3,585</u>	<u>39,146</u>
At 31 December 2015 and 1 January 2016	<u>30,617</u>	<u>3,905</u>	<u>34,522</u>
At 31 December 2016	<u>25,937</u>	<u>3,655</u>	<u>29,592</u>

The gross amount of the Group's fully amortised intangible assets that was still in use as at 31 December 2016 amounted to Baht 1.7 million (2015: Baht 1.3 million).

14 DEFERRED TAX

Deferred tax assets and liabilities as at 31 December were as follows:

	Consolidate financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Deferred tax assets	255,538	279,742	223,692	225,272
Deferred tax liabilities	(1,088)	(8,570)	(1,070)	(8,491)
Net deferred tax assets	<u>254,450</u>	<u>271,172</u>	<u>222,622</u>	<u>216,781</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	Consolidated financial statements (Charged)/ Credited to:		
	At 1 January 2016	Profit or loss (Note 25) (in thousand Baht)	At 31 December 2016
Deferred tax assets			
Trade and other accounts receivable	158,132	(8,930)	149,202
Inventories	29,833	13,604	43,437
Provisions	26,768	1,377	28,145
Loss carry forward	47,367	(22,567)	24,800
Others	17,642	(7,688)	9,954
Total	279,742	(24,204)	255,538
Deferred tax liabilities			
Fair value change of forward exchange contracts in assets	(685)	(403)	(1,088)
Allowance for purchased return	(7,885)	7,885	—
Total	(8,570)	7,482	(1,088)
Net	271,172	(16,722)	254,450
	Consolidated financial statements (Charged)/ Credited to:		
	At 1 January 2015	Profit or loss (Note 25) (in thousand Baht)	At 31 December 2015
Deferred tax assets			
Trade and other accounts receivable	156,730	1,402	158,132
Inventories	37,833	(8,000)	29,833
Provisions	21,420	5,348	26,768
Loss carry forward	60,610	(13,243)	47,367
Others	13,605	4,037	17,642
Total	290,198	(10,456)	279,742
Deferred tax liabilities			
Fair value change of forward exchange contracts in assets	(556)	(129)	(685)
Allowance for purchased return	(5,460)	(2,425)	(7,885)
Total	(6,016)	(2,554)	(8,570)
Net	284,182	(13,010)	271,172

NOTES TO THE FINANCIAL STATEMENTS

	Separate financial statements (Charged)/		
	At 1 January 2016	Credited to: Profit or loss (Note 25) (in thousand Baht)	At 31 December 2016
Deferred tax assets			
Trade and other accounts receivable	154,642	(8,610)	146,032
Inventories	28,747	12,250	40,997
Provisions	24,320	2,408	26,728
Others	17,563	(7,628)	9,935
Total	225,272	(1,580)	223,692
Deferred tax liabilities			
Fair value change of forward exchange contracts in assets	(606)	(464)	(1,070)
Allowance for purchased return	(7,885)	7,885	—
Total	(8,491)	7,421	(1,070)
Net	216,781	5,841	222,622
	Separate financial statements (Charged)/		
	At 1 January 2015	Credited to: Profit or loss (Note 25) (in thousand Baht)	At 31 December 2015
Deferred tax assets			
Trade and other accounts receivable	153,530	1,112	154,642
Inventories	29,195	(448)	28,747
Provisions	15,654	8,666	24,320
Others	13,596	3,967	17,563
Total	211,975	13,297	225,272
Deferred tax liabilities			
Fair value change of forward exchange contracts in assets	(438)	(168)	(606)
Allowance for purchased return	(5,460)	(2,425)	(7,885)
Total	(5,898)	(2,593)	(8,491)
Net	206,077	10,704	216,781

The loss carry forward will be expired in fiscal year 2017. The deductible temporary differences do not expire under current tax legislation.

One of the Group's subsidiaries, Qool Distribution (Thailand) Company Ltd. expands its market and business for trading in communication and electronic equipment. As a result, management prepared its estimates of future taxable profits. The Group recognized the tax effect of Baht 24.8 million of cumulative tax losses in the amount of Baht 124 million because management considered it probable that future taxable profits would be available against which such losses can be used. The remaining loss carry forward in the amount of Baht 13 million has not been recognised as deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

15 INTEREST-BEARING LIABILITIES

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(in thousand Baht)			
<i>Current — unsecured</i>				
Bank overdrafts	—	3	—	3
Trust receipts	1,019,222	658,002	917,705	643,002
Loans from financial institutions	<u>200,000</u>	<u>600,000</u>	<u>100,000</u>	<u>450,000</u>
Bank overdrafts and loans from financial institutions	<u>1,219,222</u>	<u>1,258,005</u>	<u>1,017,705</u>	<u>1,093,005</u>
Total	<u>1,219,222</u>	<u>1,258,005</u>	<u>1,017,705</u>	<u>1,093,005</u>

The periods to maturity of interest-bearing liabilities, excluding finance lease liabilities, as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(in thousand Baht)			
Within one year	<u>1,219,222</u>	<u>1,258,005</u>	<u>1,017,705</u>	<u>1,093,005</u>
Total	<u>1,219,222</u>	<u>1,258,005</u>	<u>1,017,705</u>	<u>1,093,005</u>

Under the term of the loan agreements, the Company has to comply with all terms and conditions which were specified in the agreements such as maintaining the debt to equity ratio, etc.

Interest-bearing liabilities of the Group and the Company as at 31 December 2016 and 2015 were denominated entirely in Thai Baht.

16 TRADE ACCOUNTS PAYABLE

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
		(in thousand Baht)			
Related parties	4	57,190	11,158	86	86
Other parties		<u>1,626,524</u>	<u>1,233,907</u>	<u>1,586,516</u>	<u>1,207,187</u>
Total		<u>1,683,714</u>	<u>1,245,065</u>	<u>1,586,602</u>	<u>1,207,273</u>

NOTES TO THE FINANCIAL STATEMENTS

The currency denomination of trade accounts payable as at 31 December 2016 and 2015 were as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Thai Baht (Baht)	1,256,491	1,036,229	1,159,380	999,077
United States Dollars (USD)	<u>427,223</u>	<u>208,836</u>	<u>427,222</u>	<u>208,196</u>
Total	<u>1,683,714</u>	<u>1,245,065</u>	<u>1,586,602</u>	<u>1,207,273</u>

17 OTHER PAYABLES

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Related parties					
Other payables	4	909	841	778	744
Accrued expenses	4	<u>1,144</u>	<u>870</u>	<u>1,011</u>	<u>733</u>
Total		<u>2,053</u>	<u>1,711</u>	<u>1,789</u>	<u>1,477</u>
Other parties					
Accrued marketing expenses		140,727	133,840	133,638	121,600
Accrued employee benefit expenses		73,867	62,772	73,867	62,772
Other payables		25,379	26,404	23,991	25,312
Advance received		12,000	9,976	11,836	9,976
Payable for intangible assets		11,575	11,575	11,575	11,575
Account payable to Revenue department		8,859	—	8,859	—
Others		<u>2,679</u>	<u>14,564</u>	<u>2,316</u>	<u>14,236</u>
Total		<u>275,086</u>	<u>259,131</u>	<u>266,082</u>	<u>245,471</u>
Total		<u>277,139</u>	<u>260,842</u>	<u>267,871</u>	<u>246,948</u>

NOTES TO THE FINANCIAL STATEMENTS

18 EMPLOYEE BENEFIT OBLIGATIONS

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<i>As at 31 December</i>				
Statement of financial position				
Obligations for:				
Define benefit plans	43,970	38,535	43,970	38,535
Total	43,970	38,535	43,970	38,535
<i>Year ended 31 December</i>				
Statement of income				
Recognised in profit or loss:				
Define benefit plans	6,985	6,059	6,985	6,059
Total	6,985	6,059	6,985	6,059

The Group operates defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk.

Movements in the present value of the defined benefit obligations are detailed as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January	38,535	33,076	38,535	33,076
Included in profit or loss:				
Current service costs	5,690	4,948	5,690	4,948
Interest on obligation	1,295	1,111	1,295	1,111
Other				
Benefits paid by the plan	(1,550)	(600)	(1,550)	(600)
Defined benefit obligations at 31 December	43,970	38,535	43,970	38,535

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(%)			
Discount rate	3.36	3.36	3.36	3.36
Future salary growth	5.23	5.23	5.23	5.23
Employee turnover rate	0–33	0–33	0–33	0–33

Assumptions regarding future mortality have been based on published statistics and mortality tables.

At 31 December 2016, the weighted-average duration of the defined benefit obligations were 9.42 years (2015: 9.42 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Consolidated financial statements		Separate financial statements	
	Increase	Decrease	Increase	Decrease
	(in thousand Baht)			
Defined benefit obligation 31 December 2016				
Discount rate (0.5% movement)	(1,837)	1,977	(1,837)	1,977
Future salary growth (0.5% movement)	1,931	(1,814)	1,931	(1,814)
Life expectancy (1 year movement)	324	(322)	324	(322)
Defined benefit obligation 31 December 2015				
Discount rate (0.5% movement)	(1,636)	1,759	(1,636)	1,759
Future salary growth (0.5% movement)	1,718	(1,616)	1,718	(1,616)
Life expectancy (1 year movement)	296	(293)	296	(293)

NOTES TO THE FINANCIAL STATEMENTS

19 SHARE CAPITAL

	Par value per share (in Baht)	2016 Number	2016 Baht (thousand shares/thousand Baht)	2015 Number	2015 Baht
<i>Authorised</i>					
At 1 January					
— ordinary shares	1	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
At 31 December					
— ordinary shares	1	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
<i>Issued and fully paid-up</i>					
At 1 January					
— ordinary shares	1	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
At 31 December					
— ordinary shares	1	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

20 RESERVES

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Movements in reserves

Movements in reserves are shown in the statements of changes in equity.

21 OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group’s strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group’s reportable segments.

- *Segment 1* Commercial products
- *Segment 2* Consumer products
- *Segment 3* Value added products
- *Segment 4* Phones

None of other operations meets the quantitative thresholds for determining reportable segments in 2016 or 2015.

NOTES TO THE FINANCIAL STATEMENTS

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments:

	Consolidated financial statements													
	Segment 1		Segment 2		Segment 3		Segment 4		Total reportable segments		Others		Total	
									2016	2015				
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
	(in million Baht)													
External revenues	5,145	5,186	6,523	6,507	2,511	1,578	2,818	3,239	16,997	16,510	1,378	1,459	18,375	17,969
Total segment revenues	<u>5,145</u>	<u>5,186</u>	<u>6,523</u>	<u>6,507</u>	<u>2,511</u>	<u>1,578</u>	<u>2,818</u>	<u>3,239</u>	<u>16,997</u>	<u>16,510</u>	<u>1,378</u>	<u>1,459</u>	<u>18,375</u>	<u>17,969</u>
Segment gross profit	<u>221</u>	<u>216</u>	<u>322</u>	<u>309</u>	<u>247</u>	<u>200</u>	<u>92</u>	<u>112</u>	<u>882</u>	<u>837</u>	<u>55</u>	<u>104</u>	<u>937</u>	<u>941</u>
Segment assets as at 31 December	426	229	916	643	149	99	104	211	1,595	1,182	123	141	1,718	1,323

Reconciliation of reportable segment profit or loss and assets

	Consolidated financial statements	
	2016	2015
	<i>(in million Baht)</i>	
Gross profit or loss		
Total profit for reportable segments	882	837
Other segment's profit	<u>55</u>	<u>104</u>
	937	941
Unallocated amounts:		
— Other income	120	151
— Other corporate expenses	(703)	(713)
— Finance cost	(50)	(64)
— Share of loss of investments in associates	<u>3</u>	<u>(83)</u>
Consolidated profit before income tax	<u>307</u>	<u>232</u>
Assets		
Total assets for reportable segments	1,595	1,182
Other segment's assets	123	141
Other unallocated amounts	<u>3,240</u>	<u>3,105</u>
Consolidated total assets	<u>4,958</u>	<u>4,428</u>

NOTES TO THE FINANCIAL STATEMENTS

Geographical segments

The Group is managed and operates principally in Thailand. There are no material revenues derived from, or assets located in, foreign countries.

Major customer

The Group has no major customer.

22 OTHER INCOME

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Management income	4	—	—	46,253	33,871
Income from marketing refund	4	30,891	52,298	22,291	24,517
Income from administrative service		11,432	—	11,432	—
Interest income	4	8,808	6,927	8,887	19,815
Others		8,479	13,934	5,170	11,449
Total		59,610	73,159	94,033	89,652

23 EMPLOYEE BENEFIT EXPENSES

		Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Wages and salaries		304,836	283,570	300,133	282,350
Pension costs — defined contribution plans		8,105	8,480	8,105	8,480
Pension costs — defined benefit plans		6,985	6,059	6,985	6,059
Others		15,367	17,443	15,367	17,317
Total		335,293	315,552	330,590	314,206

The Company has established a contributory provident fund for its employees. Membership of the fund is on a voluntary basis. Contributions are made monthly by the employees at the rate of 3% and 5% of their basic salaries and by the Company at the rate of 3% and 5% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as juristic entity and is managed by a licensed Fund Manager.

NOTES TO THE FINANCIAL STATEMENTS

24 EXPENSES BY NATURE

The statements of comprehensive income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(in thousand Baht)			
<i>Included in cost of sales of goods:</i>				
Changes in inventories	(462,946)	691,986	(400,435)	300,105
Purchase	17,832,222	16,376,202	15,133,678	14,530,568
Allowance for obsolete and defective stocks (reversal)	68,020	(40,003)	61,251	(2,238)
Total	17,437,296	17,028,185	14,794,494	14,828,435
<i>Included in selling expenses:</i>				
Advertising and marketing expenses	133,786	170,354	128,891	149,432
Transportation expenses	34,593	32,845	31,155	30,928
Employee benefit expenses	20,790	20,678	20,790	20,583
Others	4,272	3,183	4,272	3,183
Total	193,441	227,060	185,108	204,126
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(in thousand Baht)			
<i>Included in administrative expenses:</i>				
Employee benefit expenses	301,489	284,054	301,489	282,804
Tax penalties	41,777	—	41,777	—
Depreciation and amortisation	37,052	39,112	36,930	38,210
Rental expense	36,769	36,861	36,769	36,858
Bad debts and doubtful accounts (reversal)	(14,406)	13,979	(12,813)	12,517
Doubtful debts expense for short-term loans to related party	10,163	—	—	—
Management fee	11,491	11,253	9,750	9,789
Impairment losses on investment	—	8,571	9,800	8,571
Service charge	4,480	4,171	4,480	4,112
Others	50,887	57,746	47,470	54,703
Total	479,702	455,747	475,652	447,564

NOTES TO THE FINANCIAL STATEMENTS

25 INCOME TAX EXPENSE

Income tax recognised in profit or loss

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Current tax expense					
Current year		61,303	52,662	61,248	52,662
Under provided in prior year		<u>1,660</u>	<u>488</u>	<u>1,660</u>	<u>488</u>
		<u>62,963</u>	<u>53,150</u>	<u>62,908</u>	<u>53,150</u>
Deferred tax expense					
Movements in temporary differences	14	<u>16,722</u>	<u>13,010</u>	<u>(5,841)</u>	<u>(10,704)</u>
		<u>16,722</u>	<u>13,010</u>	<u>(5,841)</u>	<u>(10,704)</u>
Total		<u><u>79,685</u></u>	<u><u>66,160</u></u>	<u><u>57,067</u></u>	<u><u>42,446</u></u>

Reconciliation of effective tax rate

		Consolidated financial statements			
		2016	2015		
		<i>(in thousand Baht)</i>		<i>(in thousand Baht)</i>	
	Rate (%)	Rate (%)	Rate (%)		
Accounting profit before income tax		<u>307,130</u>		<u>232,498</u>	
Tax at the applicable tax rates	20.0	61,426	20.0	46,500	
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	2.8	8,692	8.2	19,172	
Derecognition of previously recognised deductible temporary differences	2.6	7,907	—	—	
Under provided in prior year	<u>0.5</u>	<u>1,660</u>	<u>0.2</u>	<u>488</u>	
Total		<u><u>25.9</u></u>	<u><u>79,685</u></u>	<u><u>28.4</u></u>	<u><u>66,160</u></u>

NOTES TO THE FINANCIAL STATEMENTS

	Separate financial statements			
	2016		2015	
		(in thousand Baht)		(in thousand Baht)
	Rate (%)		Rate (%)	
Accounting profit before income tax		<u>204,802</u>		<u>201,236</u>
Tax at the applicable tax rates	20.0	40,960	20.0	40,247
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	4.5	9,227	0.9	1,711
Derecognition of previously recognised deductible temporary differences	2.6	5,220	—	—
Under provided in prior year	<u>0.8</u>	<u>1,660</u>	<u>0.2</u>	<u>488</u>
Total	<u>27.9</u>	<u>57,067</u>	<u>21.1</u>	<u>42,446</u>

Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

26 EARNINGS PER SHARE**Basic earnings per share**

The calculation of basic earnings per share for year ended 31 December 2016 and 2015 were based on the profit for the period attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the year as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(thousand Baht/thousand shares)			
Profit attributable to equity holders of the Company (Basic)	<u>227,445</u>	<u>168,851</u>	<u>147,735</u>	<u>158,790</u>
Number of ordinary shares outstanding	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
Basic earnings per share (in Baht)	<u>0.65</u>	<u>0.48</u>	<u>0.42</u>	<u>0.45</u>

27 DIVIDENDS

At the annual general meeting of the shareholders of the Company held on 22 April 2016, the shareholders passed the resolution to approved the appropriation of dividend as at 31 December 2015 for 350.20 million ordinary shares, Baht 0.30 per share, totalling Baht 105.06 million. The dividend was paid in May 2016.

At the annual general meeting of the shareholders of the Company held on 24 April 2015, the shareholders passed the resolution to approved the appropriation of dividend as at 31 December 2014, for 350.20 million ordinary shares, Baht 0.20 per share, totalling Baht 70.04 million. The dividend was paid in May 2015.

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL INSTRUMENTS

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group 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.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The Company is primarily exposed to interest rate risk from its borrowings (Note 15). Most of the interest rates of financial assets and liabilities of the Group are floating rates, which are based on market rates such as the interest prime rate of commercial banks, saving interest rate or other benchmark floating rates.

The effective interest rates of interest-bearing financial liabilities as at 31 December 2016 and 2015 and the periods in which those liabilities mature or re-price were as follows:

			Consolidated financial statements After		
	Effective interest rates (% per annum)	Within 1 year	1 year but within 5 years (in million Baht)	After 5 years	Total
2016					
Current					
Trust receipts	2.20–2.49	1,019	—	—	1,019
Loan from financial institutions	2.40–2.80	200	—	—	200
Total		1,219	—	—	1,219
2015					
Current					
Trust receipts	2.38–2.69	658	—	—	658
Loan from financial institutions	2.70–3.00	600	—	—	600
Total		1,258	—	—	1,258

NOTES TO THE FINANCIAL STATEMENTS

			Separate financial statements			
			After	1 year but	After	Total
	Effective	Within	1 year but	within	5 years	
	interest rates	1 year	5 years	5 years		
	(% per annum)		(in million Baht)			
2016						
Current						
Trust receipts	2.20–2.49	918	—	—	—	918
Loan from financial institutions	2.40	100	—	—	—	100
Total		1,018	—	—	—	1,018
2015						
Current						
Trust receipts	2.38–2.69	643	—	—	—	643
Loan from financial institutions	2.70–2.74	450	—	—	—	450
Total		1,093	—	—	—	1,093

Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge financial liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales in foreign currencies, for the subsequent period.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

		Consolidated		Separate	
		financial statements	financial statements	financial statements	financial statements
		2016	2015	2016	2015
		(in million Baht)			
	Note				
United States Dollars					
Trade accounts receivable	6	—	1	—	1
Trade accounts payable	16	(427)	(209)	(427)	(208)
Gross balance sheet exposure		(427)	(208)	(427)	(207)
Forward contracts		451	474	445	439
Swap contracts		21	93	21	93
Net exposure		45	359	39	325

Credit risk

Credit risk is the risk arising from failure of customers or counterparties to meet their contractual obligations, which may eventually cause financial losses. The Group has determined a risk management policy through analysis of the customer and counterparties' financial status, and also by defining the rules for credit approval and debt collection period. In addition, the Group has policy to take out risk insurance for uncollectability of accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Consolidated financial statements					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
		(in thousand Baht)			
31 December 2016					
<i>Financial assets/Financial liabilities measured at fair value</i>					
Forward contracts	5,444	—	5,444	—	5,444
Swap contracts	(1)	—	(1)	—	(1)
31 December 2015					
<i>Financial assets/Financial liabilities measured at fair value</i>					
Forward contracts	3,568	—	3,568	—	3,568
Swap contracts	(144)	—	(144)	—	(144)
Separate financial statements					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
		(in thousand Baht)			
31 December 2016					
<i>Financial assets/Financial liabilities measured at fair value</i>					
Forward contracts	5,350	—	5,350	—	5,350
Swap contracts	(1)	—	(1)	—	(1)
31 December 2015					
<i>Financial assets/Financial liabilities measured at fair value</i>					
Forward contracts	3,177	—	3,177	—	3,177
Swap contracts	(144)	—	(144)	—	(144)

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated financial statements		Separate financial statements	
	Fair value	Carrying amount (in thousand Baht)	Fair value	Carrying amount
<i>Financial asset not measured at fair value</i>				
31 December 2016				
Long-term loans to related party	49,686	49,782	63,904	64,000
Total	49,686	49,782	63,904	64,000

<i>Financial asset not measured at fair value</i>				
31 December 2015				
Long-term loans to related party	44,936	44,973	73,222	73,259
Total	44,936	44,973	73,222	73,259

The Group determines Level 2 fair values for forward contracts rate and swap contracts rate are based on counterparties' quotes. Fair value of the instrument reflect the credit risk and include adjustment to take account of the credit risk.

29 COMMITMENTS WITH NON-RELATED PARTIES

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<i>(in million Baht)</i>				
<i>Future minimum lease payments under non-cancellable operating leases</i>				
Within one year	13	34	13	34
After one year but within five years	2	12	2	12
Total	15	46	15	46
<i>Other commitments</i>				
Unutilised credits facilities	4,773	4,097	4,572	4,061
Forward contracts	451	474	445	439
Swap contracts	21	93	21	93
Bank guarantee	183	165	165	165
Total	5,428	4,829	5,203	4,758

Lease and service agreements

The Group had commitments for building and warehouse lease contracts with terms of 1–3 years.

Forward contracts

In 2016, the Group has forward contract facilities with banks in the amount of Baht 4,791 million equivalent to USD 133 million (2015: Baht 4,324 million equivalent to USD 119 million).

As at 31 December 2016, the Group had purchased forward contracts in the amount of USD 12.7 million, equivalent to Baht 450.76 million. The contracts are due in July 2017 (2015: USD 13 million, equivalent to Baht 473.71 million which the contracts were due in June 2016).

NOTES TO THE FINANCIAL STATEMENTS

Swap contracts

As at 31 December 2016 the Group had purchased a currency swap contract in the amount of USD 0.6 million equivalent to Baht 21 million. The contracts are due in March 2017. (2015: USD 3 million, equivalent to Baht 93 million which the contracts were due in March 2016).

Others

In 2006, the Company entered into two Digital Disc — Movie and Music distributor agreements. The Company has to pay a portion of related income to the vendor from the sale of Digital Disc — Movie and Music, after deduction of discount as stated in the distribution agreements. The agreements were effective from 1 July 2006 and 1 October 2006 onward and terminated on 1 July 2017.

30 EVENTS AFTER THE REPORTING PERIOD

At the Board of Directors' meeting held on 23 February 2017, the Board approved to propose for approval of cash dividend at the rate of Baht 0.25 per share and the special rate of Baht 0.15 per share, in the totally rate of Baht 0.40 per share, approximately amount to Baht 140.08 million, to the annual general meeting of the shareholders of the Company. The dividends will be paid subject to general shareholders' meeting approval.

31 THAI FINANCIAL REPORTING STANDARDS (TFRS) NOT YET ADOPTED

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2017, are set out below. The Group does not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement

NOTES TO THE FINANCIAL STATEMENTS

TFRS	Topic
TSIC 25 (revised 2016)	Income Taxes — Changes in the Tax Status of an Entity or its Shareholders
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 13 (revised 2016)	Customer Loyalty Programmes
TFRIC 14 (revised 2016)	TAS 19 (revised 2016) <i>Employee Benefits</i> — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
FAP Announcement no. 5/2559	Accounting guidance for derecognition of financial assets and financial liabilities

The Group has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**Independent Auditor's Report****To the shareholders of SiS Distribution (Thailand) Public Company Limited**

I have audited the accompanying consolidated and separate financial statements of SiS Distribution (Thailand) Public Company Limited and its subsidiaries (the “Group”), and of SiS Distribution (Thailand) Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2015, the consolidated and separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Separate Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

(Ekkasit Chuthamsatid)

Certified Public Accountant

Registration No. 4195

KPMG Phoomchai Audit Ltd.

Bangkok

18 February 2016

STATEMENT OF FINANCIAL POSITION

		Consolidated financial statements		Separate financial statements	
		31 December		31 December	
Assets	Note	2015	2014	2015	2014
		(in thousand Baht)			
<i>Current assets</i>					
Cash and cash equivalents	5	49,490	109,171	31,699	89,275
Trade accounts receivable	4, 6	2,045,107	1,951,441	1,907,230	1,729,693
Other receivables	4, 7	520,292	532,575	316,452	431,440
Short-term loans to related parties	4	11,523	—	137,000	478,137
Inventories	8	1,323,205	1,975,188	1,281,617	1,579,484
Other current assets		<u>3,425</u>	<u>2,782</u>	<u>3,033</u>	<u>2,192</u>
Total current assets		<u>3,953,042</u>	<u>4,571,157</u>	<u>3,677,031</u>	<u>4,310,221</u>
<i>Non-current assets</i>					
Investments in subsidiaries	9	—	—	181,758	190,329
Investments in associates	10	—	9,800	—	—
Other long-term investments	11	—	8,571	—	—
Long-term loans to related party	4	44,973	—	73,259	—
Equipment	12	112,275	120,474	112,096	115,925
Intangible assets	13	34,522	39,146	34,522	39,146
Deferred tax assets	14	271,172	284,182	216,781	206,077
Other non-current assets		<u>11,707</u>	<u>12,118</u>	<u>11,689</u>	<u>11,823</u>
Total non-current assets		<u>474,649</u>	<u>474,291</u>	<u>630,105</u>	<u>563,300</u>
Total assets		<u>4,427,691</u>	<u>5,045,448</u>	<u>4,307,136</u>	<u>4,873,521</u>

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

APPENDIX I
FINANCIAL INFORMATION OF THE TARGET GROUP

Liabilities and equity	Note	Consolidated financial statements 31 December		Separate financial statements 31 December	
		2015	2014	2015	2014
		(in thousand Baht)			
<i>Current liabilities</i>					
Bank overdrafts and short-term loans from financial institutions	15	1,258,005	2,427,594	1,093,005	2,171,594
Trade accounts payable	4, 16	1,245,065	804,384	1,207,273	763,592
Other payables	4, 17	260,842	267,055	246,948	236,590
Short-term loans from subsidiary	4	—	—	—	49,000
Income tax payable		16,571	5,643	16,571	5,643
Other current liabilities		<u>17,975</u>	<u>15,809</u>	<u>17,361</u>	<u>15,333</u>
Total current liabilities		<u>2,798,458</u>	<u>3,520,485</u>	<u>2,581,158</u>	<u>3,241,752</u>
<i>Non-current liabilities</i>					
Provision for cost of assets dismantlement		3,960	3,960	3,960	3,960
Employee benefit obligations	18	<u>38,535</u>	<u>33,076</u>	<u>38,535</u>	<u>33,076</u>
Total non-current liabilities		<u>42,495</u>	<u>37,036</u>	<u>42,495</u>	<u>37,036</u>
Total liabilities		<u>2,840,953</u>	<u>3,557,521</u>	<u>2,623,653</u>	<u>3,278,788</u>
<i>Equity</i>					
Share capital:	19				
Authorised share capital		<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
Issued and paid-up share capital		350,199	350,199	350,199	350,199
Premium on ordinary shares	19	435,415	435,415	435,415	435,415
Retained earnings					
Appropriated					
Legal reserve	20	35,020	35,020	35,020	35,020
Unappropriated		<u>766,104</u>	<u>667,293</u>	<u>862,849</u>	<u>774,099</u>
Total equity		<u>1,586,738</u>	<u>1,487,927</u>	<u>1,683,483</u>	<u>1,594,733</u>
Total liabilities and equity		<u>4,427,691</u>	<u>5,045,448</u>	<u>4,307,136</u>	<u>4,873,521</u>

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

STATEMENT OF INCOME

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	Note	2015	2014	2015	2014
		(in thousand Baht)			
Income					
Revenue from sale of goods	4	17,969,111	18,518,529	15,631,725	15,043,033
Revenue from rendering of services		54,201	35,822	28,947	34,339
Other income	4, 22	73,159	38,289	89,652	97,287
Gain on exchange rate		23,522	—	19,723	—
Gain from loss of controlling interests in subsidiary		895	—	—	—
Total income		18,120,888	18,592,640	15,770,047	15,174,659
Expenses					
Cost of sale of goods	4, 24	17,028,185	17,564,472	14,828,435	14,235,142
Cost of rendering of services		29,577	26,819	29,573	25,605
Selling expenses	24	227,060	264,514	204,126	254,309
Administrative expenses	4, 24	455,747	415,270	447,564	405,783
Loss on exchange rate		—	2,694	—	4,202
Finance costs		64,346	87,533	59,113	80,682
Total expenses		17,804,915	18,361,302	15,568,811	15,005,723
Share of loss of investments in associates		(83,475)	—	—	—
Profit before income tax expense		232,498	231,338	201,236	168,936
Income tax expense	25	(66,160)	(47,244)	(42,446)	(34,435)
Profit for the year		166,338	184,094	158,790	134,501
Profit (loss) attributable to:					
Owners of the Company		168,851	184,094	158,790	134,501
Non-controlling interests		(2,513)	—	—	—
Profit for the year		166,338	184,094	158,790	134,501
Basic earnings per share (Baht)	26	0.48	0.53	0.45	0.38

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

STATEMENT OF COMPREHENSIVE INCOME

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	<i>Note</i>	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Profit for the year		166,338	184,094	158,790	134,501
Other comprehensive income					
<i>Items that will never be reclassified to profit or loss</i>					
Actuarial gains from defined benefit plan	18	—	5,583	—	5,583
Income tax on other comprehensive income	25	—	(1,117)	—	(1,117)
Other comprehensive income for the year					
— net of income tax		—	4,466	—	4,466
Total comprehensive income for the year		166,338	188,560	158,790	138,967
Profit (loss) attributable to:					
Owners of the Company		168,851	188,560	158,790	138,967
Non-controlling interests		(2,513)	—	—	—
Profit for the year		166,338	188,560	158,790	138,967

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

STATEMENT OF CHANGES IN EQUITY

		Consolidated financial statements						
				Retained earnings				
	Note	Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated (in thousand Baht)	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Year ended 31 December 2014								
Balance at 1 January 2014		350,199	435,415	35,020	548,773	1,369,407	—	1,369,407
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners of the Company								
Dividend to owners of the Company	27	—	—	—	(70,040)	(70,040)	—	(70,040)
Total contributions by and distributions to owners of the Company								
		—	—	—	(70,040)	(70,040)	—	(70,040)
Comprehensive income for the year								
Profit		—	—	—	184,094	184,094	—	184,094
Other comprehensive income								
Actuarial gains from defined benefit plan — net of tax		—	—	—	4,466	4,466	—	4,466
Total comprehensive income for the year		—	—	—	188,560	188,560	—	188,560
Balance at 31 December 2014		350,199	435,415	35,020	667,293	1,487,927	—	1,487,927
Year ended 31 December 2015								
Balance at 1 January 2015		350,199	435,415	35,020	667,293	1,487,927	—	1,487,927
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners of the Company								
Loss of non-controlling interests from dilution of interests in subsidiary		—	—	—	—	—	2,513	2,513
Dividend to owners of the Company	27	—	—	—	(70,040)	(70,040)	—	(70,040)
Total contributions by and distributions to owners of the Company								
		—	—	—	(70,040)	(70,040)	2,513	(67,527)
Comprehensive income for the year								
Profit (loss) and other comprehensive income		—	—	—	168,851	168,851	(2,513)	166,338
Total comprehensive income for the year		—	—	—	168,851	168,851	(2,513)	166,338
Balance at 31 December 2015		350,199	435,415	35,020	766,104	1,586,738	—	1,586,738

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

STATEMENT OF CHANGES IN EQUITY

		Separate financial statements				
				Retained earnings		
	Note	Issued and paid-up share capital	Share premium	Legal reserve (in thousand Baht)	Unappropriated	Total equity
Year ended 31 December 2014						
Balance at 1 January 2014		350,199	435,415	35,020	705,172	1,525,806
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Dividend to owners of the Company	27	—	—	—	(70,040)	(70,040)
<i>Total contributions by and distributions to owners of the Company</i>						
		—	—	—	(70,040)	(70,040)
Comprehensive income for the year						
Profit		—	—	—	134,501	134,501
Other comprehensive income						
Actuarial gains from defined benefit plan — net of tax		—	—	—	4,466	4,466
Total comprehensive income for the year						
		—	—	—	138,967	138,967
Balance at 31 December 2014						
		<u>350,199</u>	<u>435,415</u>	<u>35,020</u>	<u>774,099</u>	<u>1,594,733</u>
Year ended 31 December 2015						
Balance at 1 January 2015		350,199	435,415	35,020	774,099	1,594,733
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Dividend to owners of the Company	27	—	—	—	(70,040)	(70,040)
<i>Total contributions by and distributions to owners of the Company</i>						
		—	—	—	(70,040)	(70,040)
Comprehensive income for the year						
Profit and other comprehensive income		—	—	—	158,790	158,790
Total comprehensive income for the year						
		—	—	—	158,790	158,790
Balance at 31 December 2015						
		<u>350,199</u>	<u>435,415</u>	<u>35,020</u>	<u>862,849</u>	<u>1,683,483</u>

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

STATEMENT OF CASH FLOWS

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	Note	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>					
Profit for the year		166,338	184,094	158,790	134,501
<i>Adjustments for</i>					
Depreciation	12	33,229	28,765	32,327	28,292
Amortisation of intangible assets	13	5,883	5,725	5,883	5,725
Interest income	22	(6,927)	(6,180)	(19,815)	(28,205)
Finance costs		64,346	87,533	59,113	80,682
Unrealised loss on exchange		761	3,262	786	2,948
(Gain) loss on disposal of equipment		(1,309)	384	(179)	(171)
Bad debts and doubtful debts expense	6	13,979	2,445	12,517	2,502
Provision of allowance for obsolete and defective stocks (reversal)	8	(40,003)	74,659	(2,238)	36,729
Employee benefit obligations	18	6,059	6,022	6,059	6,022
Impairment losses on investment in subsidiary		—	—	8,571	—
Impairment losses on other long-term investments	9, 11	8,571	—	—	—
Share of loss of investments in associates		83,475	—	—	—
Gain from loss of controlling interests in subsidiary		(895)	—	—	—
Income tax expense	25	66,160	47,244	42,446	34,435
		399,667	433,953	304,260	303,460
<i>Changes in operating assets and liabilities</i>					
Trade accounts receivable		(108,978)	344,144	(190,054)	458,622
Other receivables		(9,794)	(49,269)	113,525	(109,169)
Inventories		607,371	(357,799)	300,105	(34,356)
Other current assets		(643)	17,638	(841)	15,644
Other non-current assets		412	(303)	134	(8)
Trade accounts payable		444,649	1,306	442,895	(18,571)
Other payables		114,717	26,602	11,057	3,298
Other current liabilities		2,208	(2,634)	2,028	(2,952)
Employee benefit obligations paid		(600)	—	(600)	—
Cash generate from operating activities		1,449,009	413,638	982,509	615,968
Income tax paid		(42,222)	(48,291)	(42,222)	(48,291)
Net cash provided by operating activities		1,406,787	365,347	940,287	567,677

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

STATEMENT OF CASH FLOWS

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	Note	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
<i>Cash flows from investing activities</i>					
Interest received		6,927	6,180	21,278	27,664
Purchase of equipment	12	(29,976)	(20,297)	(29,400)	(15,599)
Sale of equipment		6,255	1,500	1,081	1,348
Proceeds (payments) on loans to related parties		(87,959)	—	267,878	(41,087)
Purchase of intangible assets	13	(1,259)	(6,285)	(1,259)	(6,285)
Net cash outflow on investment in associates	7	(44,985)	(9,800)	—	—
Net cash outflow on investment in subsidiary		—	—	—	(60,000)
Net cash provided by (used in) investing activities		<u>(150,997)</u>	<u>(28,702)</u>	<u>259,578</u>	<u>(93,959)</u>
<i>Cash flows from financing activities</i>					
Interest paid		(65,007)	(83,224)	(59,812)	(81,228)
Dividends paid to owners of the Company	27	(70,040)	(70,040)	(70,040)	(70,040)
Net repayment for loan from financial institutions		(1,169,589)	(148,143)	(1,078,589)	(343,922)
Net proceeds from loan from subsidiary		—	—	—	49,000
Repayment of short-term loan from subsidiary	4	—	—	(49,000)	—
Net cash used in financing activities		<u>(1,304,636)</u>	<u>(301,407)</u>	<u>(1,257,441)</u>	<u>(446,190)</u>
Net increase (decrease) in cash and cash equivalents		<u>(48,846)</u>	<u>35,238</u>	<u>(57,576)</u>	<u>27,528</u>
Cash and cash equivalents from loss control's subsidiary		(10,835)	—	—	—
Cash and cash equivalents at 1 January		<u>109,171</u>	<u>73,933</u>	<u>89,275</u>	<u>61,747</u>
Cash and cash equivalents at 31 December	5	<u>49,490</u>	<u>109,171</u>	<u>31,699</u>	<u>89,275</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Note	Contents
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related parties
5	Cash and cash equivalents
6	Trade accounts receivable
7	Other receivables
8	Inventories
9	Investments in subsidiaries
10	Investment in associates
11	Other long-term investments
12	Equipment
13	Intangible assets
14	Deferred tax
15	Interest-bearing liabilities
16	Trade accounts payable
17	Other payables
18	Employee benefit obligations
19	Share capital
20	Reserves
21	Operating Segment
22	Other income
23	Employee benefit expenses
24	Expenses by nature
25	Income tax expense
26	Earnings per share
27	Dividends
28	Financial instruments
29	Commitments with non-related parties
30	Events after the reporting period
31	Thai Financial Reporting Standards (TFRS) not yet adopted

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 18 February 2016.

1 GENERAL INFORMATION

SiS Distribution (Thailand) Public Company Limited, “the Company”, is incorporated in Thailand and has its registered office at 9 Pakin Building, 9th Floor, Room No. 901, Ratchadaphisek Road, Din Daeng, Bangkok, Thailand.

The Company was listed on the Stock Exchange of Thailand on 21 June 2004.

The Company’s major shareholders during the financial year were SiS Technologies (Thailand) Pte. Ltd. which was incorporated in Singapore (47.29% shareholding), Sittichaisrichart Family (14.66% shareholding) and Pungsrinont Family (9.83% shareholding).

The principal activities of the Company are trading in computer component, smartphone, office automation equipment, service and rental of computers and accessories and trading in Digital Disc — Movie and Music. Details of the Company’s subsidiaries as at 31 December 2015 and 2014 are given in notes 4 and 9.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**(a) Statement of compliance**

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

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2015. The initial application of these new and revised TFRS has resulted in changes in certain of the Group’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2016 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Group’s operations are disclosed in note 31.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Derivative financial instruments	Fair value
Net defined benefit liability	Present value of the defined benefit obligation, limited as explained in Note 3(n)

NOTES TO THE FINANCIAL STATEMENTS

(c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

Note 3(r)	Current and deferred taxation
Note 14	Utilisation of tax losses
Note 18	Measurement of defined benefit obligations
Note 28	Valuation of financial instruments

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in notes 28 financial instruments.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the group’s interests in associate.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity — accounted investees

The Group’s interests in equity-accounted investees was interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity — accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

(b) Foreign currencies*Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in profit or loss.

(c) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from operational activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(d) Hedging*Fair value hedges*

Where a derivative financial instrument hedges the changes in fair value of a recognised asset, liability or unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on remeasuring the fair value or foreign currency component of the hedging instrument is recognised in the profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

(e) 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. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

(f) Trade and other accounts receivable

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

The allowance for doubtful accounts is based on management's assessment of loss which may arise from the outstanding accounts receivable. Such assessment is provided by considering the accounts receivable outstanding over 3 months, for which allowance for doubtful accounts is set at the rate of 100%, together with the analysis of payment histories, future expectations of customer payment and the local economic conditions. Bad debts are written off when incurred.

NOTES TO THE FINANCIAL STATEMENTS

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase or other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The Group sets an allowance for the decline in value of obsolete and defective stock by management reviewing.

(h) Investment*Investment in subsidiaries and associates*

Investment in subsidiaries and associates in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

Equity securities

Equity securities which are not marketable are stated at cost less any impairment losses.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average applied to the carrying value of the total holding of the investment.

(i) Equipment*Recognition and measurement**Owned assets*

Equipment is stated at cost less accumulated depreciation and impairment losses.

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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of 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 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 and loss on a straight-line basis over the estimated useful lives of each component of an item of equipment. The estimated useful lives are as follows:

Vehicles	5 years
Furniture & fixtures	5 years
Computer & office equipment	3 and 5 years
Leasehold improvements	3, 5, 10 and 12 years

No depreciation is provided on asset under construction.

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

(j) Intangible assets*Software licences*

Software licences that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of software licences from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are 5 and 10 years.

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

(k) Impairment

The carrying amounts of the Group'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.

NOTES TO THE FINANCIAL STATEMENTS

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(l) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(m) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(n) Employee benefits*Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

NOTES TO THE FINANCIAL STATEMENTS

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

Sale of goods and services rendered

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs, the probable return of goods or the continuing management involvement with the goods.

Revenue from the sale of goods for Digital Disc — Movie and Music products after provision for sales return is recognised when have been sold to the customer.

Revenue from services is recognised when services are rendered.

Interest income

Interest income is recognised in profit or loss as it accrues.

(p) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration.

(q) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

Contingent rentals are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE FINANCIAL STATEMENTS

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

(r) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in 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 at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised 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 recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement 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 realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for share options granted to employees.

(t) Segment reporting

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and tax assets and liabilities.

4 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and associate are described in notes 9 and 10. Relationship with other related parties were as follows:

Name of the entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thailand Singapore	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.
SiS International Holdings Ltd.	Bermuda	Ultimate parent of the Group and some common directors
SiS Technologies (Thailand) Pte. Ltd.	Singapore	Under the same control of the ultimate parent company
Nippon Pack Trading Co., Ltd.	Thailand	Associate, 49% shareholding by the subsidiary company
Wiko Mobile (Thailand) Co., Ltd.	Thailand	Associate, 45% shareholding by the subsidiary company
Alliance & Link Corporation Co., Ltd	Thailand	15% shareholding by the subsidiary company
Click Connect Co., Ltd.	Thailand	15% shareholding by the subsidiary company
Hardware House International Co., Ltd.	Thailand	Indirect shareholding by the subsidiary company
Direct subsidiaries		
SiS Venture Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding
Qool Distribution (Thailand) Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding

On 15 February 2015, a subsidiary was diluted in its ownership interest of Wiko Mobile (Thailand) Co., Ltd. from 60% to 45%. As a result, Wiko Mobile (Thailand) Co., Ltd. was ceased to be a subsidiary to become an associated company.

NOTES TO THE FINANCIAL STATEMENTS

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Sale of goods	Market price plus actual related expenses
Management income/expense	Contractually agreed price
Purchase of good	Actual cost plus actual related expenses
Interest income/expense of loan to/from	Reference from interest rate of financial institution

Significant transactions for the years ended 31 December with related parties are summarised as follows:

<i>Year ended 31 December</i>	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Ultimate parent company				
Management fee	11,252	11,574	9,789	9,402
Subsidiary				
Sale of goods	—	—	582	—
Management income	—	—	33,871	37,148
Interest income	—	—	13,747	22,420
Purchase of goods	—	—	2,439	—
Interest expense	—	—	265	167
Associates				
Sale of goods	16,595	—	5,563	—
Other income	34,135	—	5,265	—
Interest income	2,613	—	2,198	—
Purchase of goods	498,646	—	—	—
Related party				
Sale of goods	45	277	45	899
Key management				
Key management personnel				
Compensation				
Short-term employee benefit	55,231	48,182	50,588	43,172
Other long-term benefits	1,997	1,933	1,789	1,703
Total key management personnel compensation	<u>57,228</u>	<u>50,115</u>	<u>52,377</u>	<u>44,875</u>

NOTES TO THE FINANCIAL STATEMENTS

Balances as at 31 December with related parties are as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
<i>Trade accounts receivable from associates</i>				
Nippon Pack Trading Co., Ltd.	316	—	316	—
Wiko Mobile (Thailand) Co., Ltd.	920	—	920	—
<i>Trade accounts receivable from other related parties</i>				
Hardware House International Co., Ltd.	46,223	46,223	46,223	46,223
Click Connect Co., Ltd.	—	32	—	17
	47,459	46,255	47,459	46,240
Less allowance for doubtful accounts	(46,223)	(46,223)	(46,223)	(46,223)
Net	1,236	32	1,236	17
<i>Other receivables from subsidiary</i>				
SiS Venture Co., Ltd.	—	—	54	—
<i>Other receivables from associates</i>				
Nippon Pack Trading Co., Ltd.	285	—	—	—
Wiko Mobile (Thailand) Co., Ltd.	28,284	—	—	—
<i>Other receivable from other related parties</i>				
Hardware House International Co., Ltd.	557,087	557,087	541,542	541,542
Less allowance for doubtful accounts	(557,087)	(557,087)	(541,542)	(541,542)
	28,569	—	54	—
<i>Advance payment to subsidiary</i>				
Wiko Mobile (Thailand) Co., Ltd.	—	—	—	116,973
<i>Accrued income from subsidiary</i>				
Qool Distribution (Thailand) Co., Ltd.	—	—	3,698	2,754
<i>Interest receivable from subsidiary</i>				
Qool Distribution (Thailand) Co., Ltd.	—	—	—	2,215
<i>Interest receivable from associates</i>				
Nippon Pack Trading Co., Ltd.	129	—	—	—
Wiko Mobile (Thailand) Co., Ltd.	752	—	752	—
Total	881	—	752	—

NOTES TO THE FINANCIAL STATEMENTS

The Company and its subsidiary (Qool Distribution (Thailand) Co., Ltd.) have an agreement on consignment with a related company (Hardware House International Co., Ltd.) which has notified the call for return all consignment from the related company in November 2012 because of the default of the terms of the agreement for consignment. The Company and its subsidiary are in the process to reclaim those losses from the related company. As at 31 December 2015 the receivable from the loss of consignment amounted to approximately Baht 557.09 million in the consolidated financial statements and Baht 541.54 million in separate financial statements, respectively (31 December 2014: Baht 557.09 million in the consolidated financial statements and Baht 541.54 million in the separate financial statements, respectively). The Company is undertaking litigation proceedings, therefore, pending the outcome of these proceedings, the Company and its subsidiary has estimated the allowance for doubtful account, amounted to Baht 557.09 million and 541.54 million, respectively.

Loans to related party	Interest rate		Consolidated		Separate	
	2015	2014	financial statements		financial statements	
	(% per annum)		2015	2014	2015	2014
(in thousand Baht)						
<i>Short-term loans to</i>						
Subsidiaries						
Qool Distribution (Thailand) Co., Ltd.	3.00	4.00–4.50	—	—	127,000	478,137
SiS Venture Co., Ltd.	3.25	—	—	—	10,000	—
Total			—	—	137,000	478,137
Associate						
Nippon Pack Trading Co., Ltd.	5.25	—	14,700	—	—	—
Less share of loss exceeds its interest in associates			(3,177)	—	—	—
Total			11,523	—	—	—
Grand Total			11,523	—	137,000	478,137
<i>Long-term loans to</i>						
Associate						
Wiko Mobile (Thailand) Co., Ltd.	3.03–3.15	—	73,259	—	73,259	—
Less share of loss exceeds its interest in associates			(28,286)	—	—	—
Grand Total			44,973	—	73,259	—

NOTES TO THE FINANCIAL STATEMENTS

Movements during the years ended 31 December of loans to related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Short-term loans to Subsidiaries				
At 1 January	—	—	478,137	437,050
Increase (decreased)	—	—	(341,137)	41,087
At 31 December	—	—	137,000	478,137
Associate				
At 1 January	—	—	—	—
Increase	14,700	—	—	—
Share of loss exceeds its interest in associates	(3,177)	—	—	—
At 31 December	11,523	—	—	—

Short-term loans to related parties were due on demand.

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Long-term loans				
Associate				
At 1 January	—	—	—	—
Increase	73,259	—	73,259	—
Share of loss exceeds its interest in associates	(28,286)	—	—	—
At 31 December	44,973	—	73,259	—

NOTES TO THE FINANCIAL STATEMENTS

During January 2015 the Company entered into an unsecured long-term loan agreement with an associate company, Wiko Mobile (Thailand) Co., Ltd., for the loan principal of Baht 73 million. The loan principal is receivable in the various amounts as stipulated in the agreement, commencing during December 2017.

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
<i>Trade payable to associate</i>				
Wiko Mobile (Thailand) Co., Ltd.	11,072	—	—	—
<i>Trade payable to other related parties</i>				
Alliance & Link Corporation Co., Ltd.	86	86	86	86
	<u>11,158</u>	<u>86</u>	<u>86</u>	<u>86</u>
<i>Other payable to ultimate parent company</i>				
SiS International Holdings Ltd.	841	1,847	744	1,544
<i>Accrued expense ultimate parent company</i>				
SiS International Holdings Ltd.	870	806	733	728
<i>Accrued interest expense to subsidiary</i>				
SiS Venture Co., Ltd.	—	—	—	167

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	Interest rate		(in thousand Baht)	
	2015 2014		2015 2014	
	(% per annum)			
<i>Short-term loans from subsidiary</i>				
SiS Venture Co., Ltd.	—	4.40	—	49,000

Movements during the years ended 31 December of short-term loans from related party were as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
Subsidiary				
At 1 January	—	—	49,000	—
Increase (decrease)	—	—	(49,000)	49,000
At 31 December	<u>—</u>	<u>—</u>	<u>—</u>	<u>49,000</u>

NOTES TO THE FINANCIAL STATEMENTS

Significant agreements with related parties

Management income

The Company has an agreement with a subsidiary (Qool Distribution (Thailand) Co., Ltd.) for sharing the combined staff and assets cost. The parties agreed to enter into new agreement effective from 1 January 2013 to change the monthly rate of management fee to Baht 1.50 million per month plus 1% of the net sales of the subsidiary for each month.

Management fee

In 2004, the Company entered into an agreement with SiS International Holdings Ltd. for sharing the combined staff and assets cost. The term of the agreement is from 1 January 2004 onward, and the monthly rate of management fee is 0.0625% of each month's sales.

5 CASH AND CASH EQUIVALENTS

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
Cash on hand	164	204	164	204
Cash at banks – current accounts	(58,903)	(43,067)	(60,870)	(46,210)
Cash at banks – savings accounts	108,229	152,034	92,405	135,281
Total	49,490	109,171	31,699	89,275

Cash and cash equivalents of the Group and the Company as at 31 December 2015 and 2014 were denominated entirely in Thai Baht.

6 TRADE ACCOUNTS RECEIVABLE

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		(in thousand Baht)			
Related parties	4	47,459	46,255	47,459	46,240
Other parties		2,280,022	2,186,542	2,138,506	1,964,359
Total		2,327,481	2,232,797	2,185,965	2,010,599
Less allowance for doubtful accounts		(282,374)	(281,356)	(278,735)	(280,906)
Net		2,045,107	1,951,441	1,907,230	1,729,693
Bad debts and doubtful debts expenses for the year		13,979	2,445	12,517	2,502

NOTES TO THE FINANCIAL STATEMENTS

Aging analysis for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
Related parties				
Within credit terms	1,236	23	1,236	8
Overdue:				
Less than 3 months	—	9	—	9
Over 12 months	46,223	46,223	46,223	46,223
	47,459	46,255	47,459	46,240
Less allowance for doubtful accounts	(46,223)	(46,223)	(46,223)	(46,223)
	1,236	32	1,236	17
Other parties				
Within credit terms	1,589,499	1,451,587	1,471,341	1,354,211
Overdue:				
Less than 3 months	433,805	436,701	415,635	383,856
3–6 months	31,820	74,817	30,966	3,110
6–12 months	14,314	20,980	13,103	20,725
Over 12 months	210,584	202,457	207,461	202,457
	2,280,022	2,186,542	2,138,506	1,964,359
Less allowance for doubtful accounts	(236,151)	(235,133)	(232,512)	(234,683)
	2,043,871	1,951,409	1,905,994	1,729,676
Total	2,045,107	1,951,441	1,907,230	1,729,693

The normal credit term granted by the Group is ranging from 30 days to 90 days.

The currency denomination of trade accounts receivable as at 31 December 2015 and 2014 were as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
Thai Baht (Baht)	2,044,397	1,951,441	1,906,520	1,729,693
United States Dollars (USD)	710	—	710	—
Total	2,045,107	1,951,441	1,907,230	1,729,693

NOTES TO THE FINANCIAL STATEMENTS

7 OTHER RECEIVABLES

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Related parties					
Other receivables	4	28,569	—	54	—
Receivable from losses of consignment	4	557,087	557,087	541,542	541,542
Advance payment	4	—	—	—	116,973
Accrued income	4	—	—	3,698	2,754
Interest receivable	4	881	—	752	2,215
		586,537	557,087	546,046	663,484
Less allowance for doubtful accounts		(557,087)	(557,087)	(541,542)	(541,542)
Net		29,450	—	4,504	121,942
Other parties					
Account receivable from Revenue Department		397,165	440,960	256,118	269,996
Accrued income		49,314	50,215	34,967	29,175
Prepaid expenses		10,729	27,568	7,005	7,325
Others		33,634	13,832	13,858	3,002
Total		490,842	532,575	311,948	309,498
Total		520,292	532,575	316,452	431,440

8 INVENTORIES

		Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Finished goods — computer components, and telecommunication components		1,369,197	2,055,219	1,322,747	1,616,363
Finished goods Digital Disc — Movie and Music		21,880	10,240	21,880	10,240
Work in progress		13,169	27,967	13,146	27,926
Goods in transit		68,123	70,929	67,580	70,929
		1,472,369	2,164,355	1,425,353	1,725,458
Less allowance for decline in value of inventories		(149,164)	(189,167)	(143,736)	(145,974)
Net		1,323,205	1,975,188	1,281,617	1,579,484
Inventories recognised as an expense in “cost of sales of goods”:					
— Cost		17,068,188	17,489,813	14,830,673	14,198,413
— Write-down to net realisable value		—	74,659	—	36,729
— Reversal of write-down		(40,003)	—	(2,238)	—
Net		17,028,185	17,564,472	14,828,435	14,235,142

NOTES TO THE FINANCIAL STATEMENTS

9 INVESTMENTS IN SUBSIDIARIES

	Separate financial statements	
	2015	2014
	(in thousand Baht)	
At 1 January	190,329	130,329
Acquisitions	—	60,000
Allowance for impairment	(8,571)	—
At 31 December	181,758	190,329

Investments in subsidiaries as at 31 December 2015 and 2014, and dividend income from those investments for the years then ended, were as follows:

		Separated financial statements											
	Type of business	Ownership interest		Paid-up capital		Cost		Impairment		At cost-net		Dividend income	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		(%)		(in thousand Baht)									
<i>Subsidiaries</i>													
SiS Venture Co., Ltd.	Holding Investment	99.99	99.99	120,000	120,000	120,000	120,000	59,601	51,030	60,399	68,970	—	—
Qool Distribution (Thailand) Co., Ltd	Trading	99.99	99.99	200,000	200,000	199,994	199,994	78,635	78,635	121,359	121,359	—	—
Total				320,000	320,000	319,994	319,994	138,236	129,665	181,758	190,329	—	—

All subsidiaries were incorporated in Thailand.

In 2015, the Company set up allowance for impairment in the value of SiS Venture Co., Ltd. amounting to Baht 8.6 million.

10 INVESTMENT IN ASSOCIATES

	Consolidated financial statements	
	2015	2014
	(in thousand Baht)	
For the period ended 31 December		
At 1 January	9,800	—
Share of loss of associates	(52,013)	—
Reclassification from indirect subsidiary	(2,772)	—
Acquisitions	44,985	9,800
At 31 December	—	9,800

NOTES TO THE FINANCIAL STATEMENTS

At the extra ordinary shareholders' meeting of a subsidiary (Wiko Mobile (Thailand) Co., Ltd.) held on 9 February 2015, the shareholders of the subsidiary passed resolution to approve the increase of authorised share capital from Baht 0.1 million to Baht 100 million to current shareholders. SiS Venture Co., Ltd. has invested in 449,400 new ordinary shares on 15 February 2015, at par value of Baht 100 per share, totaling of Baht 44.9 million and consequently its decrease of ownership interest from 60% to 45%. Wiko Mobile (Thailand) Co., Ltd. thereby ceased to be a subsidiary and become an associate. The carrying amount of Wiko Mobile (Thailand) Co., Ltd.'s net assets in the Group's financial statements on the date of invested was Baht 6.2 million. The fair value of the Group's retained interest in the associate at the date when control was lost was Baht 2.8 million, which became the carrying value of the Group's interest in associate at that date. The Group recognised an increase in retained earnings of Baht 5.3 million; loss of non-controlling interests from dilution of interests in subsidiary of Baht 2.5 million; and gain from loss of controlling interests in subsidiary of Baht 0.9 million, which is included in the consolidate statement of income.

For the year ended 31 December 2015, the Group's share of loss of investment in Wiko Mobile (Thailand) Co., Ltd. amounted to Baht 70.5 million. As at 31 December 2015, the Group's accumulated share of loss of investment in Wiko Mobile (Thailand) Co., Ltd. exceeded the carrying amount of the investment in shares. The excess loss is adjusted to loan to Wiko Mobile (Thailand) Co., Ltd. Future reversals of losses are first be applied to the loan investment to the extent that such loss is previously applied against this loan investment and subsequently recognised in the investment in shares.

Moreover, for the year ended 31 December 2015, the Group's share of loss of investment in Nippon Pack Trading Co., Ltd. amounted to Baht 13.0 million. As at 31 December 2015, the Group's accumulated share of loss of investment in Nippon Pack Trading Co., Ltd. exceeded the carrying amount of the investment in shares. The excess loss is adjusted to loan to Nippon Pack Trading Co., Ltd. Future reversals of losses are first be applied to the loan investment to the extent that such loss is previously applied against this loan investment and subsequently recognised in the investment in shares.

Investments in associate as at 31 December 2015 and 2014, and dividend income for the years then ended, were as follows:

	Type of business	Consolidated financial statements									
		Ownership interest		Paid-up capital		Cost method		Equity method		Dividend income	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		(%)		(in thousand Baht)							
<i>Associate</i>											
Nippon Pack Trading Co., Ltd.	Trading and service	49.00	49.00	20,000	9,800	9,800	9,800	—	9,800	—	—
Wiko Mobile (Thailand) Co., Ltd.	Trading	45.00	—	100,000	—	45,000	—	—	—	—	—
Total				120,000	9,800	54,800	9,800	—	9,800	—	—

None of the Group's associates are publicly listed and consequently do not have published price quotations.

NOTES TO THE FINANCIAL STATEMENTS

The following table summarises the financial information of the associates as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these companies.

	Nippon Pack Trading Co., Ltd.		Wiko Mobile (Thailand) Co., Ltd	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Revenue	13,105	5,181	519,665	—
Net loss	(26,306)	(12,917)	(154,754)	—
Current assets	16,748	19,331	186,448	—
Non-current assets	18,169	3,138	11,920	—
Current liabilities	(55,142)	(16,917)	(86,376)	—
Non-current liabilities	(547)	(18)	(166,975)	—
Net assets	(20,772)	5,534	(54,983)	—
Group's interest in net assets of investee at 1 January	9,800	—	—	—
Acquisitions	—	9,800	45,000	—
Total comprehensive income attributable to the Group	(12,890)	—	(70,013)	—
Group's interest in net assets of investee at end of year	(3,090)	9,800	(25,013)	—
Elimination of unrealised profit on downstream sales	(87)	—	(501)	—
Reclassification from indirect subsidiary	—	—	(2,772)	—
Share of loss exceeded the carrying amount of investment adjusted to loan to associates	3,177	—	28,286	—
Carrying amount of interest in investee at 31 December	—	9,800	—	—

11 OTHER LONG-TERM INVESTMENTS

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Other long-term investment				
Other non-marketable equity security	59,601	59,601	—	—
	59,601	59,601	—	—
Less Allowance for impairment	(59,601)	(51,030)	—	—
Net	—	8,571	—	—

Other long-term investments were investments in ordinary shares of Alliance & Link Corporation Co., Ltd. at 15% and Click Connect Co., Ltd. at 15% of authorised share capital, by the Company's subsidiary (SiS Venture Co., Ltd.).

NOTES TO THE FINANCIAL STATEMENTS

In 2011, SiS Venture Co., Ltd. set up allowance for impairment in the value of long-term investment in Alliance & Link Corporation Co., Ltd. Baht 51.0 million.

In 2015, SiS Venture Co., Ltd. set up allowance for impairment in the value of long-term investment in Click Connect Co., Ltd. Baht 8.6 million.

12 EQUIPMENT

	Consolidated financial statements					
	Vehicles	Furniture & fixtures	Computer & office equipment	Leasehold improvements	Construction in progress	Total
	<i>(in thousand Baht)</i>					
<i>Cost</i>						
At 1 January 2014	7,473	16,807	187,438	69,266	10	280,994
Additions	—	—	19,584	713	—	20,297
Disposals	—	—	(10,782)	—	(10)	(10,792)
At 31 December 2014 and 1 January 2015	7,473	16,807	196,240	69,979	—	290,499
Additions	—	413	29,189	374	—	29,976
Disposals	—	(2,785)	(38,178)	(3,948)	—	(44,911)
At 31 December 2015	7,473	14,435	187,251	66,405	—	275,564
<i>Depreciation</i>						
At 1 January 2014	5,488	7,816	118,841	18,023	—	150,168
Depreciation charge for the year	796	1,623	19,628	6,718	—	28,765
Disposals	—	—	(8,908)	—	—	(8,908)
At 31 December 2014 and 1 January 2015	6,284	9,439	129,561	24,741	—	170,025
Depreciation charge for the year	602	1,525	24,603	6,499	—	33,229
Disposals	—	(2,784)	(33,233)	(3,948)	—	(39,965)
At 31 December 2015	6,886	8,180	120,931	27,292	—	163,289
<i>Net book value</i>						
At 1 January 2014						
Owned assets	1,985	8,991	68,597	51,243	10	130,826
	1,985	8,991	68,597	51,243	10	130,826
At 31 December 2014 and 1 January 2015						
Owned assets	1,189	7,368	66,679	45,238	—	120,474
	1,189	7,368	66,679	45,238	—	120,474
At 31 December 2015						
Owned assets	587	6,255	66,320	39,113	—	112,275
	587	6,255	66,320	39,113	—	112,275

NOTES TO THE FINANCIAL STATEMENTS

			Separate financial statements			
	Vehicles	Furniture & fixtures	Computer & office equipment (in thousand Baht)	Leasehold improvements	Construction in progress	Total
<i>Cost</i>						
At 1 January 2014	7,473	16,807	185,931	69,266	10	279,487
Additions	—	—	14,886	713	—	15,599
Disposals	—	—	(9,550)	—	(10)	(9,560)
At 31 December 2014 and 1 January 2015	7,473	16,807	191,267	69,979	—	285,526
Additions	—	413	28,613	374	—	29,400
Disposals	—	(2,785)	(33,055)	(3,948)	—	(39,788)
At 31 December 2015	7,473	14,435	186,825	66,405	—	275,138
<i>Depreciation</i>						
At 1 January 2014	5,488	7,816	118,365	18,023	—	149,692
Depreciation charge for the year	796	1,623	19,156	6,717	—	28,292
Disposals	—	—	(8,383)	—	—	(8,383)
At 31 December 2014 and 1 January 2015	6,284	9,439	129,138	24,740	—	169,601
Depreciation charge for the year	602	1,525	23,701	6,499	—	32,327
Disposals	—	(2,784)	(32,154)	(3,948)	—	(38,886)
At 31 December 2015	6,886	8,180	120,685	27,291	—	163,042
<i>Net book value</i>						
At 1 January 2014						
Owned assets	1,985	8,991	67,566	51,243	10	129,795
	1,985	8,991	67,566	51,243	10	129,795
At 31 December 2014 and 1 January 2015						
Owned assets	1,189	7,368	62,129	45,239	—	115,925
	1,189	7,368	62,129	45,239	—	115,925
At 31 December 2015						
Owned assets	587	6,255	66,140	39,114	—	112,096
	587	6,255	66,140	39,114	—	112,096

The gross amount of the Group and Company's fully depreciated equipment that was still in use as at 31 December 2015 amounted to Baht 97.6 million (2014: Baht 90.1 million).

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

	Consolidated financial statements/ Separate financial statements		
	Software licences	Software licences in progress	Total
	<i>(in thousand Baht)</i>		
Cost			
At 1 January 2014	75,441	3,220	78,661
Additions	3,540	2,745	6,285
Transfers	2,380	(2,380)	—
At 31 December 2014 and 1 January 2015	81,361	3,585	84,946
Additions	939	320	1,259
Disposal	(25,459)	—	(25,459)
At 31 December 2015	56,841	3,905	60,746
Amortisation			
At 1 January 2014	40,075	—	40,075
Amortisation charge for the year	5,725	—	5,725
At 31 December 2014 and 1 January 2015	45,800	—	45,800
Amortisation charge for the year	5,883	—	5,883
Disposal	(25,459)	—	(25,459)
At 31 December 2015	26,224	—	26,224
Net book value			
At 1 January 2014	35,366	3,220	38,586
At 31 December 2014 and 1 January 2015	35,561	3,585	39,146
At 31 December 2015	30,617	3,905	34,522

14 DEFERRED TAX

Deferred tax assets and liabilities as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Deferred tax assets	279,742	290,198	225,272	211,975
Deferred tax liabilities	(8,570)	(6,016)	(8,491)	(5,898)
Net deferred tax assets	271,172	284,182	216,781	206,077

NOTES TO THE FINANCIAL STATEMENTS

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

	At 1 January 2015	Consolidated financial statements (Charged)/Credited to:		At 31 December 2015
		Profit or loss (Note 25) (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Trade and other accounts receivable	156,730	1,402	—	158,132
Inventories	37,833	(8,000)	—	29,833
Provisions	21,420	5,348	—	26,768
Loss carry forward	60,610	(13,243)	—	47,367
Others	13,605	4,037	—	17,642
Total	290,198	(10,456)	—	279,742
Deferred tax liabilities				
Fair value change of forward exchange contracts in assets	(556)	(129)	—	(685)
Allowance for purchased return	(5,460)	(2,425)	—	(7,885)
Total	(6,016)	(2,554)	—	(8,570)
Net	284,182	(13,010)	—	271,172
	At 1 January 2014	Consolidated financial statements (Charged)/Credited to:		At 31 December 2014
		Profit or loss (Note 25) (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Trade and other accounts receivable	156,672	58	—	156,730
Inventories	22,901	14,932	—	37,833
Provisions	15,231	6,189	—	21,420
Loss carry forward	86,890	(26,280)	—	60,610
Others	13,079	1,643	(1,117)	13,605
Total	294,773	(3,458)	(1,117)	290,198
Deferred tax liabilities				
Fair value change of forward exchange contracts in assets	(4,084)	3,528	—	(556)
Allowance for purchased return	(5,528)	68	—	(5,460)
Total	(9,612)	3,596	—	(6,016)
Net	285,161	138	(1,117)	284,182

NOTES TO THE FINANCIAL STATEMENTS

	At 1 January 2015	Separate financial statements (Charged)/Credited to:		At 31 December 2015
		Profit or loss (Note 25) (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Trade and other accounts receivable	153,530	1,112	—	154,642
Inventories	29,195	(448)	—	28,747
Provisions	15,654	8,666	—	24,320
Others	13,596	3,967	—	17,563
Total	211,975	13,297	—	225,272
Deferred tax liabilities				
Fair value change of forward exchange contracts in assets	(438)	(168)	—	(606)
Allowance for purchased return	(5,460)	(2,425)	—	(7,885)
Total	(5,898)	(2,593)	—	(8,491)
Net	206,077	10,704	—	216,781
	At 1 January 2014	Separate financial statements (Charged)/Credited to:		At 31 December 2014
		Profit or loss (Note 25) (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Trade and other accounts receivable	153,461	69	—	153,530
Inventories	21,849	7,346	—	29,195
Provisions	14,960	694	—	15,654
Others	13,072	1,641	(1,117)	13,596
Total	203,342	9,750	(1,117)	211,975
Deferred tax liabilities				
Fair value change of forward exchange contracts in assets	(3,567)	3,129	—	(438)
Allowance for purchased return	(5,528)	68	—	(5,460)
Total	(9,095)	3,197	—	(5,898)
Net	194,247	12,947	(1,117)	206,077

The loss carry forward will be expired in fiscal year 2017. The deductible temporary differences do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

15 INTEREST-BEARING LIABILITIES

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
<i>Current — unsecured</i>				
Bank overdrafts	3	—	3	—
Trust receipts	658,002	1,147,594	643,002	1,121,594
Loans from financial institutions	<u>600,000</u>	<u>1,280,000</u>	<u>450,000</u>	<u>1,050,000</u>
Loans from financial institutions	<u>1,258,005</u>	<u>2,427,594</u>	<u>1,093,005</u>	<u>2,171,594</u>
Total	<u>1,258,005</u>	<u>2,427,594</u>	<u>1,093,005</u>	<u>2,171,594</u>

The periods to maturity of interest-bearing liabilities, excluding finance lease liabilities, as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
Within one year	<u>1,258,005</u>	<u>2,427,594</u>	<u>1,093,005</u>	<u>2,171,594</u>
Total	<u>1,258,005</u>	<u>2,427,594</u>	<u>1,093,005</u>	<u>2,171,594</u>

Under the term of the loan agreements, the Company has to comply with all terms and conditions which were specified in the agreements such as maintaining the debt to equity ratio, etc.

Interest-bearing liabilities of the Group and the Company as at 31 December 2015 and 2014 were denominated entirely in Thai Baht.

16 TRADE ACCOUNTS PAYABLE

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		(in thousand Baht)			
Related parties	4	11,158	86	86	86
Other parties		<u>1,233,907</u>	<u>804,298</u>	<u>1,207,187</u>	<u>763,506</u>
Total		<u>1,245,065</u>	<u>804,384</u>	<u>1,207,273</u>	<u>763,592</u>

NOTES TO THE FINANCIAL STATEMENTS

The currency denomination of trade accounts payable as at 31 December 2015 and 2014 were as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Thai Baht (Baht)	1,036,229	581,045	999,077	541,107
United States Dollars (USD)	<u>208,836</u>	<u>223,339</u>	<u>208,196</u>	<u>222,485</u>
Total	<u>1,245,065</u>	<u>804,384</u>	<u>1,207,273</u>	<u>763,592</u>

17 OTHER PAYABLES

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Related parties					
Other payables	4	841	1,847	744	1,544
Accrued expenses	4	870	806	733	728
Accrued interest expenses	4	<u>—</u>	<u>—</u>	<u>—</u>	<u>167</u>
Total		<u>1,711</u>	<u>2,653</u>	<u>1,477</u>	<u>2,439</u>
Other parties					
Accrued marketing expenses		133,840	107,099	121,600	78,269
Accrued employee benefit expenses		62,772	73,248	62,772	73,248
Other payables		26,404	39,784	25,312	38,887
Advance received		9,976	10,550	9,976	10,550
Accrued intangible assets		11,575	11,575	11,575	11,575
Others		<u>14,564</u>	<u>22,146</u>	<u>14,236</u>	<u>21,622</u>
Total		<u>259,131</u>	<u>264,402</u>	<u>245,471</u>	<u>234,151</u>
Total		<u>260,842</u>	<u>267,055</u>	<u>246,948</u>	<u>236,590</u>

NOTES TO THE FINANCIAL STATEMENTS

18 EMPLOYEE BENEFIT OBLIGATIONS

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
<i>As at 31 December</i>				
Statement of financial position				
Obligations for:				
Define benefit plans	38,535	33,076	38,535	33,076
Total	38,535	33,076	38,535	33,076
<i>Year ended 31 December</i>				
Statement of income				
Recognised in profit or loss:				
Define benefit plans	6,059	6,022	6,059	6,022
Total	6,059	6,022	6,059	6,022
Statement of comprehensive income				
Recognised in other comprehensive income:				
Actuarial gains from defined benefit plan recognised in the year	—	5,583	—	5,583
Total	—	5,583	—	5,583

The Group operates defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Movements in the present value of the defined benefit obligations are detailed as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
		(Restated)		(Restated)
	<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January	33,076	32,637	33,076	32,637
Included in profit or loss:				
Current service costs	4,948	4,880	4,948	4,880
Interest on obligation	1,111	1,142	1,111	1,142
Included in other comprehensive income income:				
Actuarial gains from defined benefit plan	—	(5,583)	—	(5,583)
Other				
Benefits paid by the plan	(600)	—	(600)	—
Defined benefit obligations at 31 December	38,535	33,076	38,535	33,076

NOTES TO THE FINANCIAL STATEMENTS

Actuarial gains and losses recognised in other comprehensive income arising from:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Demographic assumptions	—	1,897	—	1,897
Financial assumptions	—	(1,839)	—	(1,839)
Experience adjustment	—	(5,641)	—	(5,641)
Total	—	(5,583)	—	(5,583)

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(%)</i>			
Discount rate	3.36	3.36	3.36	3.36
Future salary growth	5.23	5.23	5.23	5.23
Employee turnover rate	0–33	0–33	0–33	0–33

Assumptions regarding future mortality are based on published statistics and mortality tables.

At 31 December 2015, the weighted-average duration of the defined benefit obligations were 9.42 years (2014: 9.42 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Consolidated financial statements		Separate financial statements	
	Increase	Decrease	Increase	Decrease
	<i>(in thousand Baht)</i>			
Defined benefit obligation 31 December 2015				
Discount rate (0.5% movement)	(1,636)	1,759	(1,636)	1,759
Future salary growth (0.5% movement)	1,718	(1,616)	1,718	(1,616)
Life expectancy (1 year movement)	296	(293)	296	(293)

NOTES TO THE FINANCIAL STATEMENTS

19 SHARE CAPITAL

	Par value per share (in Baht)	2015		2014	
		Number	Baht	Number	Baht
(thousand shares/thousand Baht)					
<i>Authorised</i>					
At 1 January					
— ordinary shares	1	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
At 31 December					
— ordinary shares	1	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
<i>Issued and fully paid-up</i>					
At 1 January					
— ordinary shares	1	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
At 31 December					
— ordinary shares	1	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

20 RESERVES

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Movements in reserves

Movements in reserves are shown in the statements of changes in equity.

21 OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group’s strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group’s reportable segments.

- *Segment 1* Commercial products
- *Segment 2* Consumer products
- *Segment 3* Value added products
- *Segment 4* Phones

None of other operations meets the quantitative thresholds for determining reportable segments in 2015 or 2014.

NOTES TO THE FINANCIAL STATEMENTS

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments:

	Consolidated financial statements													
									Total					
	Segment 1		Segment 2		Segment 3		Segment 4		Total		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	<i>(in million Baht)</i>													
External revenues	5,186	4,478	6,507	7,965	1,578	1,424	3,239	3,544	16,510	17,411	1,459	1,108	17,969	18,519
Total segment revenues	<u>5,186</u>	<u>4,478</u>	<u>6,507</u>	<u>7,965</u>	<u>1,578</u>	<u>1,424</u>	<u>3,239</u>	<u>3,544</u>	<u>16,510</u>	<u>17,411</u>	<u>1,459</u>	<u>1,108</u>	<u>17,969</u>	<u>18,519</u>
Segment gross profit before income tax	<u>216</u>	<u>239</u>	<u>309</u>	<u>357</u>	<u>200</u>	<u>172</u>	<u>112</u>	<u>128</u>	<u>837</u>	<u>896</u>	<u>104</u>	<u>58</u>	<u>941</u>	<u>954</u>
Segment assets	<u>229</u>	<u>291</u>	<u>643</u>	<u>861</u>	<u>99</u>	<u>140</u>	<u>211</u>	<u>457</u>	<u>1,182</u>	<u>1,749</u>	<u>141</u>	<u>226</u>	<u>1,323</u>	<u>1,975</u>

Reconciliation of reportable segment profit or loss and assets

	Consolidated financial statements	
	2015	2014
	<i>(in thousand Baht)</i>	
Gross profit or loss		
Total profit for reportable segments	837	896
Other segment's profit	<u>104</u>	<u>58</u>
	941	954
Unallocated amounts:		
— Other income	151	74
— Other corporate expenses	(713)	(709)
— Finance cost	(64)	(88)
— Share of loss of investments in associates	<u>(83)</u>	<u>—</u>
Consolidated profit before income tax	<u>232</u>	<u>231</u>
Assets		
Total assets for reportable segments	1,182	1,749
Other segment's assets	141	226
Other unallocated amounts	<u>3,105</u>	<u>3,070</u>
Consolidated total assets	<u>4,428</u>	<u>5,045</u>
Geographical segments		

The Group is managed and operates principally in Thailand. There are no material revenues derived from, or assets located in, foreign countries.

NOTES TO THE FINANCIAL STATEMENTS

Major customer

The Group has no major customer.

22 OTHER INCOME

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Income from marketing refund		52,298	27,510	24,517	27,510
Interest income	4	6,927	6,180	19,815	28,205
Management income	4	–	–	33,871	37,148
Others		13,934	4,599	11,449	4,424
Total		73,159	38,289	89,652	97,287

23 EMPLOYEE BENEFIT EXPENSES

		Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Management					
Wages and salaries		55,231	48,182	50,588	43,172
Others		1,997	1,933	1,789	1,703
		57,228	50,115	52,377	44,875
Other employees					
Wages and salaries		228,339	217,486	231,762	213,771
Others		29,985	24,805	30,067	24,698
		258,324	242,291	261,829	238,469
Total		315,552	292,406	314,206	283,344

The Company has established a contributory provident fund for its employees. Membership of the fund is on a voluntary basis. Contributions are made monthly by the employees at the rate of 5% of their basic salaries and by the Company at the rate of 5% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as juristic entity and is managed by a licensed Fund Manager.

NOTES TO THE FINANCIAL STATEMENTS

24 EXPENSES BY NATURE

The statements of comprehensive income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
<i>Included in cost of sales of goods:</i>				
Changes in inventories	691,986	(357,800)	300,105	(34,356)
Purchase	16,376,202	17,847,613	14,530,568	14,232,769
Provision (reversal) of allowance for obsolete and defective stocks	(40,003)	74,659	(2,238)	36,729
Total	17,028,185	17,564,472	14,828,435	14,235,142
<i>Included in selling expenses:</i>				
Advertising and marketing expenses	170,354	206,135	149,432	197,640
Transportation expenses	32,845	32,466	30,928	30,835
Employee benefit expenses	20,678	22,322	20,583	22,243
Others	3,183	3,591	3,183	3,591
Total	227,060	264,514	204,126	254,309
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht)			
<i>Included in administrative expenses:</i>				
Employee benefit expenses	284,054	260,060	282,804	256,316
Depreciation and amortisation	39,112	34,489	38,210	34,018
Rental expense	36,861	37,113	36,858	37,113
Bad debts and doubtful accounts	13,979	2,445	12,517	2,502
Management fee	11,253	11,574	9,789	9,402
Impairment losses on investment	8,571	—	8,571	—
Service charge	4,171	15,300	4,112	15,300
Others	57,746	54,289	54,703	51,132
Total	455,747	415,270	447,564	405,783

NOTES TO THE FINANCIAL STATEMENTS

25 INCOME TAX EXPENSE

Income tax recognised in profit or loss

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Current tax expense					
Current year		52,662	47,382	52,662	47,382
Under provided in prior year		<u>488</u>	<u>—</u>	<u>488</u>	<u>—</u>
		<u>53,150</u>	<u>47,382</u>	<u>53,150</u>	<u>47,382</u>
Deferred tax expense					
Movements in temporary differences	<i>14</i>	<u>13,010</u>	<u>(138)</u>	<u>(10,704)</u>	<u>(12,947)</u>
		<u>13,010</u>	<u>(138)</u>	<u>(10,704)</u>	<u>(12,947)</u>
Total		66,160	47,244	42,446	34,435

Income tax recognised in other comprehensive income

	Consolidated financial statements/ Separate financial statements					
	2015			2014		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
<i>(in thousand Baht)</i>						
Actuarial gains from defined benefit plan	—	—	—	5,583	(1,117)	4,466
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,583</u>	<u>(1,117)</u>	<u>4,466</u>

Reconciliation of effective tax rate

	Consolidated financial statements			
	2015		2014	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Accounting profit before income tax, net		232,498		231,338
Tax at the applicable tax rates	20.0	46,500	20.0	46,268
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	8.2	19,172	0.4	976
Under provided in prior year	0.2	488	—	—
Total	<u>28.4</u>	<u>66,160</u>	<u>20.4</u>	<u>47,244</u>

NOTES TO THE FINANCIAL STATEMENTS

	Separate financial statements		Separate financial statements	
	2015	(in thousand Baht)	2014	(in thousand Baht)
	Rate (%)		Rate (%)	
Accounting profit before income tax, net		<u>201,236</u>		<u>168,936</u>
Tax at the applicable tax rates	20.0	40,247	20.0	33,787
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	0.9	1,711	0.4	648
Under provided in prior year	<u>0.2</u>	<u>488</u>	<u>—</u>	<u>—</u>
Total	<u>21.1</u>	<u>42,446</u>	<u>20.4</u>	<u>34,435</u>

Income tax reduction

Royal Decree No. 577 B.E. 2557 dated 10 November 2014 grants the reduction to 20% of net taxable profit for the accounting period 2015 which begins on or after 1 January 2015.

On 22 January 2016, The National Legislative Assembly has approved a reduction of the corporate income tax rate from 30% to 20% of net taxable profit for the accounting period which begins on or after 1 January 2016.

The Group has applied the tax rate of 20% in measuring deferred tax assets and liabilities as at 31 December 2015 and 2014 in accordance with the clarification issued by the FAP in 2012.

26 EARNINGS PER SHARE**Basic earnings per share**

The calculation of basic earnings per share for year ended 31 December 2015 and 2014 were based on the profit for the period attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the year.

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(in thousand Baht/thousand share)			
Profit attributable to equity holders of the Company (Basic)	<u>168,851</u>	<u>184,094</u>	<u>158,790</u>	<u>134,501</u>
Weighted average number of ordinary shares outstanding	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
Basic earnings per share (in Baht)	<u>0.48</u>	<u>0.53</u>	<u>0.45</u>	<u>0.38</u>

NOTES TO THE FINANCIAL STATEMENTS**27 DIVIDENDS**

At the annual general meeting of the shareholders of the Company held on 24 April 2015, the shareholders passed the resolution to approved the appropriation of dividend of Baht 0.20 per share, for 350.20 million ordinary shares, totalling Baht 70.04 million, from the profit for the year ended 31 December 2014. The dividend was paid in May 2015.

At the annual general meeting of the shareholders of the Company held on 18 April 2014, the shareholders passed the resolution to approved the appropriation of dividend of Baht 0.20 per share, for 350.20 million ordinary shares, totalling Baht 70.04 million, from the profit for the year ended 31 December 2013. The dividend was paid in May 2014.

28 FINANCIAL INSTRUMENTS**Financial risk management policies**

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group 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.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The Company is primarily exposed to interest rate risk from its borrowings (Note 15). Most of the interest rates of financial assets and liabilities of the Group are floating rates, which are based on market rates such as the interest prime rate of commercial banks, saving interest rate or other benchmark floating rates.

NOTES TO THE FINANCIAL STATEMENTS

The effective interest rates of interest-bearing financial liabilities as at 31 December 2015 and 2014 and the periods in which those liabilities mature or re-price were as follows:

Consolidated financial statements					
	Effective interest rates (% per annum)	Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total
2015					
Current					
Trust receipts	2.38–2.69	658	—	—	658
Loan from financial institutions	2.70–3.00	600	—	—	600
Total		1,258	—	—	1,258
2014					
Current					
Trust receipts	1.05–4.40	1,148	—	—	1,148
Loan from financial institutions	2.90–4.15	1,280	—	—	1,280
Total		2,428	—	—	2,428
Separate financial statements					
	Effective interest rates (% per annum)	Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total
2015					
Current					
Trust receipts	2.38–2.69	643	—	—	643
Loan from financial institutions	2.70–2.74	450	—	—	450
Total		1,093	—	—	1,093
2014					
Current					
Trust receipts	1.05–4.35	1,122	—	—	1,122
Loan from financial institutions	3.75–4.15	1,050	—	—	1,050
Total		2,172	—	—	2,172

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge financial liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales in foreign currencies, for the subsequent period.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2015	2014	2015	2014
		<i>(in million Baht)</i>			
<i>United States Dollars</i>					
Trade accounts receivable	6	1	—	1	—
Trade accounts payable	16	(209)	(223)	(208)	(222)
Trust receipts		<u>—</u>	<u>(196)</u>	<u>—</u>	<u>(196)</u>
Gross balance sheet exposure		(208)	(419)	(207)	(418)
Forward contracts		474	250	439	201
Swap contracts		<u>93</u>	<u>456</u>	<u>93</u>	<u>456</u>
Net exposure		<u>359</u>	<u>287</u>	<u>325</u>	<u>239</u>

Credit risk

Credit risk is the risk arising from failure of customers or counterparties to meet their contractual obligations, which may eventually cause financial losses. The Group has determined a risk management policy through analysis of the customer and counterparties' financial status, and also by defining the rules for credit approval and debt collection period. In addition, the Group has policy to take out risk insurance for uncollectability of accounts receivable.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

Fair values of financial assets and liabilities

Fair values of financial assets and liabilities, together with the carrying value shown in the consolidated and separate statement of financial position at 31 December 2016 are as follows.

	Carrying amount	Consolidated financial statements			
		Fair value			Total
		Level 1	Level 2	Level 3	
		<i>(in thousand Baht)</i>			
Current					
Forward contracts	3,568	—	3,568	—	3,568
Swap contracts	(144)	—	(144)	—	(144)
Non-current					
Long-term loan to related parties	44,973	—	—	73,222	73,222
		Separate financial statements			
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
		<i>(in thousand Baht)</i>			
Current					
Forward contracts	3,177	—	3,177	—	3,177
Swap contracts	(144)	—	(144)	—	(144)
Non-current					
Long-term loan to related parties	73,259	—	—	73,222	73,222

The fair values of other financial assets and liabilities are taken to approximate their carrying values.

Financial instruments carried at fair value

Fair value hierarchy

The table above analyses recurring fair value measurements for financial assets. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group 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: unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

29 COMMITMENTS WITH NON-RELATED PARTIES

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
<i>Non-cancellable operating lease commitments</i>				
Within one year	34	34	34	34
After one year but within five years	12	46	12	46
Total	46	80	46	80
<i>Other commitments</i>				
Unutilised credits facilities	4,097	2,425	4,061	2,510
Forward contracts	474	250	439	201
Swap contracts	93	456	93	456
Bank guarantee	165	165	165	165
Total	4,829	3,296	4,758	3,332

Lease and service agreements

The Group had commitments for building and warehouse lease contracts with terms of 1–3 years.

Forward contracts

In 2015, the Group has forward contract facilities with banks in the amount of Baht 4,324 million equivalent to USD 119 million (2014: Baht 4,180 million equivalent to USD 126 million).

As at 31 December 2015, the Group had purchased forward contracts in the amount of USD 13 million, equivalent to Baht 473.71 million. The contracts are due in June 2016 (2014: USD 8 million, equivalent to Baht 250.29 million which the contracts were due in June 2015).

Swap contracts

As at 31 December 2015 the Group had purchased a currency swap contract in the amount of USD 3 million equivalent to Baht 93 million. The contracts are due in June 2016. (31 December 2014: USD 14 million, equivalent to Baht 456 million which the contracts were due in March 2015).

Others

In 2006, the Company entered into two Digital Disc — Movie and Music distributor agreements. The Company has to pay a portion of related income to the vendor from the sale of Digital Disc — Movie and Music, after deduction of discount as stated in the distribution agreements. The agreements were effective from 1 July 2006 and 1 October 2006 onward and will be terminated when either the counter parties inform the other in writing.

30 EVENTS AFTER THE REPORTING PERIOD

At the Board of Directors' meeting held on 18 February 2016, the Board approved to propose for approval of cash dividend at the rate of Baht 0.30 per share, in the totally amount of Baht 105.06 million, approximately, to the annual general meeting of the shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 THAI FINANCIAL REPORTING STANDARDS (TFRS) NOT YET ADOPTED

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2016, are set out below. The Group does not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 2 (revised 2015)	Inventories
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events After the Reporting Period
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2015)	Borrowing Costs
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2015)	Separate Financial Statements
TAS 28 (revised 2015)	Investments in Associates and Joint Ventures
TAS 33 (revised 2015)	Earnings Per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TFRS 3 (revised 2015)	Business Combinations
TFRS 8 (revised 2015)	Operating Segments
TFRS 10 (revised 2015)	Consolidated Financial Statements
TFRS 11 (revised 2015)	Joint Arrangements
TFRS 12 (revised 2015)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2015)	Fair Value Measurement
TSIC 25 (revised 2015)	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
TFRIC 1 (revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2015)	Determining Whether an Arrangement Contains a Lease
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment
TFRIC 13 (revised 2015)	Customer Loyalty Programmes
TFRIC 14 (revised 2015)	TAS 19 (revised 2015) <i>Employee Benefits</i> — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**Independent Auditor's Report****To the shareholders of SiS Distribution (Thailand) Public Company Limited**

I have audited the accompanying consolidated and separate financial statements of SiS Distribution (Thailand) Public Company Limited and its subsidiaries (the “Group”), and of SiS Distribution (Thailand) Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2014, the consolidated and separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Separate Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

(Ekkasit Chuthamsatid)

Certified Public Accountant

Registration No. 4195

KPMG Phoomchai Audit Ltd.

Bangkok

24 February 2015

STATEMENT OF FINANCIAL POSITION

		Consolidated financial statements		Separate financial statements	
		31 December		31 December	
Assets	Note	2014	2013	2014	2013
		(in thousand Baht)			
<i>Current assets</i>					
Cash and cash equivalents	5	109,171	73,933	89,275	61,747
Trade accounts receivable	4, 6	1,951,441	2,298,030	1,729,693	2,190,817
Other receivables	4, 7	532,575	483,306	431,440	321,730
Short-term loans to subsidiary	4	—	—	478,137	437,050
Inventories	8	1,975,188	1,692,048	1,579,484	1,581,857
Other current assets		<u>2,782</u>	<u>20,420</u>	<u>2,192</u>	<u>17,836</u>
Total current assets		<u>4,571,157</u>	<u>4,567,737</u>	<u>4,310,221</u>	<u>4,611,037</u>
<i>Non-current assets</i>					
Investments in subsidiaries	9	—	—	190,329	130,329
Investments in associate	10	9,800	—	—	—
Other long-term investments	11	8,571	8,571	—	—
Equipment	13	120,474	130,826	115,925	129,795
Intangible assets	14	39,146	38,586	39,146	38,586
Deferred tax assets	15	284,182	285,161	206,077	194,247
Other non-current assets		<u>12,118</u>	<u>11,815</u>	<u>11,823</u>	<u>11,815</u>
Total non-current assets		<u>474,291</u>	<u>474,959</u>	<u>563,300</u>	<u>504,772</u>
Total assets		<u>5,045,448</u>	<u>5,042,696</u>	<u>4,873,521</u>	<u>5,115,809</u>

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

STATEMENT OF FINANCIAL POSITION

Liabilities and equity	Note	Consolidated financial statements 31 December		Separate financial statements 31 December	
		2014	2013	2014	2013
		(in thousand Baht)			
<i>Current liabilities</i>					
Short-term loans from financial institutions	16	2,427,594	2,573,577	2,171,594	2,513,356
Trade accounts payable	4, 17	804,384	801,976	763,592	781,375
Other payables	4, 18	267,055	236,144	236,590	233,838
Short-term loans from subsidiary	4	—	—	49,000	—
Income tax payable		5,643	6,552	5,643	6,552
Other current liabilities		<u>15,809</u>	<u>18,443</u>	<u>15,333</u>	<u>18,285</u>
Total current liabilities		<u>3,520,485</u>	<u>3,636,692</u>	<u>3,241,752</u>	<u>3,553,406</u>
<i>Non-current liabilities</i>					
Provision for cost of assets dismantlement		3,960	3,960	3,960	3,960
Employee benefit obligations	19	<u>33,076</u>	<u>32,637</u>	<u>33,076</u>	<u>32,637</u>
Total non-current liabilities		<u>37,036</u>	<u>36,597</u>	<u>37,036</u>	<u>36,597</u>
Total liabilities		<u>3,557,521</u>	<u>3,673,289</u>	<u>3,278,788</u>	<u>3,590,003</u>
<i>Equity</i>					
Share capital	20				
Authorised share capital		<u>350,199</u>	<u>350,199</u>	<u>350,199</u>	<u>350,199</u>
Issued and paid-up share capital		350,199	350,199	350,199	350,199
Share premium	20	435,415	435,415	435,415	435,415
Retained earnings					
Appropriated					
Legal reserve	21	35,020	35,020	35,020	35,020
Unappropriated		<u>667,293</u>	<u>548,773</u>	<u>774,099</u>	<u>705,172</u>
Total equity		<u>1,487,927</u>	<u>1,369,407</u>	<u>1,594,733</u>	<u>1,525,806</u>
Total liabilities and equity		<u>5,045,448</u>	<u>5,042,696</u>	<u>4,873,521</u>	<u>5,115,809</u>

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

STATEMENT OF INCOME

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	Note	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Income					
Revenue from sale of goods	4	18,518,529	18,198,371	15,043,033	17,241,291
Revenue from rendering of services		35,822	26,878	34,339	19,006
Other income	4, 23	<u>38,289</u>	<u>119,833</u>	<u>97,287</u>	<u>121,137</u>
Total income		<u>18,592,640</u>	<u>18,345,082</u>	<u>15,174,659</u>	<u>17,381,434</u>
Expenses					
Cost of sale of goods	4, 25	17,564,472	17,163,432	14,235,142	16,255,594
Cost of rendering of services		26,819	19,322	25,605	16,287
Selling expenses	25	264,514	338,949	254,309	320,582
Administrative expenses	4, 25	415,270	466,178	405,783	462,582
Loss on exchange rate		2,694	27,764	4,202	28,049
Finance costs		<u>87,533</u>	<u>84,611</u>	<u>80,682</u>	<u>83,641</u>
Total expenses		<u>18,361,302</u>	<u>18,100,256</u>	<u>15,005,723</u>	<u>17,166,735</u>
Profit before income tax expense		231,338	244,826	168,936	214,699
Income tax expense	26	<u>(47,244)</u>	<u>(54,652)</u>	<u>(34,435)</u>	<u>(48,598)</u>
Profit for the year		<u>184,094</u>	<u>190,174</u>	<u>134,501</u>	<u>166,101</u>
Basic earnings per share (Baht)	27	<u>0.53</u>	<u>0.64</u>	<u>0.38</u>	<u>0.56</u>

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

STATEMENT OF COMPREHENSIVE INCOME

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	<i>Note</i>	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Profit for the year		184,094	190,174	134,501	166,101
Other comprehensive income					
Actuarial gains from defined benefit plan	19	5,583	—	5,583	—
Income tax on other comprehensive income	15	(1,117)	—	(1,117)	—
Other comprehensive income for the year					
— net of tax		<u>4,466</u>	<u>—</u>	<u>4,466</u>	<u>—</u>
Total comprehensive income for the year		<u>188,560</u>	<u>190,174</u>	<u>138,967</u>	<u>166,101</u>

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

STATEMENT OF CHANGES IN EQUITY

		Consolidated financial statements				
				Retained earnings		
	Note	Issued and paid-up share capital	Share premium	Legal reserve (in thousand Baht)	Unappropriated	Total equity
Year ended 31 December 2013						
Balance at 1 January 2013		233,466	176,694	21,317	372,302	803,779
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the Company						
Issue of ordinary shares	20	116,733	258,721	—	—	375,454
Total contributions by and distributions to owners of the Company		116,733	258,721	—	—	375,454
Comprehensive income for the year						
Profit and other comprehensive income		—	—	—	190,174	190,174
Total comprehensive income for the year		—	—	—	190,174	190,174
Transfer to legal reserve	21	—	—	13,703	(13,703)	—
Balance at 31 December 2013		350,199	435,415	35,020	548,773	1,369,407
Year ended 31 December 2014						
Balance at 1 January 2014		350,199	435,415	35,020	548,773	1,369,407
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the Company						
Dividend to owners of the Company	28	—	—	—	(70,040)	(70,040)
Total contributions by and distributions to owners of the Company		—	—	—	(70,040)	(70,040)
Comprehensive income for the year						
Profit		—	—	—	184,094	184,094
Other comprehensive income						
Actuarial gains from defined benefit plan — net of tax		—	—	—	4,466	4,466
Total comprehensive income for the year		—	—	—	188,560	188,560
Balance at 31 December 2014		350,199	435,415	35,020	667,293	1,487,927

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

STATEMENT OF CHANGES IN EQUITY

		Separate financial statements				
				Retained earnings		
	Note	Issued and paid-up share capital	Share premium	Legal reserve (in thousand Baht)	Unappropriated	Total equity
Year ended 31 December 2013						
Balance at 1 January 2013		233,466	176,694	21,317	552,774	984,251
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Issue of ordinary shares	20	116,733	258,721	—	—	375,454
<i>Total contributions by and distributions to owners of the Company</i>		116,733	258,721	—	—	375,454
Comprehensive income for the year						
Profit and other comprehensive income		—	—	—	166,101	166,101
Total comprehensive income for the year		—	—	—	166,101	166,101
Transfer to legal reserve	21	—	—	13,703	(13,703)	—
Balance at 31 December 2013		350,199	435,415	35,020	705,172	1,525,806
Year ended 31 December 2014						
Balance at 1 January 2014		350,199	435,415	35,020	705,172	1,525,806
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Dividend to owners of the Company	28	—	—	—	(70,040)	(70,040)
<i>Total contributions by and distributions to owners of the Company</i>		—	—	—	(70,040)	(70,040)
Comprehensive income for the year						
Profit		—	—	—	134,501	134,501
Other comprehensive income						
Actuarial gains from defined benefit plan — net of tax		—	—	—	4,466	4,466
Total comprehensive income for the year		—	—	—	138,967	138,967
Balance at 31 December 2014		350,199	435,415	35,020	774,099	1,594,733

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

STATEMENT OF CASH FLOWS

	Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit for the year	184,094	190,174	134,501	166,101
<i>Adjustments for</i>				
Depreciation and amortisation	34,489	35,596	34,018	35,227
Interest income	(6,180)	(23,200)	(28,205)	(35,777)
Finance costs	87,533	84,611	80,682	83,641
Unrealised loss on exchange	3,262	19,555	2,948	17,819
Loss (gain) on disposal of equipment	384	236	(172)	177
Bad debts and doubtful debts expense	403	1,184	347	1,056
Allowance for obsolete and defective stocks (reversal)	74,659	(4,887)	36,729	18,314
Provision for defined benefit obligation	6,022	5,300	6,022	5,300
Income tax expense	47,244	54,652	34,435	48,598
	431,910	363,221	301,305	340,456
<i>Changes in operating assets and liabilities</i>				
Trade accounts receivable	346,186	253,110	460,777	338,028
Inventories	(357,799)	(495,813)	(34,356)	(460,396)
Other receivables	(49,269)	35,881	(109,169)	44,941
Other current assets	17,638	(20,420)	15,644	(17,836)
Long-term trade accounts receivable	—	29,219	—	29,219
Other non-current assets	(302)	(505)	(8)	(505)
Trade accounts payable	1,306	(392,939)	(18,571)	(330,825)
Other payables	26,602	46,975	3,298	64,401
Other current liabilities	(2,634)	5,244	(2,952)	6,692
Income tax paid	(48,291)	(67,496)	(48,291)	(67,495)
Net cash provided by (used in) operating activities	365,347	(243,523)	567,677	(53,320)

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

STATEMENT OF CASH FLOWS

		Consolidated financial statements For the year ended 31 December		Separate financial statements For the year ended 31 December	
	Note	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
<i>Cash flows from investing activities</i>					
Interest received		6,180	23,200	27,664	35,462
Purchase of equipment		(20,297)	(20,466)	(15,599)	(19,745)
Sale of equipment		1,500	537	1,348	485
Loan to subsidiary		—	—	(41,087)	(226,000)
Purchase of intangible assets		(6,285)	(1,785)	(6,285)	(1,785)
Net cash outflow on acquisition of associate		(9,800)	—	—	—
Net cash outflow on acquisition of subsidiary		—	—	(60,000)	—
Net cash provided by (used in) investing activities		(28,702)	1,486	(93,959)	(211,583)
<i>Cash flows from financing activities</i>					
Interest paid		(83,224)	(83,962)	(81,228)	(84,853)
Dividends paid to owners of the Company		(70,040)	—	(70,040)	—
Finance lease payments		—	(1,201)	—	(1,201)
Net repayment for loan from financial institutions		(148,143)	(52,222)	(343,922)	(29,840)
Net proceeds from loan from subsidiary		—	—	49,000	—
Proceeds from issue of ordinary shares		—	375,454	—	375,454
Net cash provided by (used in) financing activities		(301,407)	238,069	(446,190)	259,560
Net increase (decrease) in cash and cash equivalents		35,238	(3,968)	27,528	(5,343)
Cash and cash equivalents at beginning of year		73,933	77,901	61,747	67,090
Cash and cash equivalents at end of year	5	109,171	73,933	89,275	61,747

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

NOTES TO THE FINANCIAL STATEMENTS

Note	Contents
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related parties
5	Cash and cash equivalents
6	Trade accounts receivable
7	Other receivables
8	Inventories
9	Investments in subsidiaries
10	Investment in associate
11	Other long-term investments
12	Long-term trade accounts receivable
13	Equipment
14	Intangible assets
15	Deferred tax
16	Interest-bearing liabilities
17	Trade accounts payable
18	Other payables
19	Employee benefit obligations
20	Share capital
21	Reserves
22	Operating Segment
23	Other income
24	Employee benefit expenses
25	Expenses by nature
26	Income tax expense
27	Earnings per share
28	Dividends
29	Financial instruments
30	Commitments with non-related parties
31	Events after the reporting period
32	Thai Financial Reporting Standards (TFRS) not yet adopted

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 24 February 2015.

1 GENERAL INFORMATION

SiS Distribution (Thailand) Public Company Limited, “the Company”, is incorporated in Thailand and has its registered office at 9 Pakin Building, 9th Floor, Room No. 901, Ratchadaphisek Road, Din Daeng, Bangkok, Thailand.

The Company was listed on the Stock Exchange of Thailand on 21 June 2004.

The Company’s major shareholders during the financial year were SiS Technologies (Thailand) Pte. Ltd. which was incorporated in Singapore (47.29% shareholding), Sittichaisrichart Family (14.66% shareholding) and Pungsrinont Family (9.83% shareholding).

The principal activities of the Company are trading in computer component, smartphone, office automation equipment, service and rental of computers and accessories and trading in Digital Disc — Movie and Music. Details of the Company’s subsidiaries as at 31 December 2014 and 2013 are given in notes 4 and 9.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**(a) Statement of compliance**

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

The FAP has issued the following new and revised TFRS relevant to the Group’s operations and effective for annual accounting periods beginning on or after 1 January 2014:

TFRS	Topic
TAS 1 (revised 2012)	Presentation of financial statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets
TFRS 8 (revised 2012)	Operating Segments
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 13	Customer Loyalty Programmes
TIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The initial application of these new and revised TFRS has resulted in changes in certain of the Group’s accounting policies. These changes have no material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2015 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Group's operations are disclosed in note 32.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- financial instruments at fair value through profit or loss are measured at fair value;
- the present value of the defined benefit obligation.

(c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

Note 3 (r)	Current and deferred taxation
Note 15	Utilisation of tax losses
Note 19	Measurement of defined benefit obligations
Note 29	Valuation of financial instruments

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the group's interests in associate.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Associates

Associate is that entity in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for in the consolidated financial statements using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount of that interest is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies*Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in profit or loss.

(c) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from operational activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(d) Hedging*Fair value hedges*

Where a derivative financial instrument hedges the changes in fair value of a recognised asset, liability or unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on remeasuring the fair value or foreign currency component of the hedging instrument is recognised in the profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

(e) 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. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

(f) Trade and other accounts receivable

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

The allowance for doubtful accounts is based on management's assessment of loss which may arise from the outstanding accounts receivable. Such assessment is provided by considering the accounts receivable outstanding over 3 months, for which allowance for doubtful accounts is set at the rate of 100%, together with the analysis of payment histories, future expectations of customer payment and the local economic conditions. Bad debts are written off when incurred.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase or other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The Group sets an allowance for the decline in value of obsolete and defective stock by management reviewing.

(h) Investment*Investment in subsidiaries and associate*

Investment in subsidiaries and associates in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

Equity securities

Equity securities which are not marketable are stated at cost less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average applied to the carrying value of the total holding of the investment.

(i) Equipment*Recognition and measurement**Owned assets*

Equipment is stated at cost less accumulated depreciation and impairment losses.

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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognised net within other income in profit or loss.

Leased assets

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Vehicles	5 years
Furniture & fixtures	5 years
Computer & office equipment	3 and 5 years
Leasehold improvements	3, 5, 10 and 12 years

No depreciation is provided on asset under construction.

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

(j) Intangible assets*Software licences*

Software licences that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of software licences from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are 5 and 10 years.

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

(k) Impairment

The carrying amounts of the Group'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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(l) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(m) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(n) Employee benefits*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on long term government bond in Thailand that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

NOTES TO THE FINANCIAL STATEMENTS

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

Sale of goods and services rendered

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs, the probable return of goods or the continuing management involvement with the goods.

Revenue from the sale of goods for Digital Disc — Movie and Music products after provision for sales return is recognised when have been sold to the customer.

Revenue from services is recognised when services are rendered.

Interest income

Interest income is recognised in profit or loss as it accrues.

(p) Finance costs

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred. The interest component of finance lease payments is recognised in the statement of income using the effective interest rate method.

(q) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

Contingent rentals are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

(r) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in 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 at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax is recognised 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 recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement 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 realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for share options granted to employees.

(t) Segment reporting

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and tax assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

4 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and associate are described in notes 9 and 10. Relationship with other related parties were as follows:

Name of the entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thailand Singapore	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group/Company.
SiS International Holdings Ltd.	Bermuda	Ultimate parent of the Group and some Common directors
SiS Technologies (Thailand) Pte. Ltd.	Singapore	Under the same control of the ultimate parent company
Nippon Pack Trading Co.,Ltd.	Thailand	49% shareholding by the subsidiary company
Alliance & Link Corporation Co., Ltd	Thailand	15% shareholding by the subsidiary company
Click Connect Co., Ltd.	Thailand	15% shareholding by the subsidiary company
Hardware House International Co., Ltd.	Thailand	Indirect shareholding by the Company
Direct subsidiaries		
SiS Venture Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding
Qool Distribution (Thailand) Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding
Indirect subsidiary		
Wiko Mobile (Thailand) Co., Ltd.	Thailand	60% shareholding by the subsidiary company

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Sale of goods	Market price plus actual related expenses
Management income/expense	Contractually agreed price
Purchase of good	Actual cost plus actual related expenses
Interest of loan from/to	Reference from interest rate of financial institution

NOTES TO THE FINANCIAL STATEMENTS

Significant transactions for the years ended 31 December with related parties are summarised as follows:

<i>Year ended 31 December</i>	Consolidated financial statements 2014	2013 <i>(in thousand Baht)</i>	Separate financial statements 2014	2013
Ultimate parent company				
Management fee	11,574	11,374	9,402	10,776
Subsidiary				
Management income	—	—	37,148	27,963
Interest income	—	—	22,420	13,067
Interest expense	—	—	167	—
Related party				
Revenue from sale of goods	277	120	899	318
Key management personnel				
Key management personnel Compensation				
Short-term employee benefit	48,182	42,621	43,172	38,087
Other long-term benefits	1,933	1,772	1,703	1,554
Total key management personnel compensation	<u>50,115</u>	<u>44,393</u>	<u>44,875</u>	<u>39,641</u>

Balances as at 31 December with related parties are as follows:

	Consolidated financial statements 2014	2013 <i>(in thousand Baht)</i>	Separate financial statements 2014	2013
<i>Trade accounts receivable from related parties</i>				
Hardware House International Co., Ltd.	46,223	46,223	46,223	46,223
Click Connect Co., Ltd.	32	1	17	1
	<u>46,255</u>	<u>46,224</u>	<u>46,240</u>	<u>46,224</u>
<i>Less allowance for doubtful accounts</i>	<u>(46,223)</u>	<u>(46,223)</u>	<u>(46,223)</u>	<u>(46,223)</u>
Net	<u>32</u>	<u>1</u>	<u>17</u>	<u>1</u>
Reversal of bad debts and doubtful debts expense for the year	<u>—</u>	<u>(349)</u>	<u>—</u>	<u>(349)</u>
<i>Other receivable</i>				
Hardware House International Co., Ltd.	557,087	557,087	541,542	541,542
<i>Less allowance for doubtful accounts</i>	<u>(557,087)</u>	<u>(557,087)</u>	<u>(541,542)</u>	<u>(541,542)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Reversal of bad debts and doubtful debts expense for the year	<u>—</u>	<u>(42,742)</u>	<u>—</u>	<u>(42,742)</u>
<i>Advance payment</i>				
Wiko Mobile (Thailand) Co., Ltd.	<u>—</u>	<u>—</u>	<u>116,973</u>	<u>—</u>
<i>Accrued income</i>				
Qool Distribution (Thailand) Co., Ltd.	<u>—</u>	<u>—</u>	<u>2,754</u>	<u>2,654</u>
<i>Interest receivable</i>				
Qool Distribution (Thailand) Co., Ltd.	<u>—</u>	<u>—</u>	<u>2,215</u>	<u>1,674</u>

NOTES TO THE FINANCIAL STATEMENTS

The Company and its subsidiary (Qool Distribution (Thailand) Co., Ltd.) have agreement on consignment with a related company (Hardware House International Co., Ltd.) which has notified the call for return all consignment from those related company in November 2012 because the default agreement for consignment. The Company and its subsidiary are in the process to reclaim those losses from the related company. As at 31 December 2014 the receivable from the loss of consignment amounted to approximately Baht 557.09 million in the consolidated financial statements and Baht 541.54 million in separate financial statements, respectively (31 December 2013: Baht 557.09 million in the consolidated financial statements and Baht 541.54 million in the separate financial statements, respectively). The Company is undertaking on litigation proceedings, therefore, the Company and its subsidiary estimated the allowance for doubtful account, amounted to Baht 557.09 million and 541.54 million, respectively.

Short-term loans to related party	Interest rate		Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013	2014	2013
	(% per annum)		(in thousand Baht)			

Subsidiary

Qool Distribution (Thailand) Co., Ltd.	4.40–4.50	4.00–4.50	—	—	478,137	437,050
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Movements during the years ended 31 December of loans to related party were as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Subsidiary				
At 1 January	—	—	437,050	211,050
Increase	—	—	711,588	328,700
Decrease	—	—	(670,501)	(102,700)
At 31 December	—	—	478,137	437,050

Short-term loans to related parties were due on demand.

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Trade payable to related parties				
Alliance & Link Corporation Co., Ltd.	86	86	86	86
	86	86	86	86
Other payable to related parties				
SiS International Holdings Ltd.	1,847	823	1,544	767
Accrued expense				
SiS International Holdings Ltd.	806	758	728	686
Accrued interest expense				
SiS Venture Co., Ltd.	—	—	167	—

NOTES TO THE FINANCIAL STATEMENTS

Short-term loans from related party	Interest rate		Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013	2014	2013
	(% per annum)		(in thousand Baht)			
Subsidiary						
SiS Venture Co., Ltd.	4.40	—	—	—	49,000	—

Movements during the years ended 31 December of loans from related party were as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Subsidiary				
At 1 January	—	—	—	—
Increase	—	—	49,000	—
At 31 December	—	—	49,000	—

*Significant agreements with related parties***Management income**

The Company has an agreement with a subsidiary (Qool Distribution (Thailand) Co., Ltd.) for sharing the combined staff and assets cost. The parties agreed to enter into new agreement effective from 1 January 2013 to change the monthly rate of management fee to Baht 1.50 million per month plus 1% of the net sales of the subsidiary for each month.

Management fee

In 2004, the Company entered into an agreement with SiS International Holdings Ltd. for sharing the combined staff and assets cost. The term of the agreement is from 1 January 2004 onward, and the monthly rate of management fee is 0.0625% of each month's sales.

5 CASH AND CASH EQUIVALENTS

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Cash on hand	204	174	204	174
Cash at banks — current accounts	(43,067)	2,104	(46,210)	937
Cash at banks — savings accounts	152,034	71,655	135,281	60,636
Total	109,171	73,933	89,275	61,747

Cash and cash equivalents of the Group and the Company as at 31 December 2014 and 2013 were denominated entirely in Thai Baht.

NOTES TO THE FINANCIAL STATEMENTS

6 TRADE ACCOUNTS RECEIVABLE

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		(in thousand Baht)			
Related parties	4	46,255	46,224	46,240	46,224
Other parties		<u>2,186,542</u>	<u>2,522,711</u>	<u>1,964,359</u>	<u>2,414,992</u>
Total		2,232,797	2,568,935	2,010,599	2,461,216
Less allowance for doubtful accounts		<u>(281,356)</u>	<u>(270,905)</u>	<u>(280,906)</u>	<u>(270,399)</u>
Net		<u>1,951,441</u>	<u>2,298,030</u>	<u>1,729,693</u>	<u>2,190,817</u>
Bad debts and doubtful debts expenses for the year		<u>2,445</u>	<u>61,762</u>	<u>2,502</u>	<u>61,635</u>

Aging analysis for trade accounts receivable were as follows:

		Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
		(in thousand Baht)			
Related parties					
Within credit terms		23	1	8	1
Overdue:					
Less than 3 months		9	—	9	—
Over 12 months		<u>46,223</u>	<u>46,223</u>	<u>46,223</u>	<u>46,223</u>
		46,255	46,224	46,240	46,224
Less allowance for doubtful accounts		<u>(46,223)</u>	<u>(46,223)</u>	<u>(46,223)</u>	<u>(46,223)</u>
		<u>32</u>	<u>1</u>	<u>17</u>	<u>1</u>
Other parties					
Within credit terms		1,451,587	1,623,170	1,354,211	1,549,885
Overdue:					
Less than 3 months		436,701	688,479	383,856	654,097
3–6 months		74,817	20,453	3,110	20,401
6–12 months		20,980	8,932	20,725	8,932
Over 12 months		<u>202,457</u>	<u>181,677</u>	<u>202,457</u>	<u>181,677</u>
		2,186,542	2,522,711	1,964,359	2,414,992
Less allowance for doubtful accounts		<u>(235,133)</u>	<u>(224,682)</u>	<u>(234,683)</u>	<u>(224,176)</u>
		<u>1,951,409</u>	<u>2,298,029</u>	<u>1,729,676</u>	<u>2,190,816</u>
Total		<u>1,951,441</u>	<u>2,298,030</u>	<u>1,729,693</u>	<u>2,190,817</u>

The normal credit term granted by the Group is ranging from 30 days to 90 days.

NOTES TO THE FINANCIAL STATEMENTS

The currency denomination of trade accounts receivable as at 31 December 2014 and 2013 were as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Thai Baht (Baht)	1,951,441	2,280,714	1,729,693	2,188,953
United States Dollars (USD)	—	17,316	—	1,864
Total	<u>1,951,441</u>	<u>2,298,030</u>	<u>1,729,693</u>	<u>2,190,817</u>

7 OTHER RECEIVABLES

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Related parties					
Receivable from losses of consignment	4	557,087	557,087	541,542	541,542
Advance payment	4	—	—	116,973	—
Accrued income	4	—	—	2,754	2,654
Interest receivable	4	—	—	2,215	1,674
		557,087	557,087	663,484	545,870
Less allowance for doubtful accounts		<u>(557,087)</u>	<u>(557,087)</u>	<u>(541,542)</u>	<u>(541,542)</u>
Net		<u>—</u>	<u>—</u>	<u>121,942</u>	<u>4,328</u>
Other parties					
Account receivable from Revenue					
Department		440,960	419,254	269,996	272,787
Accrued income		50,215	54,008	29,175	40,911
Prepaid expenses		27,568	2,369	7,325	2,369
Others		<u>13,832</u>	<u>7,675</u>	<u>3,002</u>	<u>1,335</u>
Total		<u>532,575</u>	<u>483,306</u>	<u>309,498</u>	<u>317,402</u>
Total		<u>532,575</u>	<u>483,306</u>	<u>431,440</u>	<u>321,730</u>

NOTES TO THE FINANCIAL STATEMENTS

8 INVENTORIES

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Finished goods — computer components, and telecommunication components	2,055,219	1,733,453	1,616,363	1,618,080
Finished goods Digital Disc — Movie and Music	10,240	13,842	10,240	13,842
Work in progress	27,967	767	27,926	686
Goods in transit	<u>70,929</u>	<u>58,494</u>	<u>70,929</u>	<u>58,494</u>
	2,164,355	1,806,556	1,725,458	1,691,102
Less allowance for decline in value of inventories	<u>(189,167)</u>	<u>(114,508)</u>	<u>(145,974)</u>	<u>(109,245)</u>
Net	<u>1,975,188</u>	<u>1,692,048</u>	<u>1,579,484</u>	<u>1,581,857</u>
Inventories recognised as an expense in ‘cost of sales of goods’:				
— Cost	17,489,813	17,168,319	14,198,413	16,237,280
— Write-down to net realisable value	74,659	18,314	36,729	18,314
— Reversal of write-down	<u>—</u>	<u>(23,201)</u>	<u>—</u>	<u>—</u>
Net	<u>17,564,472</u>	<u>17,163,432</u>	<u>14,235,142</u>	<u>16,255,594</u>

9 INVESTMENTS IN SUBSIDIARIES

	Separate financial statements	
	2014	2013
	<i>(in thousand Baht)</i>	
At 1 January	259,994	259,994
Acquisitions	60,000	—
Allowance for impairment	<u>(129,665)</u>	<u>(129,665)</u>
At 31 December	<u>190,329</u>	<u>130,329</u>

Investments in subsidiaries as at 31 December 2014 and 2013, and dividend income from those investments for the years then ended, were as follows:

		Separated financial statements											
	Type of business	Ownership interest		Paid-up capital		Cost		Impairment		At cost-net		Dividend income	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
		(%)		(in thousand Baht)									
<i>Subsidiaries</i>													
SiS Venture Co., Ltd.	Holding investment	99.99	99.99	120,000	60,000	120,000	60,000	51,030	51,030	68,970	8,970	—	—
Qool Distribution (Thailand) Co., Ltd.	Trading	99.99	99.99	<u>200,000</u>	<u>200,000</u>	<u>199,994</u>	<u>199,994</u>	<u>78,635</u>	<u>78,635</u>	<u>121,359</u>	<u>121,359</u>	<u>—</u>	<u>—</u>
Total				<u>320,000</u>	<u>260,000</u>	<u>319,994</u>	<u>259,994</u>	<u>129,665</u>	<u>129,665</u>	<u>190,329</u>	<u>130,329</u>	<u>—</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

At the Board of Directors' meeting of the Company held on 7 November 2014, the Board of Directors approve to increase the authorised share capital of SiS Venture Co., Ltd. from Baht 60 million to Baht 120 million by issuing 6 million new ordinary shares at Baht 10 per value. The subsidiary had registered the increase share capital with the Ministry of Commerce on 8 December 2014.

All subsidiaries were incorporated in Thailand.

10 INVESTMENT IN ASSOCIATE

Investments in associate as at 31 December 2014 and 2013, and dividend income for the years then ended, were as follows:

	Type of business	Ownership interest		Paid-up capital		Consolidated financial statements					
		2014	2013	2014	2013	Cost method		Equity method		Dividend income	
						2014	2013	2014	2013	2014	2013
<i>Associate</i>											
Nippon Pack Trading Co., Ltd.	Trading and service	49.00	—	9,800	—	9,800	—	9,800	—	—	—
				9,800	—	9,800	—	9,800	—	—	—
Total											

At the Board of Directors' meeting of the Company held on 7 November 2014, the Board of Directors of the Company passed a resolution to approve SiS Venture Co., Ltd, a wholly owned subsidiary, to invested in 980,000 ordinary shares of Nippon Pack Trading Co., Ltd., a directly owned subsidiary of Nippon Pack (Thailand) Public Company Limited as a listed company on the Stock Exchange of Thailand (equal to 49% of Nippon Pack Trading Co., Ltd.'s authorised share capital after issue of new shares) at par value of Baht10 per share, totalling of Baht9.8 million.

11 OTHER LONG-TERM INVESTMENTS

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Other long-term investment				
Other non marketable equity security	59,601	59,601	—	—
	59,601	59,601	—	—
Less Allowance for impairment	(51,030)	(51,030)	—	—
Net	8,571	8,571	—	—

Other long-term investments were investments in ordinary shares of Alliance & Link Corporation Co., Ltd. at 15% and Click Connect Co., Ltd. at 15% of authorised share capital, by the Company's subsidiary (SiS Venture Co., Ltd.).

In 2011, SiS Venture Co., Ltd. set up allowance for impairment in the value of long-term investment in Alliance & Link Corporation Co., Ltd. Baht 51 million.

NOTES TO THE FINANCIAL STATEMENTS

12 LONG TERM TRADE ACCOUNT RECEIVABLE

	Consolidated financial statements/Separate financial statements					
	Principal	Interest	Collections	Principal	Interest	Collections
	<i>(in thousand Baht)</i>					
Within one year	—	—	—	29,219	781	30,000
Total	—	—	—	29,219	781	30,000

In 2011, the Group entered into a sales agreement with a university, the payment term on sales agreement is Baht 15 million every 6 months for 3 years ending in April 2014. The Group calculates interest rate based on the average rates of interest on short-term loans from a financial institution.

13 EQUIPMENT

	Consolidated financial statements					Total
	Vehicles	Furniture & fixtures	Computer & office equipment	Leasehold improvements	Construction in progress	
	<i>(in thousand Baht)</i>					
Cost						
At 1 January 2013	10,563	17,137	169,958	68,826	—	266,484
Additions	1,012	323	18,681	440	10	20,466
Disposals	(4,102)	(653)	(1,201)	—	—	(5,956)
At 31 December 2013 and 1 January 2014	7,473	16,807	187,438	69,266	10	280,994
Additions	—	—	19,584	713	—	20,297
Disposals	—	—	(10,782)	—	(10)	(10,792)
At 31 December 2014	7,473	16,807	196,240	69,979	—	290,499
Depreciation						
At 1 January 2013	8,239	6,693	99,152	11,113	—	125,197
Depreciation charge for the year	1,351	1,776	20,119	6,910	—	30,156
Disposals	(4,102)	(653)	(430)	—	—	(5,185)
At 31 December 2013 and 1 January 2014	5,488	7,816	118,841	18,023	—	150,168
Depreciation charge for the year	796	1,623	19,628	6,718	—	28,765
Disposals	—	—	(8,908)	—	—	(8,908)
At 31 December 2014	6,284	9,439	129,561	24,741	—	170,025
Net book value						
At 1 January 2013						
Owned assets	—	10,444	70,806	57,713	—	138,963
Assets under finance leases	2,324	—	—	—	—	2,324
	2,324	10,444	70,806	57,713	—	141,287
At 31 December 2013 and 1 January 2014						
Owned assets	1,985	8,991	68,597	51,243	10	130,826
	1,985	8,991	68,597	51,243	10	130,826
At 31 December 2014						
Owned assets	1,189	7,368	66,679	45,238	—	120,474
	1,189	7,368	66,679	45,238	—	120,474

NOTES TO THE FINANCIAL STATEMENTS

			Separate financial statements			
	Vehicles	Furniture & fixtures	Computer & office equipment (in thousand Baht)	Leasehold improvements	Construction in progress	Total
<i>Cost</i>						
At 1 January 2013	10,563	17,137	169,045	68,826	—	265,571
Additions	1,012	323	17,960	440	10	19,745
Disposals	(4,102)	(653)	(1,074)	—	—	(5,829)
At 31 December 2013 and 1 January 2014	7,473	16,807	185,931	69,266	10	279,487
Additions	—	—	14,886	713	—	15,599
Disposals	—	—	(9,550)	—	(10)	(9,560)
At 31 December 2014	7,473	16,807	191,267	69,979	—	285,526
<i>Depreciation</i>						
At 1 January 2013	8,239	6,693	99,029	11,113	—	125,074
Depreciation charge for the year	1,351	1,776	19,748	6,910	—	29,785
Disposals	(4,102)	(653)	(412)	—	—	(5,167)
At 31 December 2013 and 1 January 2014	5,488	7,816	118,365	18,023	—	149,692
Depreciation charge for the year	796	1,623	19,156	6,717	—	28,292
Disposals	—	—	(8,383)	—	—	(8,383)
At 31 December 2014	6,284	9,439	129,138	24,740	—	169,601
<i>Net book value</i>						
At 1 January 2013						
Owned assets	—	10,444	70,016	57,713	—	138,173
Assets under finance leases	2,324	—	—	—	—	2,324
	2,324	10,444	70,016	57,713	—	140,497
At 31 December 2013 and 1 January 2014						
Owned assets	1,985	8,991	67,566	51,243	10	129,795
	1,985	8,991	67,566	51,243	10	129,795
At 31 December 2014						
Owned assets	1,189	7,368	62,129	45,239	—	115,925
	1,189	7,368	62,129	45,239	—	115,925

The gross amount of the Group and Company's fully depreciated equipment that was still in use as at 31 December 2014 amounted to Baht 90.1 million (2013: Baht 91.0 million).

NOTES TO THE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS

	Consolidated financial statements/ Separate financial statements		
	Software licences	Software licences in progress	Total
	<i>(in thousand Baht)</i>		
Cost			
At 1 January 2013	75,441	1,435	76,876
Additions	—	1,785	1,785
At 31 December 2013 and 1 January 2014	75,441	3,220	78,661
Additions	3,540	2,745	6,285
Transfers	2,380	(2,380)	—
At 31 December 2014	81,361	3,585	84,946
Amortisation			
At 1 January 2013	34,633	—	34,633
Amortisation charge for the year	5,442	—	5,442
At 31 December 2013 and 1 January 2014	40,075	—	40,075
Amortisation charge for the year	5,725	—	5,725
At 31 December 2014	45,800	—	45,800
Net book value			
At 1 January 2013	40,808	1,435	42,243
At 31 December 2013 and 1 January 2014	35,366	3,220	38,586
At 31 December 2014	35,561	3,585	39,146

15 DEFERRED TAX

Deferred tax assets and liabilities as at 31 December were as follows:

	Consolidate financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Deferred tax assets	290,198	294,773	211,975	203,342
Deferred tax liabilities	(6,016)	(9,612)	(5,898)	(9,095)
Net deferred tax assets	284,182	285,161	206,077	194,247

NOTES TO THE FINANCIAL STATEMENTS

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

	Consolidated financial statements			At 31 December 2014
	At 1 January 2014	(Charged)/ Credited to: Profit or loss (Note 26) (in thousand Baht)	(Charged)/ Credited to: Other Comprehensive income	
Deferred tax assets				
Trade and other accounts receivable	156,672	58	—	156,730
Inventories	22,901	14,932	—	37,833
Provisions	15,231	6,189	—	21,420
Loss carry forward	86,890	(26,280)	—	60,610
Others	13,079	1,643	(1,117)	13,605
Total	294,773	(3,458)	(1,117)	290,198
Deferred tax liabilities				
Fair value change of forward exchange contracts in assets	(4,084)	3,528	—	(556)
Allowance for purchased return	(5,528)	68	—	(5,460)
Total	(9,612)	3,596	—	(6,016)
Net	285,161	138	(1,117)	284,182
	Consolidated financial statements			At 31 December 2013
	At 1 January 2013	(Charged)/ Credited to: Profit or loss (Note 26) (in thousand Baht)	(Charged)/ Credited to: Other Comprehensive income	
Deferred tax assets				
Trade and other accounts receivable	156,435	237	—	156,672
Inventories	23,879	(978)	—	22,901
Provisions	12,127	3,104	—	15,231
Fair value change of forward exchange contracts in liabilities	512	(512)	—	—
Loss carry forward	87,858	(968)	—	86,890
Others	13,890	(811)	—	13,079
Total	294,701	72	—	294,773
Deferred tax liabilities				
Fair value change of forward exchange contracts in assets	—	(4,084)	—	(4,084)
Allowance for purchased return	(7,087)	1,559	—	(5,528)
Total	(7,087)	(2,525)	—	(9,612)
Net	287,614	(2,453)	—	285,161

NOTES TO THE FINANCIAL STATEMENTS

	At 1 January 2014	Separate financial statements (Charged)/ Credited to: Profit or loss (Note 26) (in thousand Baht)	(Charged)/ Credited to: Other Comprehensive income	At 31 December 2014
Deferred tax assets				
Trade and other accounts receivable	153,461	69	—	153,530
Inventories	21,849	7,346	—	29,195
Provisions	14,960	694	—	15,654
Others	13,072	1,641	(1,117)	13,596
Total	203,342	9,750	(1,117)	211,975
Deferred tax liabilities				
Fair value change of forward exchange contracts in assets	(3,567)	3,129	—	(438)
Allowance for purchased return	(5,528)	68	—	(5,460)
Total	(9,095)	3,197	—	(5,898)
Net	194,247	12,947	(1,117)	206,077
	At 1 January 2013	Separate financial statements (Charged)/ Credited to: Profit or loss (Note 26) (in thousand Baht)	(Charged)/ Credited to: Other Comprehensive income	At 31 December 2013
Deferred tax assets				
Trade and other accounts receivable	153,251	210	—	153,461
Inventories	18,186	3,663	—	21,849
Provisions	12,127	2,833	—	14,960
Fair value change of forward exchange contracts in liabilities	279	(279)	—	—
Others	13,890	(818)	—	13,072
Total	197,733	5,609	—	203,342
Deferred tax liabilities				
Fair value change of forward exchange contracts in assets	—	(3,567)	—	(3,567)
Allowance for purchased return	(7,087)	1,559	—	(5,528)
Total	(7,087)	(2,008)	—	(9,095)
Net	190,646	3,601	—	194,247

The loss carry forward will be expired in fiscal year 2017. The deductible temporary differences do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

16 INTEREST-BEARING LIABILITIES

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
<i>Current — unsecured</i>				
Trust receipts	1,147,594	1,215,280	1,121,594	1,205,059
Loans from financial institutions	<u>1,280,000</u>	<u>1,358,297</u>	<u>1,050,000</u>	<u>1,308,297</u>
Loans from financial institutions	<u>2,427,594</u>	<u>2,573,577</u>	<u>2,171,594</u>	<u>2,513,356</u>
Total	<u>2,427,594</u>	<u>2,573,577</u>	<u>2,171,594</u>	<u>2,513,356</u>

The periods to maturity of interest-bearing liabilities, excluding finance lease liabilities, as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Within one year	<u>2,427,594</u>	<u>2,573,577</u>	<u>2,171,594</u>	<u>2,513,356</u>
Total	<u>2,427,594</u>	<u>2,573,577</u>	<u>2,171,594</u>	<u>2,513,356</u>

Under the term of the loan agreements, the Company has to comply with all terms and conditions which were specified in the agreements such as maintaining the debt to equity ratio, etc.

17 TRADE ACCOUNTS PAYABLE

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		(in thousand Baht)			
Related parties	4	86	86	86	86
Other parties		<u>804,298</u>	<u>801,890</u>	<u>763,506</u>	<u>781,289</u>
Total		<u>804,384</u>	<u>801,976</u>	<u>763,592</u>	<u>781,375</u>

The currency denomination of trade accounts payable as at 31 December 2014 and 2013 were as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Thai Baht (Baht)	581,045	591,013	541,107	582,473
United States Dollars (USD)	<u>223,339</u>	<u>210,963</u>	<u>222,485</u>	<u>198,902</u>
Total	<u>804,384</u>	<u>801,976</u>	<u>763,592</u>	<u>781,375</u>

NOTES TO THE FINANCIAL STATEMENTS

18 OTHER PAYABLES

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		(in thousand Baht)			
Related parties					
Other payables	4	1,847	832	1,544	767
Accrued expenses	4	806	758	728	686
Accrued interest expenses	4	—	—	167	—
Total		2,653	1,590	2,439	1,453
Other parties					
Accrued marketing expenses		107,099	68,685	78,269	67,329
Accrued employee benefit expenses		73,248	65,789	73,248	65,789
Other payables		39,784	36,611	38,887	36,300
Advance received		10,550	24,562	10,550	24,562
Accrued intangible assets		11,575	11,575	11,575	11,575
Others		22,146	27,332	21,622	26,830
Total		264,402	234,554	234,151	232,385
Total		267,055	236,144	236,590	233,838

19 EMPLOYEE BENEFIT OBLIGATIONS

The Group operates defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Defined benefit obligations at 1 January	32,637	27,337	32,637	27,337
Current service costs and interest	6,022	5,300	6,022	5,300
Actuarial gains in other comprehensive income	(5,583)	—	(5,583)	—
Defined benefit obligations at 31 December	33,076	32,637	33,076	32,637

Expense recognised in profit or loss

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Current service costs	4,880	4,343	4,880	4,343
Interest on obligation	1,142	957	1,142	957
Total	6,022	5,300	6,022	5,300

NOTES TO THE FINANCIAL STATEMENTS

The expense is recognised in the following line item in the statement of income:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Administrative expenses	6,022	5,300	6,022	5,300
Total	6,022	5,300	6,022	5,300

Actuarial gain recognised in other comprehensive income:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Included in retained earnings:				
At 1 January	—	—	—	—
Recognised during the year	(5,583)	—	(5,583)	—
At 31 December	(5,583)	—	(5,583)	—

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(%)			
Discount rate	3.5	3.5	3.5	3.5
Future salary increases	6	6	6	6
Employee turnover rate	0–22	0–22	0–22	0–22

Assumptions regarding future mortality are based on published statistics and mortality tables.

20 SHARE CAPITAL

	Par value per share (in Baht)	2014		2013	
		Number	Baht	Number	Baht
		(thousand shares/thousand Baht)			
Authorised					
At 1 January					
— ordinary shares	1	350,199	350,199	250,000	250,000
Reduction of shares		—	—	(16,534)	(16,534)
Issuance of new shares	1	—	—	116,733	116,733
At 31 December					
— ordinary shares	1	350,199	350,199	350,199	350,199
Issued and fully paid-up					
At 1 January					
— ordinary shares	1	350,199	350,199	233,466	233,466
Issuance of new shares	1	—	—	116,733	116,733
At 31 December					
— ordinary shares	1	350,199	350,199	350,199	350,199

NOTES TO THE FINANCIAL STATEMENTS

Issue of ordinary shares

At the annual general meeting of the shareholders of the Company held on 26 April 2013, the shareholders passed the resolution to approve the Company to decrease the authorised share capital from Baht 250 million to Baht 233 million in order to reduce the authorised share capital that the Company's employees have not exercised warrant, the remaining share of stock dividend and the remaining share capital that was not on General Mandate and approved the Company to increase the authorised share capital from Baht 233 million to Baht 350 million, with the par value of Baht 1 each, by means of the issuance of 117 million ordinary shares, with the par value of Baht 1 each. The offering price was Baht 3.25 per share. The increase of share capital was registered with Ministry of Commerce on 19 June 2013.

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

21 RESERVES**Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Movements in reserves

Movements in reserves are shown in the statements of changes in equity.

22 OPERATING SEGMENT

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- *Segment 1* Commercial products
- *Segment 2* Consumer products
- *Segment 3* Value added products
- *Segment 4* Phones

None of other operations meets the quantitative thresholds for determining reportable segments in 2014 or 2013.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

Information about reportable segments:

	Consolidated financial statements								Total reportable segments		Others		Total	
	Segment 1		Segment 2		Segment 3		Segment 4		2014 2013		2014 2013		2014 2013	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<i>(in million Baht)</i>														
External revenues	4,478	4,739	7,965	8,478	1,424	1,475	3,544	2,069	17,411	16,761	1,108	1,437	18,519	18,198
Total segment revenues	<u>4,478</u>	<u>4,739</u>	<u>7,965</u>	<u>8,478</u>	<u>1,424</u>	<u>1,475</u>	<u>3,544</u>	<u>2,069</u>	<u>17,411</u>	<u>16,761</u>	<u>1,108</u>	<u>1,437</u>	<u>18,519</u>	<u>18,198</u>
Segment gross profit before income tax	<u>239</u>	<u>261</u>	<u>357</u>	<u>407</u>	<u>172</u>	<u>193</u>	<u>128</u>	<u>107</u>	<u>896</u>	<u>968</u>	<u>58</u>	<u>67</u>	<u>954</u>	<u>1,035</u>
Segment assets	<u>291</u>	<u>309</u>	<u>861</u>	<u>971</u>	<u>140</u>	<u>159</u>	<u>457</u>	<u>116</u>	<u>1,749</u>	<u>1,555</u>	<u>226</u>	<u>137</u>	<u>1,975</u>	<u>1,692</u>

Reconciliation of reportable segment profit or loss and assets

	Consolidated financial statements	
	2014	2013
<i>(in million Baht)</i>		
Gross profit or loss		
Total profit for reportable segments	896	968
Other segment's profit	<u>58</u>	<u>67</u>
	954	1,035
Unallocated amounts:		
— Other income	74	147
— Other corporate expenses	(709)	(852)
— Finance cost	<u>(88)</u>	<u>(85)</u>
Consolidated profit before income tax	<u>231</u>	<u>245</u>
Assets		
Total assets for reportable segments	1,749	1,555
Other segment's assets	226	137
Other unallocated amounts	<u>3,070</u>	<u>3,351</u>
Consolidated total assets	<u>5,045</u>	<u>5,043</u>

Geographic segments

The Group is managed and operates principally in Thailand. There are no material revenues derived from, or assets located in, foreign countries.

Major customer

The Group has no major customer.

NOTES TO THE FINANCIAL STATEMENTS

23 OTHER INCOME

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Income from marketing refund		27,510	80,954	27,510	42,852
Interest income	4	6,180	23,200	28,205	35,777
Management income	4	—	—	37,148	27,963
Others		4,599	15,679	4,424	14,545
Total		38,289	119,833	97,287	121,137

24 EMPLOYEE BENEFIT EXPENSES

		Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Management					
Wages and salaries		48,182	42,621	43,172	38,087
Others		1,933	1,772	1,703	1,554
		50,115	44,393	44,875	39,641
Other employees					
Wages and salaries		217,486	223,288	213,771	223,288
Others		24,805	23,412	24,698	23,412
		242,291	246,700	238,469	246,700
Total		292,406	291,093	283,344	286,341

The Company has established a contributory provident fund for its employees. Membership of the fund is on a voluntary basis. Contributions are made monthly by the employees at the rate of 5% of their basic salaries and by the Company at the rate of 5% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as juristic entity and is managed by a licensed Fund Manager.

NOTES TO THE FINANCIAL STATEMENTS

25 EXPENSES BY NATURE

The statements of comprehensive income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
<i>Included in cost of sales of goods:</i>				
Changes in inventories	(357,800)	(495,813)	(34,356)	(460,396)
Purchase	17,847,613	17,664,132	14,232,769	16,697,676
Provision (reversal) of allowance for obsolete and defective stocks	74,659	(4,887)	36,729	18,314
Total	<u>17,564,472</u>	<u>17,163,432</u>	<u>14,235,142</u>	<u>16,255,594</u>
<i>Included in selling expenses:</i>				
Advertising and marketing expenses	206,135	281,470	197,640	265,591
Transportation expenses	32,466	32,892	30,835	30,404
Employee benefit expenses	22,322	21,649	22,243	21,649
Others	3,591	2,938	3,591	2,938
Total	<u>264,514</u>	<u>338,949</u>	<u>254,309</u>	<u>320,582</u>
<i>Included in administrative expenses:</i>				
Employee benefit expenses	260,060	258,696	256,316	258,696
Rental expense	37,113	37,935	37,113	37,935
Depreciation and amortisation	34,489	35,596	34,018	35,227
Service charge	15,300	15,661	15,300	15,661
Management fee	11,574	11,329	9,402	10,776
Bad debts and doubtful accounts	2,445	41,238	2,502	41,111
Provision expenses	—	13,349	—	13,349
Others	54,289	52,374	51,132	49,827
Total	<u>415,270</u>	<u>466,178</u>	<u>405,783</u>	<u>462,582</u>

NOTES TO THE FINANCIAL STATEMENTS

26 INCOME TAX EXPENSE

Income tax recognised in profit or loss

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Current tax expense					
Current year		47,382	53,690	47,382	53,690
Over provided in prior year		—	(1,491)	—	(1,491)
		<u>47,382</u>	<u>52,199</u>	<u>47,382</u>	<u>52,199</u>
Deferred tax expense					
Movements in temporary differences	15	(138)	2,453	(12,947)	(3,601)
		<u>(138)</u>	<u>2,453</u>	<u>(12,947)</u>	<u>(3,601)</u>
Total		<u>47,244</u>	<u>54,652</u>	<u>34,435</u>	<u>48,598</u>

Income tax recognised in other comprehensive income

	Consolidated financial statements/Separate financial statements					
	2014			2013		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Defined benefit plan actuarial gains	5,583	(1,117)	4,466	—	—	—
Total	<u>5,583</u>	<u>(1,117)</u>	<u>4,466</u>	<u>—</u>	<u>—</u>	<u>—</u>

Reconciliation of effective tax rate

	Consolidated financial statements			
	2014		2013	
	Rate (%)	<i>(in thousand Baht)</i>	Rate (%)	<i>(in thousand Baht)</i>
Accounting profit before income tax, net		231,338		244,826
Tax at the applicable tax rates	20.0	46,268	20.0	48,965
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	0.4	976	2.0	5,687
Total	<u>20.4</u>	<u>47,244</u>	<u>22.0</u>	<u>54,652</u>

NOTES TO THE FINANCIAL STATEMENTS

	Separate financial statements			
	2014	2013	2014	2013
	(in thousand Baht)	(in thousand Baht)		
Rate (%)	Rate (%)	Rate (%)	Rate (%)	Rate (%)
Accounting profit before income tax, net	168,936	214,699		
Tax at the applicable tax rates	20.0	33,787	20.0	42,940
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	0.4	648	3.0	5,658
Total	20.4	34,435	23.0	48,598

Income tax reduction

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively. Royal Decree No. 577 B.E. 2557 dated 10 November 2014 extends the reduction to 20% for the accounting period 2015 which begins on or after 1 January 2015.

The Group has applied the reduced tax rate of 20% in measuring deferred tax assets and liabilities as at 31 December 2014 and 2013 in accordance with the clarification issued by the FAP in 2012.

27 EARNINGS PER SHARE**Basic earnings per share**

The calculation of basic earnings per share for year ended 31 December 2014 and 2013 were based on the profit for the period attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the year.

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(thousand Baht/thousand shares)			
Profit attributable to equity holders of the Company (Basic)	184,094	190,174	134,501	166,101
	350,199	233,466	350,199	233,466
Number of ordinary shares outstanding at 1 January	—	62,684	—	62,684
Effect of shares issued on 19 June 2013	—	62,684	—	62,684
Weighted average number of ordinary shares outstanding	350,199	296,150	350,199	296,150
Basic earnings per share (in Baht)	0.53	0.64	0.38	0.56

NOTES TO THE FINANCIAL STATEMENTS**28 DIVIDENDS**

At the annual general meeting of the shareholders of the Company held on 18 April 2014, the shareholders passed the resolution to approved the appropriation of dividend of Baht 0.20 per share, for 350.20 million ordinary shares, totalling Baht 70.04 million, from the profit for the year ended 31 December 2013. The dividend was paid in May 2014.

29 FINANCIAL INSTRUMENTS**Financial risk management policies**

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group 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.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The Company is primarily exposed to interest rate risk from its borrowings (Note 16). Most of the interest rates of financial assets and liabilities of the Group are floating rates, which are based on market rates such as the interest prime rate of commercial banks, saving interest rate or other benchmark floating rates.

NOTES TO THE FINANCIAL STATEMENTS

The effective interest rates of interest-bearing financial liabilities as at 31 December 2014 and 2013 and the periods in which those liabilities mature or re-price were as follows:

			Consolidated financial statements		
	Effective interest rates (% per annum)	Within 1 year	1 year but within 5 years (in million Baht)	After 5 years	Total
2014					
Current					
Trust receipts	1.05–4.40	1,148	—	—	1,148
Loan from financial institutions	2.90–4.15	1,280	—	—	1,280
Total		2,428	—	—	2,428
2013					
Current					
Trust receipts	1.05–4.60	1,216	—	—	1,216
Loan from financial institutions	3.20–4.40	1,358	—	—	1,358
Total		2,574	—	—	2,574
			Separate financial statements		
	Effective interest rates (% per annum)	Within 1 year	1 year but within 5 years (in million Baht)	After 5 years	Total
2014					
Current					
Trust receipts	1.05–4.35	1,122	—	—	1,122
Loan from financial institutions	3.75–4.15	1,050	—	—	1,050
Total		2,172	—	—	2,172
2013					
Current					
Trust receipts	1.05–4.60	1,205	—	—	1,205
Loan from financial institutions	3.20–4.40	1,308	—	—	1,308
Total		2,513	—	—	2,513

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge financial liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales in foreign currencies, for the subsequent period.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

		Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
	Note	(in million Baht)			
United States Dollars					
Trade accounts receivable	6	—	17	—	2
Trade accounts payable	17	(223)	(211)	(222)	(199)
Trust receipts		<u>(196)</u>	<u>(465)</u>	<u>(196)</u>	<u>(454)</u>
Gross balance sheet exposure		(419)	(659)	(418)	(651)
Forward contracts	29	250	693	201	616
Swap contracts	29	<u>456</u>	<u>—</u>	<u>456</u>	<u>—</u>
Net exposure		<u>287</u>	<u>34</u>	<u>239</u>	<u>35</u>

Credit risk

Credit risk is the risk arising from failure of customers or counterparties to meet their contractual obligations, which may eventually cause financial losses. The Group has determined a risk management policy through analysis of the customer and counterparties' financial status, and also by defining the rules for credit approval and debt collection period. In addition, the Group has policy to take out risk insurance for uncollectability of accounts receivable.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Fair value

A number of Group's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for the measurement and/or disclosure purpose based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of trade receivables, trade payables and bank overdrafts and loans from financial institutions is taken to approximate the carrying value.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the balance sheet date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

NOTES TO THE FINANCIAL STATEMENTS

30 COMMITMENTS WITH NON-RELATED PARTIES

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in million Baht)			
<i>Non-cancellable operating lease commitments</i>				
Within one year	34	17	34	17
After one year but within five years	46	2	46	2
Total	80	19	80	19
<i>Other commitments</i>				
Unutilised credits facilities	2,425	2,162	2,510	2,002
Forward contracts	250	693	201	616
Swap contracts	456	—	456	—
Bank guarantee	165	165	165	165
Total	3,296	3,020	3,332	2,783

Lease and service agreements

The Group had commitments for building and warehouse lease contracts with terms of 1–3 years.

Forward contracts

In 2014, the Group has forward contract facilities with banks in the amount of Baht 4,180 million equivalent to USD126 million (2013: Baht 3,843 million equivalent to USD117 million).

As at 31 December 2014, the Group had purchased forward contracts in the amount of USD8 million, equivalent to Baht 250.29 million. The contracts are due in June 2015 (2013: USD22 million, equivalent to Baht 693.26 million which the contracts were due in June 2014).

Swap contracts

As at 31 December 2014, the Group had purchased a currency swap contract in the amount of USD14 million equivalent to Baht 456 million. The contracts are due in March 2015. (31 December 2013: the Group has no currency swap contract).

Others

In 2006, the Company entered into two Digital Disc — Movie and Music distributor agreements. The Company has to pay a portion of related income to the vendor from the sale of Digital Disc — Movie and Music, after deduction of discount as stated in the distribution agreements. The agreements were effective from 1 July 2006 and 1 October 2006 onward and will be terminated when either the counter parties inform the other in writing.

31 EVENTS AFTER THE REPORTING PERIOD

At the extra ordinary shareholders' meeting of a subsidiary (Wiko Mobile (Thailand) Co., Ltd.) held on 9 February 2015, the shareholders of the subsidiary passed resolution to approve the increase of authorised share capital from Baht0.1 million to Baht 100 million to current shareholders. SiS Venture Co., Ltd. has invested in 449,400 new ordinary shares, at par value of Baht 100 per share, totaling of Baht 45 million and made the subsidiary have 45% of the shareholding of Wiko Mobile (Thailand) Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

At the Board of Directors' meeting held on 24 February 2015, the Board approved to propose for approval of cash dividend at the rate of Baht 0.20 per share, in the totally amount of Baht 70.04 million, approximately, to the annual general meeting of the shareholders of the Company.

32 THAI FINANCIAL REPORTING STANDARDS (TFRS) NOT YET ADOPTED

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January in the year indicated, are set out below. The Group does not plan to adopt these TFRS early.

TFRS	Topic	Year effective
TAS 1 (revised 2014)	Presentation of Financial Statements	2015
TAS 2 (revised 2014)	Inventories	2015
TAS 7 (revised 2014)	Statement of Cash Flows	2015
TAS 8 (revised 2014)	Accounting Policies, Changes in Accounting Estimates and Errors	2015
TAS 10 (revised 2014)	Events after the Reporting Period	2015
TAS 12 (revised 2014)	Income Taxes	2015
TAS 16 (revised 2014)	Property, Plant and Equipment	2015
TAS 17 (revised 2014)	Leases	2015
TAS 18 (revised 2014)	Revenue	2015
TAS 19 (revised 2014)	Employee Benefits	2015
TAS 21 (revised 2014)	The Effects of Changes in Foreign Exchange Rates	2015
TAS 23 (revised 2014)	Borrowing Costs	2015
TAS 24 (revised 2014)	Related Party Disclosures	2015
TAS 26 (revised 2014)	Accounting and Reporting by Retirement Benefit Plans	2015
TAS 27 (revised 2014)	Separate Financial Statements	2015
TAS 28 (revised 2014)	Investments in Associates and Joint Ventures	2015
TAS 33 (revised 2014)	Earnings per Share	2015
TAS 34 (revised 2014)	Interim Financial Reporting	2015
TAS 36 (revised 2014)	Impairment of Assets	2015
TAS 37 (revised 2014)	Provisions, Contingent Liabilities and Contingent Assets	2015
TAS 38 (revised 2014)	Intangible Assets	2015
TFRS 8(revised 2014)	Operating Segments	2015
TFRS 10	Consolidated Financial Statements	2015
TFRS 12	Disclosure of Interests in Other Entities	2015
TFRS 13	Fair Value Measurement	2015
TSIC 25 (revised 2014)	Income Taxes — Changes in the Tax Status of an Entity or its Shareholders	2015
TSIC 27 (revised 2014)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2015
TFRIC 1(revised 2014)	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2015
TFRIC 10 (revised 2014)	Interim Financial Reporting and Impairment	2015
TFRIC 13 (revised 2014)	Customer Loyalty Programmes	2015
TFRIC 14	TAS 19 (revised 2014) — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	2015

The Group has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the business and performance of SiS Distribution (Thailand) Public Company Limited and its subsidiaries for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

1. Business and financial review**For the six months ended 30 June 2017****Working Capital and Financial Position at the beginning of the period**

The Company started to operate its business from the beginning of 2017 with three main capital structures as follows: (1) Shareholder's equity of 1,709 Million Baht (2) Loans from financial institutions of 1,219 Million Baht and (3) Credit given by Trade Accounts Payable of 1,684 Million Baht. Most of them were mainly invested in inventories and credit granted to customer (Trade Accounts Receivable). In the beginning of the period, there were inventories of 1,718 Million Baht and Trade Accounts Receivable of 2,361 Million Baht. These two current assets was totally 4,079 Million Baht.

Operating Performance

Total revenue of the Company and its subsidiaries for the first half of the year of 2017 was 9,673 Million Baht, an increase of 692 Million Baht or 7.7% from the same period of last year. This increase were mainly due to both the selling of commercial and consumer products. In particular, the corporate IT market has continued to have a high potential for growth. While the smartphone market was highly competitive in both mid-range and premium segments. As a result, sales in this group decreased. However, entry level smartphones that the company distributed continues to grow. For details of the reportable segments, please refer to note 9 to the financial statements for the six months ended 30 June 2017.

Operating Profit

The Company's gross profit from sales of goods and services for the six months period ended 30 June 2017 was 533 Million Baht, 18% better than the interim period 2016, and equivalent to 5.5% of sales. Net Profit was 142 Million Baht or increased 27% from the last interim period.

Financial Position at the end of the period***Assets***

The main assets of the Company are Trade Accounts Receivable and Inventories. Both items are 84% of the total assets. The details are as follows:

Trade Accounts Receivable

As at 30 June 2017, Trade Accounts Receivable was 2,583 Million Baht or increased 9% from the previous year and no change in normal credit term granted to customers.

Inventories

As at 30 June 2017, Inventories was 1,818 Million Baht, or increased 100 Million Baht.

Liabilities and Equities

The main liabilities of the Company are Trade Accounts Payable and Loans from Financial Institutions. Both items are 88% of the total liabilities. The details are as follows:

Trade Accounts Payable

As at 30 June 2017, Trade Accounts Payable was 1,621 Million Baht or decreased 63 Million Baht from last year end.

Loans from Financial Institutions

As at 30 June 2017, net Loan from Financial Institutions increased by 272 Million Baht to 1,491 Million Baht when compared with 31 December 2016. Interest bearing Debt to Equity was increased from 0.71 times to 0.87 times when compared with the level at 31 December 2016.

Cash Flows***Cash Flows from Operating Activities***

During the six months period ended 30 June 2017, net cash used in Operating Activities of 106.4 Million Baht. The main items that decreased cashflow from Operating Activities of the period was mainly caused by increase in Trade Accounts Receivable.

Shareholder's Equity

Shareholder's Equity at 30 June 2017 was 1,711 Million Baht or net increased 2 Million Baht after payment of 140.08 Million Baht dividend during the period.

Dividend Payment

140.08 Million Baht dividend was paid during the period, representing total dividend of 0.40 Baht per share from the profit for the year ended 31 December 2016.

No interim dividend was declared for the six months period ended 30 June 2017.

For the year ended 31 December 2016

Working Capital and Financial Position at the beginning of the year

The Company started to operate its business from the beginning of 2016 with three main capital structures as follows: 1) Shareholder's equity of 1,587 Million Baht 2) Loans from financial institutions of 1,258 Million Baht and 3) Credit given by Trade Accounts Payable of 1,245 Million Baht. Most of them were mainly invested in inventories and credit granted to customer (Trade Accounts Receivable). In the beginning of the year, there were inventories of 1,323 Million Baht and Trade Accounts Receivable of 2,045 Million Baht. These two current assets was totally 3,368 Million Baht.

Operating Performance

The total revenue of the Company in 2016 was 18,495 Million Baht or increased 2.1% compared to the previous year. The Company has divided into business units by breaking down revenue and gross profit margin of each business unit as following:

Business Unit	2013			2014			2015			2016			Change	
	Revenues	Gross Profit	Gross Profit (%)	Revenues	Gross Profit	Gross Profit (%)	Revenues	Gross Profit	Gross Profit (%)	Revenues	Gross Profit	Gross Profit (%)	Revenues	Gross Profit (%)
Commercial	4,739	261	5.5%	4,478	239	5.3%	5,186	216	4.2%	5,145	221	4.3%	-0.8%	2.3%
Consumer	8,479	407	4.8%	7,965	357	4.5%	6,507	309	4.7%	6,523	322	4.9%	0.2%	4.2%
Value Added	1,474	193	13.1%	1,424	172	12.1%	1,578	200	12.7%	2,511	247	9.8%	59.1%	23.5%
Phone	2,069	107	5.2%	3,544	128	3.6%	3,239	112	3.5%	2,818	92	3.3%	-13.0%	-17.9%
Others	1,437	67	4.7%	1,108	58	5.2%	1,459	104	7.1%	1,378	55	4.0%	-5.6%	-47.1%
Total	18,198	1,035	5.7%	18,519	954	5.2%	17,969	941	5.2%	18,375	937	5.1%	2.3%	-0.4%

Table shown Revenues and Gross Profit Margin of each Business Unit

In 2016, the total revenues of Value Added Business Unit increased from 1,578 Million Baht to 2,511 Million Baht. Because the government has issued a policy to promote the investment in capital expenditure in 2016 which allowed corporate entities to deduct 200% of computer spendings for corporate income tax purposes, so each of the companies increased in their spendings, especially in Quarter 4. It was a result of a 59% increase in total revenues and 23.5% increase in gross profit margin respectively. For Phone Business Unit, the total revenues decreased 13% because there was one off big project worth 764 Million Baht last year. Apart from the said project, the revenues of Phone also increased 343 Million Baht or 14% from last year.

Operating Profit

The Company's gross profit from sales of goods and services for the year 2016 was 968 Million Baht, slightly better than last year, and equivalent to 5.25% of sales. Net Profit was 227 Million Baht or increased 36.7% from the previous year.

Financial Position at the end of the year

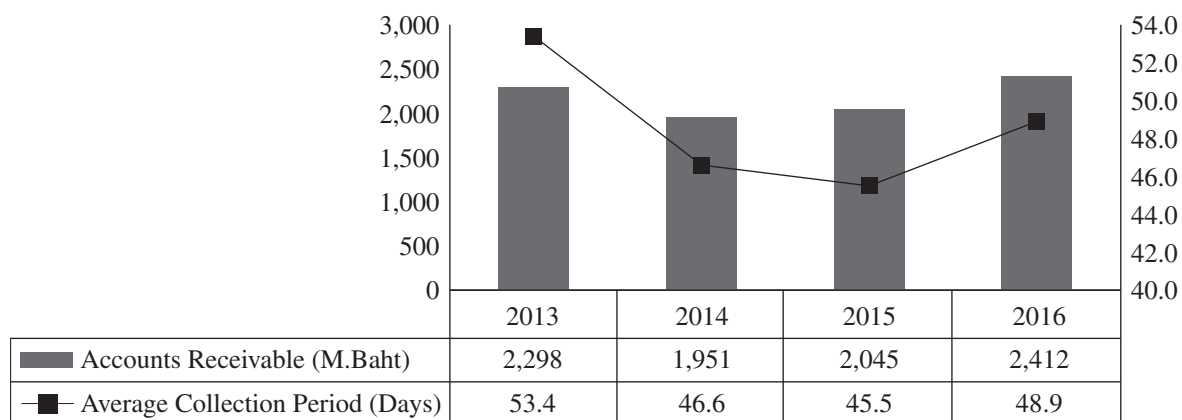
Assets

The main assets of the Company are Trade Accounts Receivable and Inventories. Both items are 83% of the total assets. The details are as follows:

Trade Accounts Receivable

As at 31 December 2016, Trade Accounts Receivable was 2,412 Million Baht or increased 18% from the previous year and equivalent to an average collection period of 48.9 days which was in line with the normal industry standard period. The reason why Trade Accounts Receivable (net) increased significantly in 2016 because sales in December 2016 reached as high as 1,936 Million Baht while sales in December 2015 was only 1,456 Million Baht or increased by 480 Million Baht due to the government's tax incentive policy on capital expenditure spending in 2016.

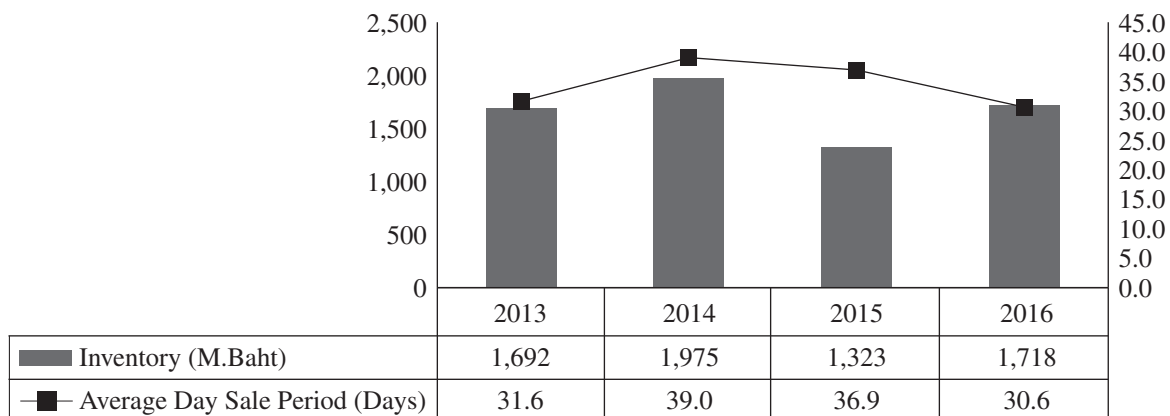
Over the past years, Trade Accounts Receivable and Average Collection Period are illustrated as the diagram below:



Inventories

As at 31 December 2016, Inventories was 1,718 Million Baht, or increased 395 Million Baht and equivalent to Average Day Sale Period of 30.6 days. The higher inventory level was goods in transit that ready for sale in January 2017 of 366 Million Baht which included in inventories.

Over the past years, Inventories and Average Day Sale Period are illustrated as the diagram below.



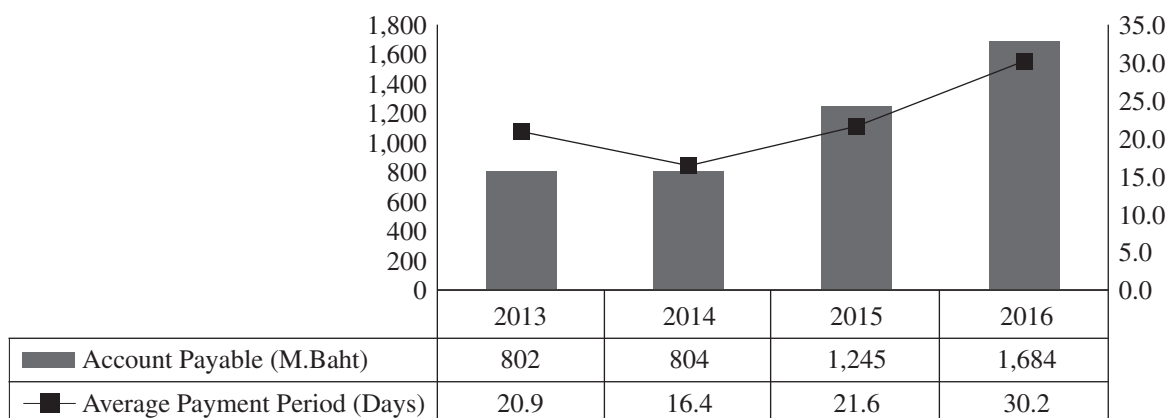
Liabilities and Equities

The main liabilities of the Company are Trade Accounts Payable and Loans from Financial Institutions. Both items are 89% of the total liabilities. The details are as follows:

Trade Accounts Payable

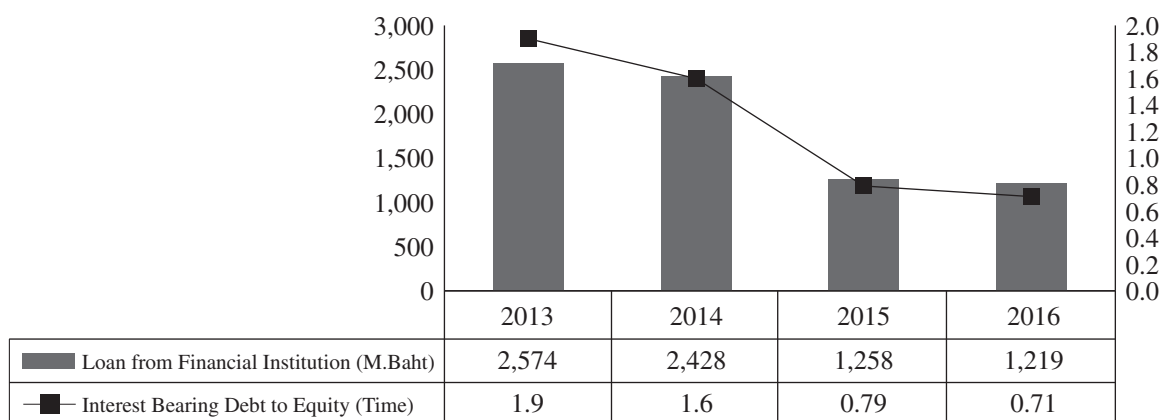
As at 31 December 2016, Trade Accounts Payable was 1,684 Million Baht or increased 439 Million Baht from the previous year and equivalent to an average payment period of 30.2 days which was standard payment period given by accounts payable.

Over the past years, Trade Accounts Payables and Average Payment Period are illustrated as the diagram below.



Loans from Financial Institutions

At the end of 2016, as a result of profitability from operation and improvement of assets management, Loan from Financial Institutions decreased by 38.8 Million Baht from the previous year to 1,219.2 Million Baht and Interest bearing Debt to Equity was 0.71 time which was the lowest level of the Company.

*Cash Flows**Cash Flows from Operating Activities*

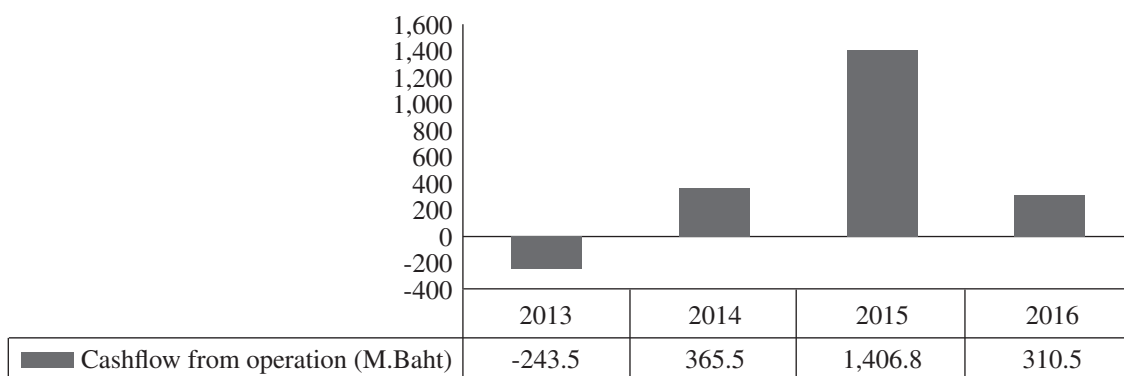
In 2016, the Company had a cash cycle of 49.4 days and increased cash flow from Operating Activities of 310.5 Million Baht.

The main items that increased cashflow from Operating Activities of the year 2016 were

— Profit for the year after non-cash adjustments	454 Million Baht
— Increase in Trade Accounts Payable	438 Million Baht
— Decrease in Other Receivables	298 Million Baht

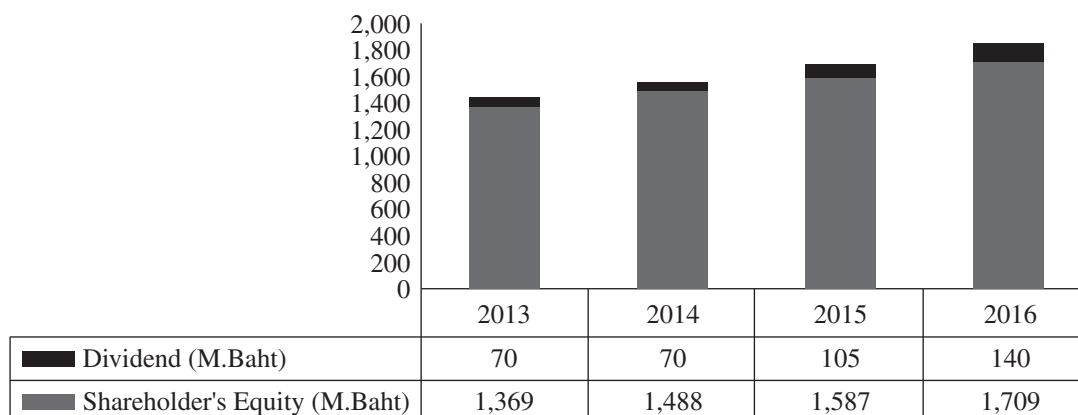
The main items that decreased cashflow from Operating Activities of the year 2016 were

— Increase in Trade Accounts Receivable	353 Million Baht
— Increase in Inventories	463 Million Baht



Shareholder's Equity

Shareholder's Equity in 2016 was 1,709 Million Baht or increased 122.4 Million Baht from the previous year.

**Dividend Payment**

In 2016, the Company had a basic earnings per share was 0.65 Baht. The Board of Directors' meeting approved to propose a dividend payment for the year 2016 from the total operating results at the rate of 0.40 Baht per share, which represented a 33% increase from the previous year because the Company had a better cashflow and a lower Debt to Equity. And then it will be proposed for approval from the Annual General Meeting of Shareholders for the year 2017.

If the dividend payment is approved by this Annual General Meeting of Shareholders, then the total dividend payment will be 140 Million Baht, equivalent to dividend payout of 61.6% and dividend yield of 6.02% when compared to the closing price of February 23, 2017 (Baht 6.65) which was the day before notification the dividend payment resolution to the Stock Exchange of Thailand or equivalent to 6.2% when compared with the closing price of December 30, 2016 (Baht 6.50).

At the Annual General Meeting of the Shareholders held on 21 April 2017, the Shareholders approved the total dividend of 0.40 Baht per share.

For the year ended 31 December 2015**Working Capital and Financial Position at the beginning of the year**

In the year 2015, the Company begins the operation from the equity at the amount of 1,488 Million Baht together with loan from financial institutions at the amount of 2,428 Million Baht, totally 3,916 Million Baht to mainly invest in inventories, the inventories was 1,975 Million Baht at the beginning of the year. Also, the Company invested in grating credit for customers (account receivables), the account receivables was 1,951 Million Baht. These two current assets was totally 3,927 Million Baht which was nearly the equity and the loans from financial institutions.

Operation Performance

In the year 2015, the total revenue of the Company was 18,121 Million Baht, decreased 2.5% from the previous year. This is able to illustrate by breaking down through the business units as following:

The sale by Business Unit (Million Baht)

Business Unit	2013	2014	2015	15/14	14/13
Commercial	4,739	4,478	5,186	15.8%	-5.5%
Consumer	8,479	7,965	6,507	-18.3%	-6.1%
Value Added	1,474	1,424	1,578	10.8%	-3.4%
Phone	2,069	3,544	3,239	-8.6%	71.3%
Others	1,437	1,108	1,459	31.7%	-22.9%
Total	18,198	18,519	17,969	-2.97%	1.76%

Commercial

This business unit provides the IT products for using in corporation. There was the growth of sale at 15.8%, comparing to the year 2014. This is because the political crisis was improved under the new government which influenced the investment among business sector.

Consumer

This business unit provides the IT products for using in households. The main products of this sector are PC which decreased noticeably at 18.3%. This caused from 3 main reasons: 1) The replacement of PC by smartphone/tablet which some of their features could use as the PC. 2) Lacking of the new innovation of PC which can lead the consumers buy the new one to replace their existing PC. 3) There was the decreasing in purchasing power of households which is in accordance with the information from the Bank of Thailand which disclosed that the household debt was dramatically increased.

Value Added

This business unit provides the sales of IT products together with the new technology. There are many ranges of services that are necessary to provides to customers in order to support those sales both pre-sales which is the test of using before sales and after sales which is the assistance in order to maximize the use of those products for customers.

The majority of the products is the products for data center such as virtualization which enhance the Hyper Converge, including server, storage, network and software to be the system which is able to support many ranges of work. This kind of product is demanding among the market and there is the new technology continuously entry to the market. In the year 2015, this business grew 10.8%.

Phone

This business unit provides smartphones. However, the smartphone market is large and the Company gains not much market share because the Company still could not expand the channel of sales and most manufacturers provides the sales by themselves.

In the year 2015, the total sales of smartphone was 3,239 Million Baht, which decreased 8.6% when compared to the previous year. This was because there was sales of smartphone to the large project work which continued from the year 2014 slightly decreased in the year 2015.

In summary, the increasing in sales of Commercial business unit and Value Added business unit was not coverage the decreasing in sales of Consumer business unit which affected the decreasing in total sales at 2.97% in the year 2015.

Operating Profit

In the year 2015, the gross profit was 966 Million Baht or 5.36% of sales which slightly improved from the previous year. While, the net profit before share loss of investment in associates was 250 Million Baht which also improved from the previous year 35.7%.

Nevertheless, the Company has invested in two associates namely, Wiko Mobile (Thailand) Company Limited which operates in manufacturing and selling smartphone and Nippon Pack Trading Company Limited which operates in electronic advertising media. These two associates have been in initial investment period then they still got loss and the Company has to share loss from the investment in this year as 83 Million Baht. This affected the decreasing in the net profit of the Company to 166 Million Baht or decreased 9.6%, comparing to the previous year.

	2015	2014	15/14
Total Revenues	18,121	18,593	-2.5%
Gross Profit	966	963	0.3%
% gross profit	5.36%	5.19%	3.2%
Selling and Administrative expenses	683	680	0.4%
Profit before tax and interest	380	319	19.3%
Finance Cost	64	88	-26.5%
Profit before tax	316	231	36.6%
Corporate Tax	-66	-47	40.0%
Profit before share loss from associates	250	184	35.7%
Loss from associates	-83	—	—
Net Profit	166	184	-9.6%

Financial Position at the end of the year

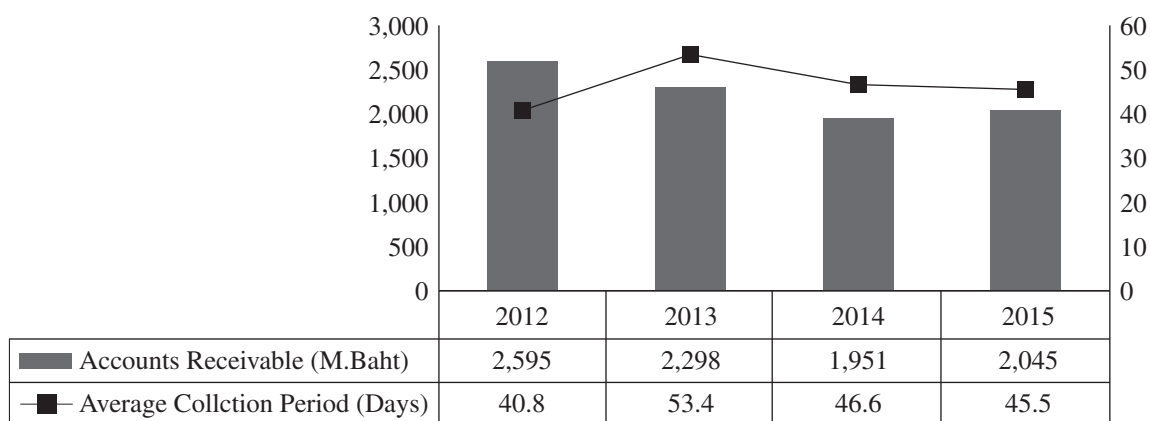
Assets

The main assets of the Company are comprised of Account Receivables and Inventories. These 2 items was 76% of the total assets. The details are followings:

Account Receivables

As at 31 December 2015, the account receivables was 2,045 Million Baht which increased 4.8% from the previous year and the average collection period was 45.5 days which was the normal period when compare to the industry.

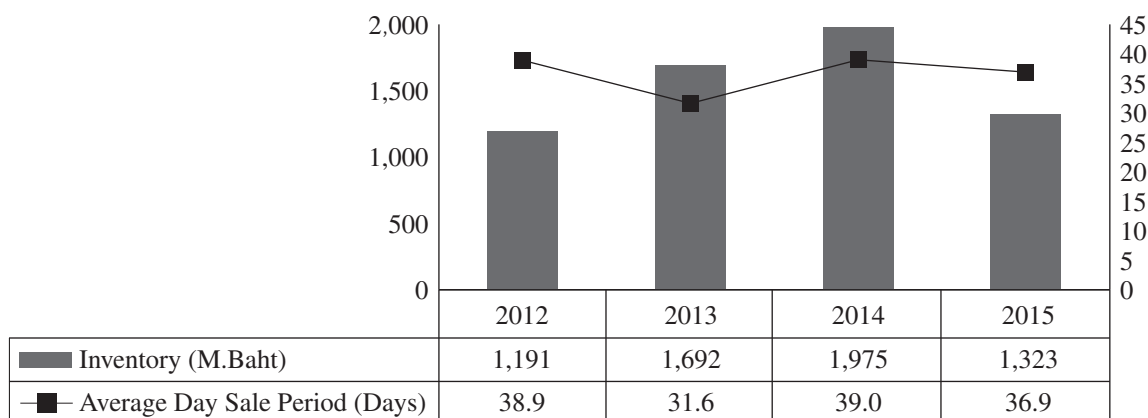
Over the past years, the account receivables and the average collection period are illustrated as the diagram below:



Inventories

As at 31 December 2015, the inventories of the Company was 1,323 Million Baht which decreased 652 Million Baht due to the cancellation of the project at the beginning of the year. After this problem was solved, the inventories were reduced until the average sale period was 36.9 days. However, the average sale periods would be 26.9 days when use the balances of inventories as at the end of the year as calculation and it was the appropriate situation.

Over the past years, the volume of inventories is illustrated as the diagram below.



Liabilities and Equities

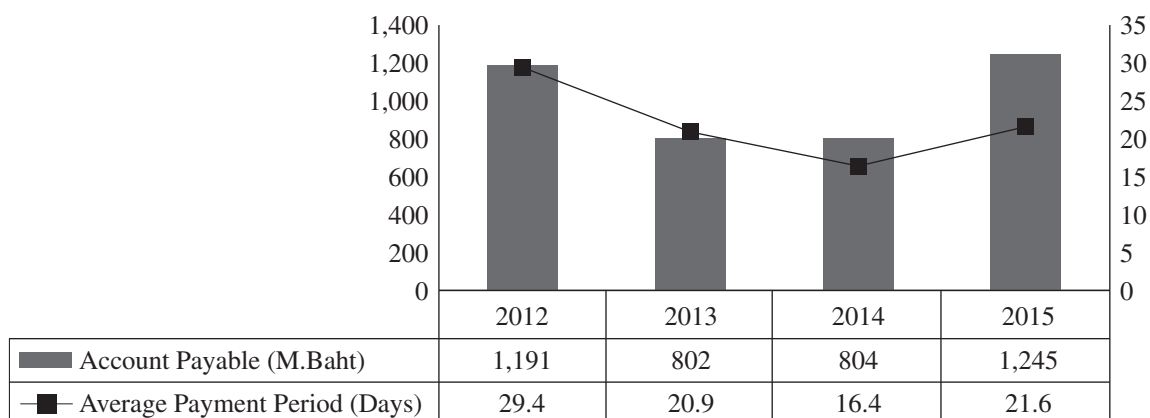
The main liabilities of the Company are comprised of Account Payables and Loan from Financial Institutions. These 2 items was 88% of the total liabilities. The details are followings:

Account Payable

The balance of the account payables as at 31 December 2015 was 1,245 Million Baht, increased 441 Million Baht from the previous year and the average payment period was 21.6 days.

The normal term of payment was between 30–45 days. Many payables offered the trade discounts in case of early payment, if the Company considered that it was worth and there was the remaining unutilized bank facilities then the Company would make payments earlier than the term of payment. This made the Average Payment Period lower than 30 days. Also, the Company set the policy to pay within the term that agreed with the payables and this is one of the good corporate governance policy in category of role of stakeholders.

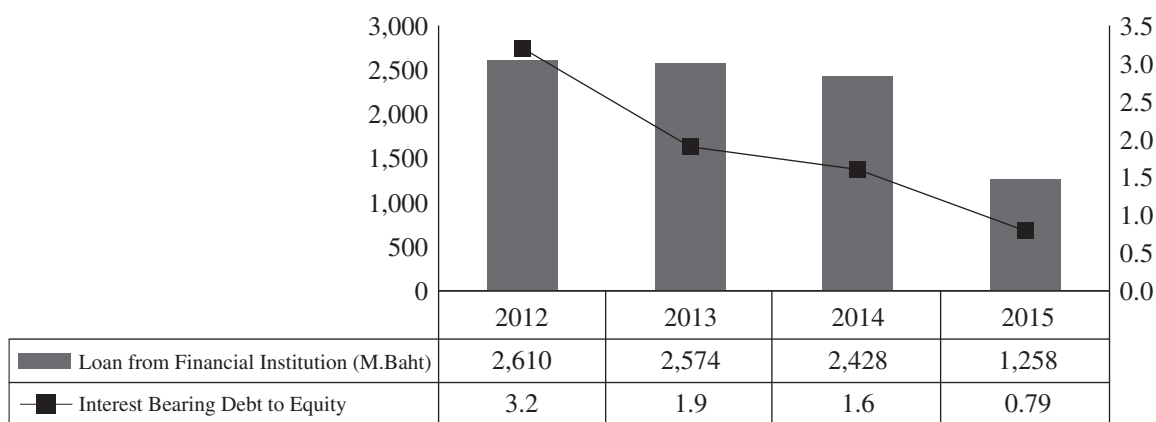
Over the past years, the balance of Account payables is illustrated as the diagram below.



Equity And Loan From Financial Institutions at the end of the year

During the year 2015, the Company paid the dividend to the shareholders, totally 70 Million Baht. When combined with the operating profit, the equity as at 31 December 2015 was 1,587 Million Baht which increased 98.8 Million Baht from the previous year.

As at 31 December 2015, there was the profit from the operation as well as the effectiveness of asset management which affected the decreasing in loan from financial institution. It was 1,258 Million Baht which decreased significantly 1,170 Million Baht and the debt to equity was 0.79 which was the lowest level.



Cash Flows**Operating Cash Flow**

The cash cycle of the Company in the year 2015 was 60.8 days and there was an increasing in operating cash flow 1,407 Million Baht. The main items that affected the increasing in operating cash flow in the year 2015 was

— The profit after non-cash adjusted transactions	400 Million Baht
— The increasing in account payables	445 Million Baht
— The decreasing in inventories	607 Million Baht

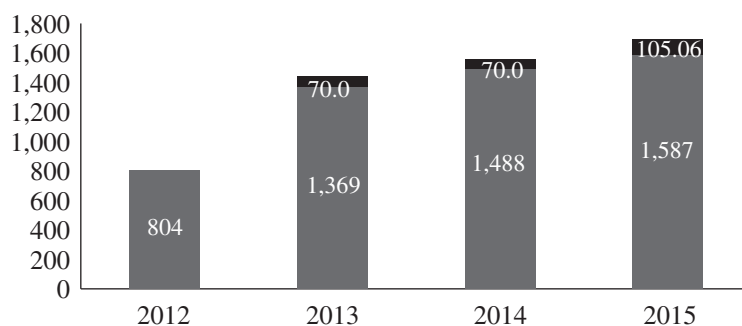
The main items that affected the decreasing in cash flow in the year 2015 was

— The increasing in account receivables	109 Million Baht
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Shareholder's Equity

In the year 2015, the equity was 1,587 Million Baht which increased 98.8 Million Baht from the previous year due to the operating profit from management.

Shareholders' Equity/Dividend (M. Baht)

**Dividend Payment**

The basic earnings per share of the Company was 0.48 Baht and the Board of Directors had the resolution to propose to the Annual General Meeting of Shareholders in 2016 to approve the dividend payment of the year 2015 at 0.30 Baht per share which increased 50% of the rate of the previous year due to the significance of cash flow and the lowest of debt to equity.

In case of this dividend payment rate is approved by this Annual General Meeting of Shareholders, then the total dividend payment will be 105 Million Baht, equal to the dividend payout at 63.2% and equal to the dividend yield at 7.2% when compared with the closed price at 4.18 Baht on 18 February 2016 which was the day before notification the dividend payment resolution to the Stock Exchange of Thailand or equal to 7.0% when compared with the closed price at 4.28 Baht on 30 December 2015.

At the Annual General Meeting of the Shareholders held on 22 April 2016, the Shareholders approved the total dividend of 0.30 Baht per share.

For year ended 31 December 2014

Performance

The total revenue of the Company in 2014 was 18,593 Million Baht which was nearly to the previous year (increased 1.3%). The sales of 3 main IT business units were decreased; especially the Consumer business unit which was the sale in IT products for households mostly decreased 513 Million Baht (6.1%). This was because there was an increasing in household debt that affects the declining in purchasing power, also the turning of consumers' attention to Smartphone.

The sale of Commercial business unit which was the IT products used in organizations also decreased because of the political crisis as well as the Coup d'état in 2014. This affected the shrink of the investment of its business sector. Also, the change in government impacted the stuck of purchasing in IT of the government.

The Sale of Value Added business unit which mostly was enterprise products, sold to Data Center of the large organizations slightly declined (3.4%). Although, the demand in this kind of product was high due to the new innovation but many projects were postponed because of this political crisis.

The sale of Phone business unit which distributing in Smartphone was only one that increased. It increased sharply 1,475 Million Baht (increased 71.3%) because there was the growth in Smartphone and the Company provided various popular products to sell such as Samsung Galaxy and Asus ZenFone. However, the increasing in the sale of Smartphone was able to recover the decreasing in other IT products then the total revenue of this year was nearly to the previous year.

The sale by Business Unit (Million Baht)

Business Unit	2013	2014	Change
Commercial	4,739	4,478	-5.5%
Consumer	8,479	7,965	-6.1%
Value Added	1,474	1,424	-3.4%
Phone	2,069	3,544	71.3%
Others	<u>1,437</u>	<u>1,108</u>	<u>-22.9%</u>
Total	<u>18,198</u>	<u>18,519</u>	<u>1.8%</u>

Operating Profit

The gross profit of the Company of the year 2014 was 963 Million Baht or 5.2% of sales which was the normal gross profit rate of this industry. The comprehensive profit was 189 Million Baht which slightly decreased from the previous year or 1.01% of the total revenue and the Return on Equity (ROE) was 12.9%

Dividend Payment

The basic earnings per share of the Company was 0.53 Baht and the Board of Directors had the resolution to propose the dividend payment of the year 2014 at 0.20 Baht per share to the Annual General Meeting of Shareholders in 2015.

In case of this dividend payment rate is approved by this Annual General Meeting of Shareholders, then the total dividend payment will be 70 Million Baht, equal to the dividend payout at 37.1% and equal to the dividend yield at 3.67% when compared with the closed price at 5.45 Baht on 24 February 2015 which was the day before notification the dividend payment resolution to the Stock Exchange of Thailand or equal to 4.02% when compared with the closed price at 4.98 Baht on 30 December 2014.

At the Annual General Meeting of the Shareholders held on 24 April 2015, the Shareholders approved the total dividend of 0.20 Baht per share.

Financial Position***Assets***

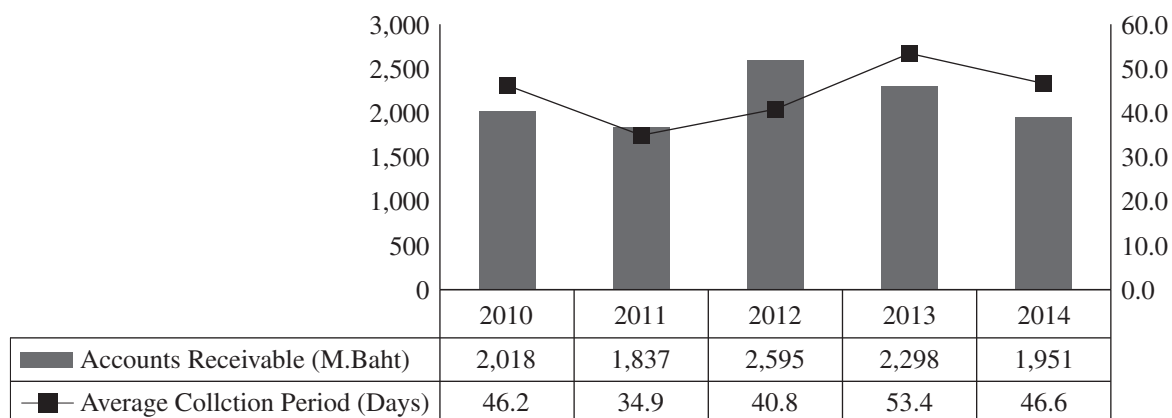
The significant assets of the Company was 2 items, they were account receivables and inventories. These 2 items was precisely 78% of the total assets. The details are as followings:

Account Receivables

As at 31 December 2014, the net account receivables of the Company was 1,951 Million Baht which was decreased 15% from the previous year. The average collection period was 46.6 days. This was decreasing both in the balance of account receivables and the average collection period. The average collection period and it was considered as the normal circumstance of this industry.

Generally, the Company defined the term of collection as 30 days, however, practically, most of customers would pay weekly or twice a months. This affected the extension of the term of collection that would be over 30 days. Furthermore, the projects that were clearly defined the term of collection, the Customers often request to pay upon the period of those contracts.

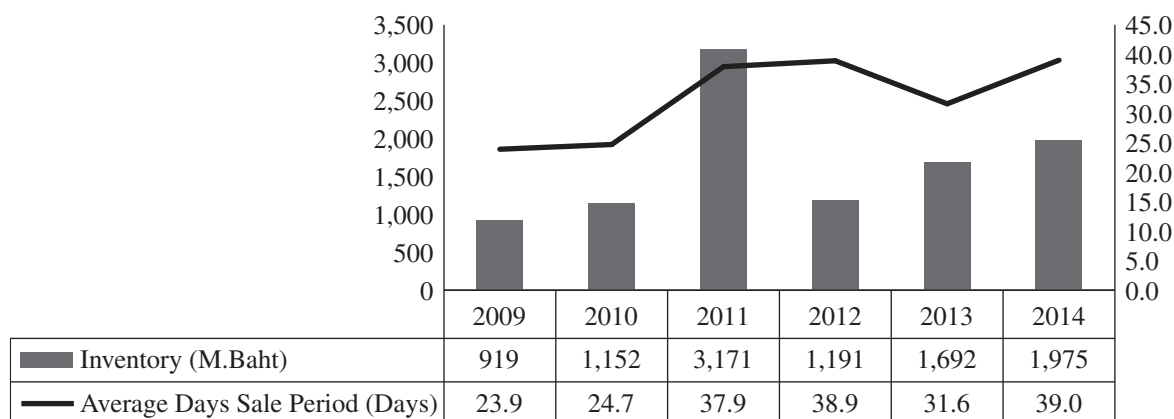
Over the past years, the account receivables and the average collection period are illustrated as the diagram below.



Inventories

As at 31 December 2014, the inventories of the Company was 1,975 Million Baht which increased 283 Million Baht or 17%, compared with the previous year and the Average Sale Period was 39 days. This volume of inventories was higher than normality because it included the products of some projects that still remained in the stock. Nevertheless, it is expected to solve this circumstance and the volume of inventories will be able to reduce to the normal level which is not over 30 days within the middle of the year 2015.

Over the past years, the volume of inventories is illustrated as the diagram below.



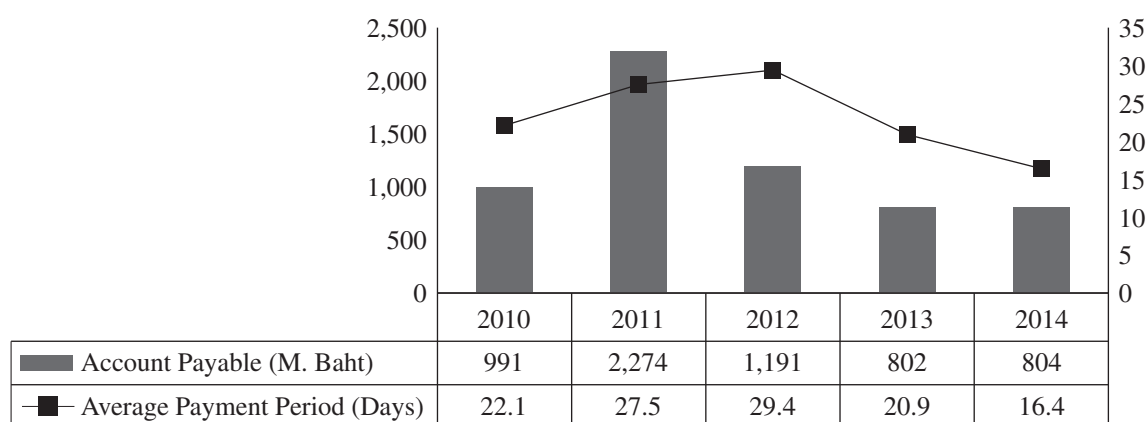
Liabilities

The main liabilities of the Company are comprised of Account Payables and Loan from Financial Institutions. These 2 items was 91% of the total liabilities. The details are followings.

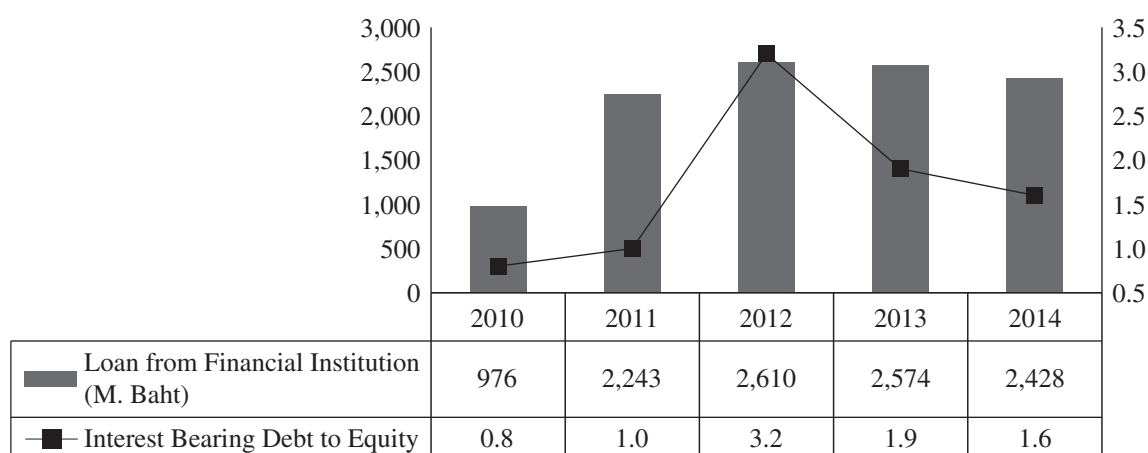
Account Payable

The balance of the account payables as at 31 December 2014 was 804 Million Baht and the Average payment period was 16.4 days. The normal term of payment was between 30 — 45 days. Many payables offered the trade discounts in case of early payment, however if the Company considered that it was worth and there was the remaining unutilized bank facilities then the Company would make payments earlier than the term of payment. This made the Average Payment Period lower than 30 days. Also, the Company set the policy to pay within the term that agreed with the payables and this is one of the good corporate governance policy in category of role of stakeholders.

Over the past years, the balance of Account payables is illustrated as the diagram below.

*Loan from financial Institution*

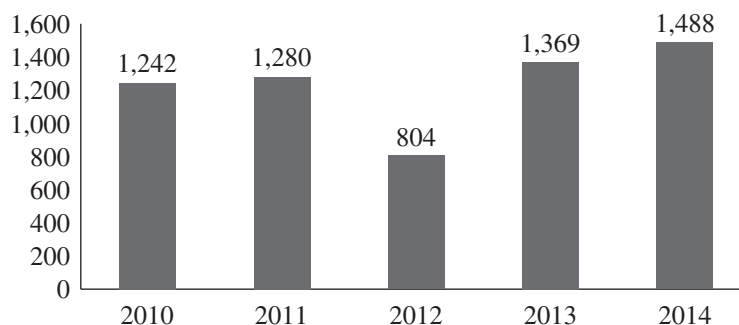
The Loan from Financial Institution of the Company as at 31 December 2014 was 2,428 Million Baht and the Interest Bearing Debt to Equity was 1.6 which decreased from the previous year.



Shareholders' Equity

Shareholders' Equity of the year 2014 was 1,488 Million Baht which increased 119 Million Baht from the previous year, gaining from the profit of operational performance.

Shareholders' Equity (M. Baht)



Cash Flows

Operating Cash Flow

The cash cycle of the Company in the year 2014 was 69.2 days and there was an increasing in operating cash flow 366 Million Baht. The main items that affected the increasing in operating cash flow in the year 2014 was

- The profit after non-cash adjusted transactions 432 Million Baht
- The decreasing in account receivables 346 Million Baht

The main items that affected the decreasing in cash flow in the year 2014 was

- The increasing in inventories 358 Million Baht

2. Number and Remuneration of Employees, Remuneration Policies and Bonus

The Company has the policy to set short term and long term compensation schemes for employees with benefits, including provident fund, performance based compensation, quarterly and yearly bonus, yearly health checkup program, personal accident insurance, employee training and development programs. There had been no material changes in the policy for the six months ended 30 June 2017 and the three years ended 31 December 2016.

For the six months period ended 30 June 2017:

The number of staff of the Group as at 30 June 2017 was 460 (30 June 2016: 436) and the salaries and other benefits paid and payable to employees, excluding directors' emoluments, amounted to Baht191,459,000 (30 June 2016: Baht161,339,000) for the six months period ended 30 June 2017.

For financial year ended 31 December 2016:

The number of staff of the Group as at 31 December 2016 was 438 (31 December 2015: 440) and the salaries and other benefits paid and payable to employees, excluding directors' emoluments, amounted to Baht335,293,000 (31 December 2015: Baht315,552,000) for the year ended 31 December 2016.

For financial year ended 31 December 2015:

The number of staff of the Group as at 31 December 2015 was 440 (31 December 2014: 403) and the salaries and other benefits paid and payable to employees, excluding directors' emoluments, amounted to Baht315,552,000 (31 December 2014: Baht292,406,000) for the year ended 31 December 2015.

For financial year ended 31 December 2014:

The number of staff of the Group as at 31 December 2014 was 403 (31 December 2013: 388) and the salaries and other benefits paid and payable to employees, excluding directors' emoluments, amounted to Baht292,406,000 (31 December 2013: Baht291,093,000) for the year ended 31 December 2014.

3. Liquidity, Financial Resources and Capital Structure

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital, which the Group 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 of the Group. For the three years ended 31 December 2016 and the six months ended 30 June 2017, there was no significant change to the capital structure of the Group.

For six months period ended 30 June 2017

As at 30 June 2017, the Group had total assets of Baht5,265 million which were financed by total equity of Baht1,711 million and total liability of Baht3,554 million. The Group had current ratio of approximately 1.4 (31 December 2016: 1.4).

As at 30 June 2017, the Group had Baht148,524,000 (31 December 2016: Baht147,870,000) cash and cash equivalents, which were denominated in Thai Baht. The working capital requirements were mainly financed by internal resources and unsecured short term loans from financial institutions. All the borrowing were denominated in Thai Baht and was primarily charged by financial institutions at floating interest rate, which is based on market rates such as the interest prime rate of commercial banks, saving interest rate or other benchmark floating rates in Thailand.

The Group's gearing ratio (total borrowings over total equity) was 87% as at 30 June 2017 (31 December 2016: 71%).

For borrowings, please refer to p.212 “Loans from Financial Institutions” for details.

For financial year ended 31 December 2016

As at 31 December 2016, the Group had total assets of Baht4,958 million which were financed by total equity of Baht1,709 million and total liability of Baht3,249 million. The Group had current ratio of approximately 1.4 (2015: 1.4).

As at 31 December 2016, the Group had Baht147,870,000 (31 December 2015: Baht49,490,000) cash and cash equivalents, which were denominated in Thai Baht. The working capital requirements were mainly financed by internal resources and unsecured short term loans from financial institutions. All the borrowing were denominated in Thai Baht and was primarily charged by financial institutions at floating interest rate, which is based on market rates such as the interest prime rate of commercial banks, saving interest rate or other benchmark floating rates in Thailand.

The Group’s gearing ratio (total borrowings over total equity) was 71% as at 31 December 2016 (2015: 79%).

For borrowings, please refer to p.216 “Loans from Financial Institutions” for details.

For financial year ended 31 December 2015

As at 31 December 2015, the Group had total assets of Baht4,428 million which were financed by total equity of Baht1,587 million and total liability of Baht2,841 million. The Group had current ratio of approximately 1.4 (2014: 1.3).

As at 31 December 2015, the Group had Baht49,490,000 (31 December 2014: Baht109,171,000) cash and cash equivalents, which were denominated in Thai Baht. The working capital requirements were mainly financed by internal resources and unsecured short term loans from financial institutions. All the borrowing were denominated in Thai Baht and was primarily charged by financial institutions at floating interest rate, which is based on market rates such as the interest prime rate of commercial banks, saving interest rate or other benchmark floating rates in Thailand.

The Group’s gearing ratio (total borrowings over total equity) was 79% as at 31 December 2015 (2014: 163%).

For borrowings, please refer to p.222 “Equity and Loans from Financial Institutions at the end of the year” for details.

For financial year ended 31 December 2014

As at 31 December 2014, the Group had total assets of Baht5,045 million which were financed by total equity of Baht1,488 million and total liability of Baht3,557 million. The Group had current ratio of approximately 1.3 (2013: 1.3).

As at 31 December 2014, the Group had Baht109,171,000 (31 December 2013: Baht73,933,000) cash and cash equivalents, which were denominated in Thai Baht. The working capital requirements were mainly financed by internal resources and unsecured short term loans from financial institutions. All the borrowing were denominated in Thai Baht and was primarily charged by financial institutions at floating interest rate, which is based on market rates such as the interest prime rate of commercial banks, saving interest rate or other benchmark floating rates in Thailand.

The Group's gearing ratio (total borrowings over total equity) was 163% as at 31 December 2014 (2013: 188%).

For borrowings, please refer to p.227 "Loan from Financial Institution" for details.

4. Currency Risk Management and Exchange Rate Exposure

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies, especially the USD. The Group primarily utilizes forward exchange contracts with maturities of less than one year to hedge financial liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales in foreign currencies, for the subsequent period. The Company mitigates the risk by buying forward contract at least 50% of purchase orders and has been regularly advised by the relevant financial institutions on how much forward contract should be taken. There was no significant change in the currency risk management for the six months period ended 30 June 2017, year ended 31 December 2016, 2015 and 2014.

5. Charges on Assets

There was no charge on the Group's assets as at 30 June 2017, 31 December 2016, 31 December 2015 and 31 December 2014.

6. Capital Expenditure

The Company spent Baht6,802,000, Baht27,663,000, Baht31,235,000 and Baht26,582,000 on equipment and intangible assets for the six months period ended 30 June 2017, year ended 31 December 2016, 2015 and 2014 respectively.

7. Material Investments, Acquisitions and Disposals

On 15 February 2015, SiS Venture Co., Ltd, a subsidiary of the Company, invested in 449,400 new ordinary shares of Wiko Mobile (Thailand) Co., Ltd at par value of Baht 100 per share, with a total consideration of Baht44.9 million, after the shareholders of Wiko Mobile (Thailand) Co., Ltd approved the increase of its authorized share capital from Baht0.1 million to Baht100 million on 9 February 2015. Prior to the above transactions, Wiko Mobile (Thailand) Co., Ltd was a subsidiary of and held as to 60% by SiS Venture Co., Ltd. As a result of the above transactions, SiS Venture Co., Ltd's interests in Wiko Mobile (Thailand) Co., Ltd decreased from 60% to 45% in 2015, and Wiko Mobile (Thailand) Co., Ltd. thereby ceased to be a subsidiary and become an associate of the

Group. For details, please refer to note 10 to the financial statements for the year ended 31 December 2015. Save as disclosed above, the Group did not carry out any material investments, acquisitions or disposals for the three years ended 31 December 2016 and the six months ended 30 June 2017. There are no specific plan for material investments, acquisitions or disposals of material capital assets by the Group as at the Latest Practicable Date.

8. Contingent Liabilities

The Company had no contingent liabilities as at 30 June 2017, 31 December 2016, 31 December 2015 and 31 December 2014.

DIFFERENCES BETWEEN THE ACCOUNTING POLICIES ADOPTED BY THE COMPANY AND SiS THAI

As described in the section entitled “*Letter from the Board — Waiver in Relation to the Accountants’ Report on the Target Group*”, the Company has applied to the Hong Kong Stock Exchange for, and been granted, a waiver from the requirement to produce an accountants’ report on SiS THAI in accordance with Rule 14.69(4)(a)(i) of the Listing Rules.

Instead, this circular contains a copy of:

- (a) the audited consolidated financial statements of SiS THAI for the financial years ended December 31, 2014, 2015 and 2016 prepared in accordance with Thailand Financial Reporting Standards (“**TFRS**”); and
- (b) the unaudited condensed consolidated financial statements of SiS THAI for the six months ended June 30, 2017 prepared in accordance with TFRS.

(together the “**SiS THAI Historical Track Record Accounts**” as set out in the section entitled “*Historical Track Record Period Accounts*”).

The SiS THAI Historical Track Record Accounts cover the consolidated financial position of SiS THAI as at December 31, 2014, 2015 and 2016 and June 30, 2017 and the consolidated results of SiS THAI for each of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 (the “**Relevant Periods**”).

Apart from certain differences in presentation, the accounting policies adopted in the preparation of the SiS THAI Historical Track Record Accounts do not differ in any material respect from International Financial Reporting Standards (“**IFRS**”) and the accounting policies adopted by the Company, which comply with Hong Kong Financial Reporting Standards (“**HKFRS**”).

Basis of Preparation

Disclosure is set out by providing a comparison (the “**Reconciliation**”) between SiS THAI’s financial information for the Relevant Periods as extracted from the SiS THAI Historical Track Record Accounts on the one hand, and an adjustment of such financial information had they instead been prepared in accordance with IFRS and the accounting policies adopted by the Company, where appropriate. The process applied in the preparation of such Reconciliation is set out below.

Reconciliation Process

The Reconciliation has been prepared by the directors of the Company by comparing the differences among the accounting policies adopted by SiS THAI for the preparation of the SiS THAI Historical Track Record Accounts, IFRS and the accounting policies adopted by the Company which are in compliance with HKFRS, and quantifying the relevant material financial effects of such differences, where appropriate.

KPMG Phoomchai Audit Ltd. (“**KPMG Thailand**”) and KPMG (“**KPMG Hong Kong**”) were separately engaged by the Company to conduct work in accordance with the International Standard on Assurance Engagement 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“**ISAE 3000**”) issued by The International Auditing and Assurance Standards Board (“**IAASB**”) and Hong Kong Standard on Assurance Engagement 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“**HKSAE 3000**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) respectively.

The work conducted by KPMG Thailand consisted primarily of:

- (i) comparing the “*Unadjusted Financial Information under TFRS*” as set out below in the section entitled “*SiS THAI’s Unaudited Adjusted Financial Information under the Company’s Policies*” with the SiS THAI Historical Track Record Accounts prepared under TFRS;
- (ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the “*Adjusted Financial Information under IFRS*” as set out below in the section entitled “*SiS THAI’s Unaudited Adjusted Financial Information under the Company’s Policies*”, which included examining the differences between SiS THAI’s accounting policies under TFRS and IFRS; and
- (iii) checking the arithmetic accuracy of the computation of the “*Adjusted Financial Information under the Company’s Policies*”.

The work conducted by KPMG Hong Kong consisted primarily of:

- (i) considering the adjustments made and evidence supporting the adjustments made in arriving at the “*Adjusted Financial Information under the Company’s Policies*” as set out below in the section entitled “*SiS THAI’s Unaudited Adjusted Financial Information under the Company’s Policies*”, which included examining the differences between IFRS and the Company’s accounting policies under HKFRS.

KPMG Thailand’s and KPMG Hong Kong’s engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with ISAE 3000 and HKSAE 3000 is different in scope from an audit or a review conducted in accordance with International Standards on Auditing or International Standards on Review Engagements issued by the IAASB and Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA respectively and consequently, KPMG Thailand and KPMG Hong Kong did not express an audit opinion nor a review conclusion on the Reconciliation. KPMG Thailand’s and KPMG Hong Kong’s engagements were intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. KPMG Thailand has not audited SiS THAI’s financial information for any period subsequent to December 31, 2016. KPMG Hong Kong has not audited or reviewed SiS THAI’s financial information for any period.

Based on the work performed, KPMG Thailand has concluded that:

- (i) the “*Unadjusted Financial Information under TFRS*” as set out in the section entitled “*SiS THAI’s Unaudited Adjusted Financial Information under the Company’s Policies*” is in agreement with the SiS THAI Historical Track Record Accounts;
- (ii) the adjustments reflect, in all material respects, the differences between SiS THAI’s accounting policies and IFRS; and
- (iii) the computation of the “*Adjusted Financial Information under the Company’s Policies*” is arithmetically accurate.

Based on the work performed, KPMG Hong Kong has concluded that:

- (i) the adjustments reflect, in all material respects, the differences between IFRS and the Company’s accounting policies under HKFRS.

SiS THAI’s Unaudited Adjusted Financial Information under the Company’s Policies

The SiS THAI Historical Track Record Accounts have been prepared and presented in accordance with TFRS. There are no material differences between the SiS THAI Historical Track Record Accounts compared to that applying IFRS and the Company’s accounting policies under HKFRS.

The Reconciliation includes reclassification adjustments to align the presentation of SiS THAI’s financial information with the requirement under IFRS and the Company’s presentation.

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the period ended June 30, 2017

		Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	Notes					
				(in thousand Baht)		
Revenue						
Revenue	2	—	—	—	9,639,718	9,639,718
Revenue from sale of goods	2	9,610,453	—	9,610,453	(9,610,453)	—
Revenue from rendering of services	2	<u>29,265</u>	—	<u>29,265</u>	(29,265)	<u>—</u>
		<u>9,639,718</u>		<u>9,639,718</u>		<u>9,639,718</u>
Cost of sales						
Cost of sales	3	—	—	—	(9,106,429)	(9,106,429)
Cost of sale of goods	3	(9,095,669)	—	(9,095,669)	9,095,669	—
Cost of rendering of services	3	<u>(10,760)</u>	—	<u>(10,760)</u>	10,760	<u>—</u>
		<u>(9,106,429)</u>		<u>(9,106,429)</u>		<u>(9,106,429)</u>
Gross profit		533,289		533,289		533,289
Other income		33,537	—	33,537	—	33,537
Other gains and losses	4, 5	—	—	—	(17,670)	(17,670)
Net foreign exchange loss	4	(17,647)	—	(17,647)	17,647	—
Selling expenses ("Distribution costs" under the Company's policies)	1	(91,478)	(160,355)	(251,833)	—	(251,833)
Administrative expenses	1, 5, 6	(259,717)	160,355	(99,362)	(3,747)	(103,109)
Share of profit of investments in associates ("Share of results of associates" under the Company's policies)		4,071	—	4,071	—	4,071
Finance costs	6	<u>(21,756)</u>	—	<u>(21,756)</u>	3,770	<u>(17,986)</u>
Profit before tax expense ("Profit before taxation" under the Company's policies)		180,299		180,299		180,299
Tax expense ("Income tax expense" under the Company's policies)		<u>(38,242)</u>	—	<u>(38,242)</u>	—	<u>(38,242)</u>
Profit for the period		<u>142,057</u>		<u>142,057</u>		<u>142,057</u>

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the period ended June 30, 2017 (Continued)

	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
			(in thousand Baht)		
Profit for the period attributable to:					
Owners of the Company	142,057	—	142,057	—	142,057
Non-controlling interests	<u>—</u>	—	<u>—</u>	—	<u>—</u>
	<u>142,057</u>		<u>142,057</u>		<u>142,057</u>
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Profit for the period	<u>142,057</u>	—	<u>142,057</u>	—	<u>142,057</u>
Other comprehensive income	<u>—</u>	—	<u>—</u>	—	<u>—</u>
Total comprehensive income for the period	<u>142,057</u>	—	<u>142,057</u>	—	<u>142,057</u>
Total comprehensive income for the period attributable to:					
Owners of the Company	142,057	—	142,057	—	142,057
Non-controlling interests	<u>—</u>	—	<u>—</u>	—	<u>—</u>
	<u>142,057</u>		<u>142,057</u>		<u>142,057</u>

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the year ended December 31, 2016

		Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjusted Financial Information under the Company's Policies
	Notes				
			(in thousand Baht)		
Revenue					
Revenue	2	—	—	—	18,434,859
Revenue from sale of goods	2	18,374,515	—	18,374,515	(18,374,515)
Revenue from rendering of services	2	60,344	—	60,344	(60,344)
		<u>18,434,859</u>		<u>18,434,859</u>	<u>18,434,859</u>
Cost of sales					
Cost of sales	3	—	—	—	(17,467,118)
Cost of sale of goods	3	(17,437,296)	—	(17,437,296)	17,437,296
Cost of rendering of services	3	(29,822)	—	(29,822)	29,822
		<u>(17,467,118)</u>		<u>(17,467,118)</u>	<u>(17,467,118)</u>
Gross profit		967,741		967,741	967,741
Other income	5	59,610	—	59,610	(354)
Other gains and losses	4, 5	—	—	—	586
Gain on exchange rate	4	232	—	232	(232)
Selling expenses ("Distribution costs" under the Company's policies)	1	(193,441)	(235,754)	(429,195)	—
Administrative expenses	1, 6	(479,702)	235,754	(243,948)	(8,920)
Share of profit of investments in associates ("Share of results of associates" under the Company's policies)		2,908	—	2,908	—
Finance costs	6	(50,218)	—	(50,218)	8,920
Profit before income tax expense ("Profit before taxation" under the Company's policies)		307,130	—	307,130	—
Income tax expense		<u>(79,685)</u>	—	<u>(79,685)</u>	<u>(79,685)</u>
Profit for the year		<u>227,445</u>		<u>227,445</u>	<u>227,445</u>

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the year ended December 31, 2016 (Continued)

	Unadjusted Financial Information under TFRS	Adjustments (in thousand Baht)	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
Profit for the year attributable to:					
Owners of the Company	227,445	—	227,445	—	227,445
Non-controlling interests	<u>—</u>	—	<u>—</u>	—	<u>—</u>
	<u>227,445</u>		<u>227,445</u>		<u>227,445</u>
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Profit for the year	<u>227,445</u>	—	<u>227,445</u>	—	<u>227,445</u>
Other comprehensive income	<u>—</u>	—	<u>—</u>	—	<u>—</u>
Total comprehensive income for the year	<u>227,445</u>		<u>227,445</u>		<u>227,445</u>
Total comprehensive income for the year attributable to:					
Owners of the Company	227,445	—	227,445	—	227,445
Non-controlling interests	<u>—</u>	—	<u>—</u>	—	<u>—</u>
	<u>227,445</u>		<u>227,445</u>		<u>227,445</u>

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the period ended June 30, 2016

		Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	Notes					
				(in thousand Baht)		
Revenue						
Revenue	2	—	—	—	8,946,731	8,946,731
Revenue from sale of goods	2	8,923,126	—	8,923,126	(8,923,126)	—
Revenue from rendering of services	2	<u>23,605</u>	—	<u>23,605</u>	(23,605)	<u>—</u>
		<u>8,946,731</u>		<u>8,946,731</u>		<u>8,946,731</u>
Cost of sales						
Cost of sales	3	—	—	—	(8,495,617)	(8,495,617)
Cost of sale of goods	3	(8,486,134)	—	(8,486,134)	8,486,134	—
Cost of rendering of services	3	<u>(9,483)</u>	—	<u>(9,483)</u>	9,483	<u>—</u>
		<u>(8,495,617)</u>		<u>(8,495,617)</u>		<u>(8,495,617)</u>
Gross profit		451,114		451,114		451,114
Other income	5	34,933	—	34,933	(268)	34,665
Other gains and losses	4, 5	—	—	—	(7,973)	(7,973)
Net foreign exchange loss	4	(8,241)	—	(8,241)	8,241	—
Selling expenses ("Distribution costs" under the Company's policies)	1	(97,865)	(116,232)	(214,097)	—	(214,097)
Administrative expenses	1, 6	(212,117)	116,232	(95,885)	(4,577)	(100,462)
Share of loss of investments in associates ("Share of results of associates" under the Company's policies)		(1,799)	—	(1,799)	—	(1,799)
Finance costs	6	<u>(25,757)</u>	—	<u>(25,757)</u>	4,577	<u>(21,180)</u>
Profit before tax expense ("Profit before taxation" under the Company's policies)		140,268		140,268		140,268
Tax expense ("Income tax expense" under the Company's policies)		<u>(28,393)</u>	—	<u>(28,393)</u>	—	<u>(28,393)</u>
Profit for the period		<u>111,875</u>		<u>111,875</u>		<u>111,875</u>

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the period ended June 30, 2016 (Continued)

	Unadjusted Financial Information under TFRS	Adjustments (in thousand Baht)	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
Profit for the period attributable to:					
Owners of the Company	111,875	—	111,875	—	111,875
Non-controlling interests	<u>—</u>	—	<u>—</u>	—	<u>—</u>
	<u>111,875</u>		<u>111,875</u>		<u>111,875</u>
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Profit for the period	<u>111,875</u>	—	<u>111,875</u>	—	<u>111,875</u>
Other comprehensive income	<u>—</u>	—	<u>—</u>	—	<u>—</u>
Total comprehensive income for the period	<u>111,875</u>		<u>111,875</u>		<u>111,875</u>
Total comprehensive income for the period attributable to:					
Owners of the Company	111,875	—	111,875	—	111,875
Non-controlling interests	<u>—</u>	—	<u>—</u>	—	<u>—</u>
	<u>111,875</u>		<u>111,875</u>		<u>111,875</u>

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the year ended December 31, 2015

	Notes	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
<i>(in thousand Baht)</i>						
Revenue						
Revenue	2	—	—	—	18,023,312	18,023,312
Revenue from sale of goods	2	17,969,111	—	17,969,111	(17,969,111)	—
Revenue from rendering of services	2	<u>54,201</u>	—	<u>54,201</u>	(54,201)	<u>—</u>
		<u>18,023,312</u>		<u>18,023,312</u>		<u>18,023,312</u>
Cost of sales						
Cost of sales	3	—	—	—	(17,057,762)	(17,057,762)
Cost of sale of goods	3	(17,028,185)	—	(17,028,185)	17,028,185	—
Cost of rendering of services	3	<u>(29,577)</u>	—	<u>(29,577)</u>	29,577	<u>—</u>
		<u>(17,057,762)</u>		<u>(17,057,762)</u>		<u>(17,057,762)</u>
Gross profit		965,550		965,550		965,550
Other income	5	73,159	—	73,159	(1,308)	71,851
Other gains and losses	4, 5, 7	—	—	—	25,725	25,725
Gain on exchange rate	4	23,522	—	23,522	(23,522)	—
Gain from loss of controlling interests in subsidiary	7	895	—	895	(895)	—
Selling expenses ("Distribution costs" under the Company's policies)	1	(227,060)	(252,431)	(479,491)	—	(479,491)
Administrative expenses	1, 6	(455,747)	252,431	(203,316)	(7,833)	(211,149)
Share of loss of investments in associates ("Share of results of associates" under the Company's policies)		(83,475)	—	(83,475)	—	(83,475)
Finance costs	6	<u>(64,346)</u>	—	<u>(64,346)</u>	7,833	<u>(56,513)</u>
Profit before income tax expense ("Profit before taxation" under the Company's policies)		232,498		232,498		232,498
Income tax expense		<u>(66,160)</u>	—	<u>(66,160)</u>	—	<u>(66,160)</u>
Profit for the year		<u>166,338</u>		<u>166,338</u>		<u>166,338</u>

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the year ended December 31, 2015 (Continued)

	Unadjusted Financial Information under TFRS	Adjustments <i>(in thousand Baht)</i>	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
Profit for the year attributable to:					
Owners of the Company	168,851	—	168,851	—	168,851
Non-controlling interests	<u>(2,513)</u>	—	<u>(2,513)</u>	—	<u>(2,513)</u>
	<u>166,338</u>		<u>166,338</u>		<u>166,338</u>
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Profit for the year	<u>166,338</u>	—	<u>166,338</u>	—	<u>166,338</u>
Other comprehensive income	<u>—</u>	—	<u>—</u>	—	<u>—</u>
Total comprehensive income for the year	<u>166,338</u>		<u>166,338</u>		<u>166,338</u>
Total comprehensive income for the year attributable to:					
Owners of the Company	168,851	—	168,851	—	168,851
Non-controlling interests	<u>(2,513)</u>	—	<u>(2,513)</u>	—	<u>(2,513)</u>
	<u>166,338</u>		<u>166,338</u>		<u>166,338</u>

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the year ended December 31, 2014

		Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	Notes					
				(in thousand Baht)		
Revenue						
Revenue	2	—	—	—	18,554,351	18,554,351
Revenue from sale of goods	2	18,518,529	—	18,518,529	(18,518,529)	—
Revenue from rendering of services	2	<u>35,822</u>	—	<u>35,822</u>	(35,822)	<u>—</u>
		<u>18,554,351</u>		<u>18,554,351</u>		<u>18,554,351</u>
Cost of sales						
Cost of sales	3	—	—	—	(17,591,291)	(17,591,291)
Cost of sale of goods	3	(17,564,472)	—	(17,564,472)	17,564,472	—
Cost of rendering of services	3	<u>(26,819)</u>	—	<u>(26,819)</u>	26,819	<u>—</u>
		<u>(17,591,291)</u>		<u>(17,591,291)</u>		<u>(17,591,291)</u>
Gross profit		963,060		963,060		963,060
Other income		38,289	—	38,289	—	38,289
Other gains and losses	4, 5	—	—	—	(3,069)	(3,069)
Loss on exchange rate	4	(2,694)	—	(2,694)	2,694	—
Selling expenses ("Distribution costs" under the Company's policies)	1	(264,514)	(236,950)	(501,464)	—	(501,464)
Administrative expenses	1, 5, 6	(415,270)	236,950	(178,320)	(6,118)	(184,438)
Finance costs	6	<u>(87,533)</u>	—	<u>(87,533)</u>	6,493	<u>(81,040)</u>
Profit before income tax expense ("Profit before taxation" under the Company's policies)		231,338		231,338		231,338
Income tax expense		<u>(47,244)</u>	—	<u>(47,244)</u>	—	<u>(47,244)</u>
Profit for the year		<u>184,094</u>		<u>184,094</u>		<u>184,094</u>

Unaudited Adjusted Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income under the Company's Policies for the year ended December 31, 2014 (Continued)

	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS (in thousand Baht)	Adjustments	Adjusted Financial Information under the Company's Policies
Profit for the year attributable to:					
Owners of the Company	184,094	—	184,094	—	184,094
Non-controlling interests	<u>—</u>	—	<u>—</u>	—	<u>—</u>
	<u>184,094</u>		<u>184,094</u>		<u>184,094</u>
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Profit for the year	<u>184,094</u>	—	<u>184,094</u>	—	<u>184,094</u>
Other comprehensive income:					
<i>Items that will never be reclassified to profit or loss:</i>					
Actuarial gains from defined benefit plan	5,583	—	5,583	—	5,583
Income tax on other comprehensive income	<u>(1,117)</u>	—	<u>(1,117)</u>	—	<u>(1,117)</u>
Other comprehensive income for the year — net of tax	<u>4,466</u>		<u>4,466</u>		<u>4,466</u>
Total comprehensive income for the year	<u>188,560</u>		<u>188,560</u>		<u>188,560</u>
Total comprehensive income for the year attributable to:					
Owners of the Company	188,560	—	188,560	—	188,560
Non-controlling interests	<u>—</u>	—	<u>—</u>	—	<u>—</u>
	<u>188,560</u>		<u>188,560</u>		<u>188,560</u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of June 30, 2017

	Notes	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
			(in thousand Baht)			
Non-current assets						
Equipment ("Property, plant and equipment" under the Company's policies)		98,675	—	98,675	—	98,675
Intangible assets		24,853	—	24,853	—	24,853
Deferred tax assets		231,961	—	231,961	—	231,961
Other non-current assets		<u>11,664</u>	—	<u>11,664</u>	—	<u>11,664</u>
		<u>367,153</u>		<u>367,153</u>		<u>367,153</u>
Current assets						
Inventories		1,817,943	—	1,817,943	—	1,817,943
Trade and other receivables, deposits and prepayments	8	—	—	—	2,872,903	2,872,903
Trade accounts receivable	8, 9	2,583,177	—	2,583,177	(2,583,177)	—
Other current receivables	8, 9	294,451	—	294,451	(294,451)	—
Amounts due from associates	9, 10	—	—	—	58,578	58,578
Current portion of long-term loans to related party	10	53,853		53,853	(53,853)	—
Cash and cash equivalents ("Bank balances and cash" under the Company's policies)		<u>148,524</u>	—	<u>148,524</u>	—	<u>148,524</u>
		<u>4,897,948</u>		<u>4,897,948</u>		<u>4,897,948</u>

APPENDIX I
FINANCIAL INFORMATION OF THE TARGET GROUP
Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of June 30, 2017 (Continued)

		Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	Notes					
				(in thousand Baht)		
<i>Current liabilities</i>						
Trade payables, other payables and accruals	11, 12	—	—	—	1,883,121	1,883,121
Trade accounts payable	9, 11	1,620,859	—	1,620,859	(1,620,859)	—
Other current payables	9, 11	368,704	—	368,704	(368,704)	—
Amount due to ultimate parent company	9	—	—	—	2,172	2,172
Amount due to an associate	9	—	—	—	115,335	115,335
Amount due to a related company	9	—	—	—	86	86
Income tax payable ("Tax payable" under the Company's policies)		50	—	50	—	50
Derivative financial instruments	13	—	—	—	10,226	10,226
Bank overdrafts and short-term borrowings from financial institutions ("Bank loans" under the Company's policies)		1,491,060	—	1,491,060	—	1,491,060
Other current liabilities	12, 13	<u>21,377</u>	—	<u>21,377</u>	(21,377)	<u>—</u>
		<u>3,502,050</u>		<u>3,502,050</u>		<u>3,502,050</u>
<i>Net current assets</i>		<u>1,395,898</u>		<u>1,395,898</u>		<u>1,395,898</u>
<i>Total assets less current liabilities</i>		<u>1,763,051</u>		<u>1,763,051</u>		<u>1,763,051</u>
<i>Non-current liabilities</i>						
Provision for cost of assets dismantlement		3,960	—	3,960	—	3,960
Provisions for employee benefit		<u>47,990</u>	—	<u>47,990</u>	—	<u>47,990</u>
		<u>51,950</u>		<u>51,950</u>		<u>51,950</u>
NET ASSETS		<u><u>1,711,101</u></u>		<u><u>1,711,101</u></u>		<u><u>1,711,101</u></u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of June 30, 2017 (Continued)

	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	<i>(in thousand Baht)</i>				
<i>Capital and reserves</i>					
Authorised share capital ("Share capital" under the Company's policies)	350,199	—	350,199	—	350,199
Share premium on ordinary shares ("Share premium" under the Company's policies)	435,415	—	435,415	—	435,415
Retained earnings					
Appropriated					
Legal reserve ("Reserves" under the Company's policies)	35,020	—	35,020	—	35,020
Unappropriated ("Retained profits" under the Company's policies)	<u>890,467</u>	—	<u>890,467</u>	—	<u>890,467</u>
TOTAL EQUITY	<u><u>1,711,101</u></u>		<u><u>1,711,101</u></u>		<u><u>1,711,101</u></u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2016

	Notes	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
			(in thousand Baht)			
Non-current assets						
Equipment ("Property, plant and equipment" under the Company's policies)		107,156	—	107,156	—	107,156
Intangible assets		29,592	—	29,592	—	29,592
Deferred tax assets		254,450	—	254,450	—	254,450
Other non-current assets		<u>11,725</u>	—	<u>11,725</u>	—	<u>11,725</u>
		<u>402,923</u>		<u>402,923</u>		<u>402,923</u>
Current assets						
Inventories		1,718,131	—	1,718,131	—	1,718,131
Trade and other receivables, deposits and prepayments	8	—	—	—	2,632,755	2,632,755
Trade accounts receivable	8, 9	2,412,339	—	2,412,339	(2,412,339)	—
Other receivables	8, 9	221,852	—	221,852	(221,852)	—
Amounts due from associates	9, 10	—	—	—	51,218	51,218
Current portion of long-term loans to related party	10	49,782	—	49,782	(49,782)	—
Cash and cash equivalents ("Bank balances and cash" under the Company's policies)		147,870	—	147,870	—	147,870
Other current assets ("Derivative financial instruments" under the Company's policies)		<u>5,443</u>	—	<u>5,443</u>	—	<u>5,443</u>
		<u>4,555,417</u>		<u>4,555,417</u>		<u>4,555,417</u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2016 (Continued)

		Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	Notes			(in thousand Baht)		
Current liabilities						
Trade payables, other payables and accruals	11, 12	—	—	—	1,922,785	1,922,785
Trade accounts payable	9, 11	1,683,714	—	1,683,714	(1,683,714)	—
Other payables	9, 11	277,139	—	277,139	(277,139)	—
Amount due to ultimate parent company	9	—	—	—	2,053	2,053
Amount due to an associate	9	—	—	—	57,104	57,104
Amount due to a related company	9	—	—	—	86	86
Income tax payable ("Tax payable" under the Company's policies)		37	—	37	—	37
Bank overdrafts and short-term loans from financial institutions ("Bank loans" under the Company's policies)		1,219,222	—	1,219,222	—	1,219,222
Other current liabilities	12	<u>21,175</u>	—	<u>21,175</u>	(21,175)	<u>—</u>
		<u>3,201,287</u>		<u>3,201,287</u>		<u>3,201,287</u>
Net current assets		<u>1,354,130</u>		<u>1,354,130</u>		<u>1,354,130</u>
Total assets less current liabilities		<u>1,757,053</u>		<u>1,757,053</u>		<u>1,757,053</u>
Non-current liabilities						
Provision for cost of assets dismantlement		3,960	—	3,960	—	3,960
Employee benefit obligations		<u>43,970</u>	—	<u>43,970</u>	—	<u>43,970</u>
		<u>47,930</u>		<u>47,930</u>		<u>47,930</u>
NET ASSETS		<u><u>1,709,123</u></u>		<u><u>1,709,123</u></u>		<u><u>1,709,123</u></u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2016 (Continued)

	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	<i>(in thousand Baht)</i>				
<i>Capital and reserves</i>					
Authorised share capital ("Share capital" under the Company's policies)	350,199	—	350,199	—	350,199
Premium on ordinary shares ("Share premium" under the Company's policies)	435,415	—	435,415	—	435,415
Retained earnings					
Appropriated					
Legal reserve ("Reserves" under the Company's policies)	35,020	—	35,020	—	35,020
Unappropriated ("Retained profits" under the Company's policies)	<u>888,489</u>	—	<u>888,489</u>	—	<u>888,489</u>
TOTAL EQUITY	<u><u>1,709,123</u></u>		<u><u>1,709,123</u></u>		<u><u>1,709,123</u></u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2015

		Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	Notes					
<i>(in thousand Baht)</i>						
Non-current assets						
Equipment ("Property, plant and equipment" under the Company's policies)		112,275	—	112,275	—	112,275
Intangible assets		34,522	—	34,522	—	34,522
Long-term loans to related party	10	44,973	—	44,973	(44,973)	—
Amount due from an associate	10	—	—	—	44,973	44,973
Deferred tax assets		271,172	—	271,172	—	271,172
Other non-current assets		<u>11,707</u>	—	<u>11,707</u>	—	<u>11,707</u>
		<u>474,649</u>		<u>474,649</u>		<u>474,649</u>
Current assets						
Inventories		1,323,205	—	1,323,205	—	1,323,205
Trade and other receivables, deposits and prepayments	8	—	—	—	2,534,713	2,534,713
Trade accounts receivable	8, 9	2,045,107	—	2,045,107	(2,045,107)	—
Other receivables	8, 9	520,292	—	520,292	(520,292)	—
Amounts due from associates	9, 10	—	—	—	42,209	42,209
Short-term loans to related parties	10	11,523	—	11,523	(11,523)	—
Cash and cash equivalents ("Bank balances and cash" under the Company's policies)		49,490	—	49,490	—	49,490
Other current assets ("Derivative financial instruments" under the Company's policies)		<u>3,425</u>	—	<u>3,425</u>	—	<u>3,425</u>
		<u>3,953,042</u>		<u>3,953,042</u>		<u>3,953,042</u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2015 (Continued)

		Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	Notes					
				(in thousand Baht)		
Current liabilities						
Trade payables, other payables and accruals	11, 12	—	—	—	1,522,085	1,522,085
Trade accounts payable	9, 11	1,245,065	—	1,245,065	(1,245,065)	—
Other payables	9, 11	260,842	—	260,842	(260,842)	—
Amount due to ultimate parent company	9	—	—	—	1,711	1,711
Amount due to a related company	9	—	—	—	86	86
Income tax payable ("Tax payable" under the Company's policies)		16,571	—	16,571	—	16,571
Bank overdrafts and short-term loans from financial institutions	14	1,258,005	—	1,258,005	(1,258,005)	—
Bank loans	14	—	—	—	1,258,002	1,258,002
Bank overdrafts	14	—	—	—	3	3
Other current liabilities	12	17,975	—	17,975	(17,975)	—
		<u>2,798,458</u>		<u>2,798,458</u>		<u>2,798,458</u>
Net current assets		<u>1,154,584</u>		<u>1,154,584</u>		<u>1,154,584</u>
Total assets less current liabilities		<u>1,629,233</u>		<u>1,629,233</u>		<u>1,629,233</u>
Non-current liabilities						
Provision for cost of assets dismantlement		3,960	—	3,960	—	3,960
Employee benefit obligations		38,535	—	38,535	—	38,535
		<u>42,495</u>		<u>42,495</u>		<u>42,495</u>
NET ASSETS		<u>1,586,738</u>		<u>1,586,738</u>		<u>1,586,738</u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2015 (Continued)

	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
	<i>(in thousand Baht)</i>				
<i>Capital and reserves</i>					
Authorised share capital ("Share capital" under the Company's policies)	350,199	—	350,199	—	350,199
Premium on ordinary shares ("Share premium" in the Company's policies)	435,415	—	435,415	—	435,415
Retained earnings					
Appropriated					
Legal reserve ("Reserves" under the Company's policies)	35,020	—	35,020	—	35,020
Inappropriate ("Retained profits" under the Company's policies)	<u>766,104</u>	—	<u>766,104</u>	—	<u>766,104</u>
TOTAL EQUITY	<u><u>1,586,738</u></u>		<u><u>1,586,738</u></u>		<u><u>1,586,738</u></u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2014

	Notes	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
			(in thousand Baht)			
Non-current assets						
Equipment ("Property, plant and equipment" under the Company's policies)		120,474	—	120,474	—	120,474
Intangible assets		39,146	—	39,146	—	39,146
Investments in associate ("Interests in associates" under the Company's policies)		9,800	—	9,800	—	9,800
Other long-term investments ("Available-for-sale investments" under the Company's policies)		8,571	—	8,571	—	8,571
Deferred tax assets		284,182	—	284,182	—	284,182
Other non-current assets		<u>12,118</u>	—	<u>12,118</u>	—	<u>12,118</u>
		<u>474,291</u>		<u>474,291</u>		<u>474,291</u>
Current assets						
Inventories		1,975,188	—	1,975,188	—	1,975,188
Trade and other receivables, deposits and prepayments	8	—	—	—	2,483,984	2,483,984
Trade accounts receivable	8, 9	1,951,441	—	1,951,441	(1,951,441)	—
Other receivables	8	532,575	—	532,575	(532,575)	—
Amount due from a related company	9	—	—	—	32	32
Cash and cash equivalents ("Bank balances and cash" under the Company's policies)		109,171	—	109,171	—	109,171
Other current assets ("Derivative financial instruments" under the Company's policies)		<u>2,782</u>	—	<u>2,782</u>	—	<u>2,782</u>
		<u>4,571,157</u>		<u>4,571,157</u>		<u>4,571,157</u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2014 (Continued)

	Notes	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
<i>(in thousand Baht)</i>						
Current liabilities						
Trade payables, other payables and accruals	11, 12	—	—	—	1,084,509	1,084,509
Trade accounts payable	9, 11	804,384	—	804,384	(804,384)	—
Other payables	9, 11	267,055	—	267,055	(267,055)	—
Amount due to ultimate parent company	9	—	—	—	2,653	2,653
Amount due to a related company	9	—	—	—	86	86
Income tax payable ("Tax payable" under the Company's policies)		5,643	—	5,643	—	5,643
Short-term loans from financial institutions ("Bank loans" under the Company's policies)		2,427,594	—	2,427,594	—	2,427,594
Other current liabilities	12	15,809	—	15,809	(15,809)	—
		<u>3,520,485</u>		<u>3,520,485</u>		<u>3,520,485</u>
Net current assets		<u>1,050,672</u>		<u>1,050,672</u>		<u>1,050,672</u>
Total assets less current liabilities		<u>1,524,963</u>		<u>1,524,963</u>		<u>1,524,963</u>
Non-current liabilities						
Provision for cost of assets dismantlement		3,960	—	3,960	—	3,960
Employee benefit obligations		33,076	—	33,076	—	33,076
		<u>37,036</u>		<u>37,036</u>		<u>37,036</u>
NET ASSETS		<u>1,487,927</u>		<u>1,487,927</u>		<u>1,487,927</u>

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2014 (Continued)

	Notes	Unadjusted Financial Information under TFRS	Adjustments	Adjusted Financial Information under IFRS	Adjustments	Adjusted Financial Information under the Company's Policies
			(in thousand Baht)			
<i>Capital and reserves</i>						
Authorised share capital ("Share capital" under the Company's policies)		350,199	—	350,199	—	350,199
Share premium		435,415	—	435,415	—	435,415
Retained earnings						
Appropriated						
Legal reserve ("Reserves" under the Company's policies)		35,020	—	35,020	—	35,020
Unappropriated ("Retained profits" under the Company's policies)		<u>667,293</u>	—	<u>667,293</u>	—	<u>667,293</u>
TOTAL EQUITY		<u><u>1,487,927</u></u>		<u><u>1,487,927</u></u>		<u><u>1,487,927</u></u>

Notes:

- (1) SiS THAI presents certain expenses primarily related to staff cost and transportation cost for distributing activities within "Administrative expenses" in compliance with local guidelines, which deviates from the relevant principles under IFRS. The Company presents all such expenses based on their function as "Distribution costs" and accordingly, these items have been reclassified.
- (2) SiS THAI presents "Revenue from sale of goods" and "Revenue from rendering of services" as two separate line items on its consolidated statement of income. The Company presents them as components of "Revenue" and accordingly, "Revenue from sale of goods" and "Revenue from rendering of services" are grouped together and presented as "Revenue".
- (3) SiS THAI presents "Cost of sale of goods" and "Cost of rendering of services" as two separate line items on its consolidated statement of income. The Company presents them as components of "Cost of sales" and accordingly, "Cost of sale of goods" and "Cost of rendering of services" are grouped together and presented as "Cost of sales".
- (4) SiS THAI presents exchange gain or loss as separate line items as "Net foreign exchange loss", "Loss on exchange rate"; or "Gain on exchange rate" on its consolidated statement of income. The Company presents exchange gain or loss as a component of "Other gains and losses" and accordingly, such item has been reclassified.
- (5) SiS THAI presents gain or loss on disposal of properties, plant and equipment as a component of "Administrative expenses" or "Other income". The Company presents it as a component of "Other gains and losses" and accordingly, such item has been reclassified.

- (6) SiS THAI presents bank charges as a component of “Finance costs”. The Company presents it as a component of “Administrative expenses” and accordingly, such item has been reclassified.
- (7) SiS THAI presents gain from loss of controlling interest in a subsidiary as a separate line item as “Gain from loss of controlling interest in a subsidiary” on its consolidated statement of income. The Company presents it as a component of “Other gains or losses” and accordingly, such item has been reclassified.
- (8) SiS THAI presents “Trade accounts receivable” and “Other receivables” or “Other current receivables” as two separate line items on its consolidated statement of financial position. The Company presents them as a component of “Trade and other receivables, deposits and prepayments”. Accordingly, “Trade accounts receivables” and “Other receivables” or “Other current receivables” are grouped together and presented as “Trade and other receivables, deposits and prepayments”.
- (9) SiS THAI presents amounts due from/to ultimate parent company, associates or related companies as components of “Trade accounts receivable”, “Other receivables”, “Other current receivables”, “Trade accounts payable”, “Other payables” or “Other current payables. The Company presents its amounts due from/to ultimate parent company, associates or related companies as separate line items as “Amount due from/to ultimate parent company”, “Amounts due from/to associates” or “Amounts due from/to related companies” on the consolidated statement of financial position. Accordingly, such items have been separately presented and classified.
- (10) SiS THAI presents loans to an associate as a component of “Current portion of long-term loans to related party”, “Short-term loans to related parties” or “Long-term loans to related party”. The Company presents loans to an associate as a component of “Amounts due from associates” and accordingly, such item has been reclassified.
- (11) SiS THAI presents “Trade accounts payable” and “Other payables” or “Other current payables” as two separate line items on its consolidated statement of financial position. The Company presents them as a component of “Trade payables, other payables and accruals”. Accordingly, “Trade accounts payable” and “Other payables” or “Other current payables” are grouped together and presented as “Trade payables, other payables and accruals”.
- (12) SiS THAI presents withholding tax payable, staff guarantee and warranty provision as “Other current liabilities”. The Company presents all such items as components of “Trade payables, other payables and accruals” and accordingly, these items have been reclassified.
- (13) SiS THAI presents derivative financial instruments as a component of “Other current liabilities”. The Company presents derivative financial instruments as a separate line item as “Derivative financial instruments” on its consolidated statement of financial position and accordingly, such item has been separately presented and classified.
- (14) SiS THAI presents bank overdrafts and short-term bank loans as components of “Bank overdrafts and short-term loans from financial institutions”. The Company presents bank overdrafts and short-term bank loans as two separate line items as “Bank loans” and “Bank overdrafts” respectively on its consolidated statement of financial position. Accordingly, such items have been separately presented and classified.

SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET GROUP

The Company sets out the following supplemental financial information of the Target Group, which was not included in Target Company's audited consolidated financial statements showing the financial information for the financial years ended 31 December 2014, 2015 and 2016 and the six month period ended 30 June 2017.

1. Aging analysis of Accounts Payables

Aged analysis of the trade payables, based on the invoice date, at the end of the reporting period.

	30.6.2017	31.12.2016	31.12.2015	31.12.2014
	<i>Baht'000</i>	<i>Baht'000</i>	<i>Baht'000</i>	<i>Baht'000</i>
Within 30 days	142,310	1,120,786	712,512	527,219
31 to 90 days	20,421	484,268	503,414	257,636
91 to 120 days	3,010	9,762	8,898	—
Over 120 days	<u>1,339,696</u>	<u>11,708</u>	<u>9,083</u>	<u>19,443</u>
	<u><u>1,505,437</u></u>	<u><u>1,626,524</u></u>	<u><u>1,233,907</u></u>	<u><u>804,298</u></u>

2. Five Highest Paid Individuals Emoluments

Of the five individuals with the highest emoluments in the Target Company, two were directors emoluments in each of the financial years ended 31 December 2014, 2015 and 2016 and the six months period ended 30 June 2017.

	30.6.2017	31.12.2016	31.12.2015	31.12.2014
	<i>Baht'000</i>	<i>Baht'000</i>	<i>Baht'000</i>	<i>Baht'000</i>
Salaries and other benefits	9,865	19,922	17,515	16,476
Contribution to pension	<u>324</u>	<u>574</u>	<u>538</u>	<u>492</u>
	<u><u>10,189</u></u>	<u><u>20,496</u></u>	<u><u>18,053</u></u>	<u><u>16,968</u></u>

3. Gearing Ratio

Gearing ratio, as defined by total bank borrowings to total equity were as follows:

As at 30.6.2017	87%
As at 31.12.2016	71%
As at 31.12.2015	79%
As at 31.12.2014	163%

FINANCIAL SUMMARY

The published audited consolidated financial statements of the Group (i) for the year ended 31 December 2014 are disclosed on pages 28 to 101 of the 2014 annual report of the Company released on 27 April 2015; (ii) for the year ended 31 December 2015 are disclosed on pages 33 to 112 of the 2015 annual report of the Company released on 21 April 2016; and (iii) for the year ended 31 December 2016 are disclosed on pages 42 to 119 of the 2016 annual report of the Company released on 19 April 2017.

The published unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 is disclosed on pages 5 to 24 of the 2017 interim report of the Company released on 19 September 2017.

All these financial statements have been published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company's website at www.sisinternational.com.hk.

1. WORKING CAPITAL

After taking into account the expected completion of the Acquisition and the Group's presently internal financial resources and the available banking facilities, and in the absence of unforeseen circumstances, the Directors, after due and careful enquiry, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

At the close of business on 31 August 2017, being the latest practicable date prior to the printing of this circular and for the purpose of this indebtedness statement, the Enlarged Group had total borrowings amounting to approximately HK\$2,685,088,000 and obligation under finance lease amounting to approximately HK\$34,818,000, details of which are as follows:

The Group had outstanding unsecured bank borrowings of approximately HK\$34,300,000, secured bank borrowings of approximately HK\$2,016,279,000 which were secured by properties, bank deposits, rental proceeds, trust beneficiary interests, preferred shares and specified shares of subsidiaries, secured bonds of approximately HK\$271,657,000 which were secured by trust beneficiary interests, preferred shares and specified shares of subsidiaries and secured obligation under finance lease of approximately HK\$34,818,000. Except for secured bank borrowings of approximately HK\$114,233,000 and obligations under finance leases of approximately HK\$34,818,000 which are guaranteed by the Company, all other balances were not covered by any guarantees as at 31 August 2017.

The Target Group had outstanding unsecured bank borrowings of approximately HK\$362,852,000. All balances were not covered by any guarantees as at 31 August 2017.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not, as at the Latest Practicable Date, have any outstanding loan capital issued, outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchase commitments, guarantees or other material contingent liabilities.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in (i) real estate investments business, (ii) distribution of mobile and IT products and (iii) investments in IT, securities and other businesses.

(i) Real Estate Investments Business

The momentum for the Group's real estate investments continued. Total revenue from the Group's real estate investment portfolio for the year ended 31 December 2016 increased by 36% to HK\$217 million and generated a segment profit excluding gains from change in fair value of HK\$121 million as compared to the same period last year of HK\$100 million.

During the year ended 31 December 2016, the Group acquired a total of seven properties in Japan and two of which included the hotel operations. Total consideration for these acquisitions during the year amounted to JPY12,488,948,000 (equivalent to HK\$875,264,000). The total number of properties invested in Japan stood at 17 at end of 2016.

The sizeable portfolio of income generating properties with long-term potential for the capital appreciation has contributed positively to the net results of the Group. Coupled with the assets appreciation in Japan and Hong Kong, the carrying value of the Group's real estate investment portfolio increased from HK\$2,795 million to HK\$3,724 million for the year ended 31 December 2016.

(ii) Distribution Business

Sales revenue from distribution of storage, networking and infrastructure products continued on an upward trend. The higher contributions derived from sale of IT products offset the lower sales revenue from mobility products. The total distribution sales revenue decreased slightly from HK\$986 million to HK\$911 million for the year ended 31 December 2016.

The challenging and difficult economic environment, the intensive competition in mobility products, falling demand from tourists coupled with weak demand in retail market in Hong Kong resulted in decrease of revenue. The revenue shortfall was further exacerbated by a recall of the Group's major vendor's flagship mobile phone product during the last quarter 2016. The Group will continue to identify and seek new growth products to add to our stability of products we are currently distributing.

The Directors believes that the Acquisition will be beneficial to the Group as detailed in the section headed “Reasons for and Benefits of the Acquisition” in this circular.

(iii) Investment in IT, Securities and Other Businesses

In Bangladesh, the Group’s associated company Information Technology Consultants Limited (“ITCL”) was successfully listed on 10 January 2016, on both Chittagong Stock Exchange and Dhaka Stock Exchange. The dual-listed ITCL is a leading consultant and provider of financial services, payment gateway, ATM, mobile payments & banking solutions in the rapidly evolving area of electronic payments, mobile payment, e-commerce, m-commerce and internet banking. ITCL continues to gain growth and contributed HK\$4.8 million to the Group’s earnings during the year ended 31 December 2016.

The Group’s investment businesses also include investment in securities of listed corporations, as well as securities in unlisted companies for mid to long-term period. During the year ended 31 December 2016, the Group disposed of two investments engaged in distribution and medical; the proceeds of which contributed a total profit of HK\$2.6 million. In addition, one of the Group’s investment portfolios in IT business listed successfully in the US in September 2016. The Group will continue to explore and seek for investment opportunities to further strengthen its investment portfolio.

The Directors expect to face a softer and more difficult economic environment in the near terms. Demand for IT and mobility products continue to soften. The Directors anticipate that year 2017 will be beset with much challenges and headwinds due to the uncertain global economy. However, the Directors are confident that fundamentals of the Group are strong. With a strong balance sheet, an experienced management team, the Group is well positioned to explore business opportunities, strengthen the Group’s position and pursue opportunities for profitable growth during this time. As part of its investment strategy, the Group will continue to look for acquisition opportunities in the international markets to strengthen its existing business and enhance the growth prospects of the Group and create value for the Shareholders.

4. FINANCIAL REVIEW OF THE GROUP

Revenue of the Group was HK\$1,128.4 million for the year ended 31 December 2016, representing a decrease of approximately 1.5% from HK\$1,145.8 million for the year ended 31 December 2015. Such decrease was mainly due to the higher revenue from real estate investments business offset the lower sales revenue from distribution business.

Profit of the Group was HK\$252.7 million for the year ended 31 December 2016, representing an increase of approximately 5.6% from HK\$239.3 million for the year ended 31 December 2015. Such increase was mainly due to (i) increase in gain from changes in fair value of investment properties from HK\$182.3 million for financial year 2015 to HK\$232.1 million for financial year 2016; and (ii) increase in loss from changes in fair value of derivative financial instruments from HK\$2.9 million for the financial year 2015 to HK\$40.1 million for the financial year 2016.

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. As at 31 December 2016 the Group had no outstanding forward contracts (2015: notional amount HK\$327,600,000 which were measured at fair value at the reporting date).

5. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had total assets of HK\$5,665,306,000 which were financed by total equity of HK\$2,950,786,000 and total liabilities of HK\$2,714,520,000. The Group had a current ratio of approximately 0.93 compared to that of approximately 0.97 at 31 December 2015. As at year end 2016 the Group had HK\$976,839,000 (2015: HK\$844,945,000) bank deposits balances and cash of which HK\$331,948,000 (2015: HK\$455,029,000) was pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank loans and bonds. As at 31 December 2016, the Group had short term loans and bonds of total HK\$1,101,758,000 (2015: HK\$945,272,000) and long term loans and bonds of HK\$1,213,463,000 (2015: HK\$474,560,000). The borrowings were mainly denominated in Japanese Yen and Hong Kong Dollar, and were charged by banks at floating interest rates. At the end of December 2016, the Group had a net cash deficit (total bank loans and bonds, less bank balances and cash and pledged deposits) of HK\$1,338,382,000 (2015: HK\$574,887,000). Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 31 December 2016 was 78% (2015: 55%).

6. CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged. The capital structure of the Group consists of bank borrowings and bonds, net of cash and cash equivalents and equity, comprising issued share capital, reserves and retained profits. The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

7. NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES

The number of staff of the Group as at 31 December 2016 was 103 (2015: 94) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments and share option expenses, amounted to HK\$43,787,000 (2015: HK\$41,138,000) for the year ended 31 December 2016. In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year ended 31 December 2016, share options of 100,000 have been exercised and the weighted average closing share price immediately before dates of exercise of the share options were HK\$3.91. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the proposed very substantial acquisition in relation to the pre-conditional voluntary general offer to acquire the offer shares of SiS Distribution (Thailand) Public Company Limited (the “**Target Company**”) (the “**Acquisition**”), the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of cash flows and the unaudited pro forma consolidated statement of financial position of the Company and its subsidiaries (hereinafter referred to as the “**Group**”, together with the Target Company and its subsidiaries (the “**Target Group**”) hereinafter referred to as the “**Enlarged Group**”) have been prepared to illustrate the effect of the proposed Acquisition on the Group’s financial position as at 30 June 2017, and the Group’s financial performance and cash flows for the year ended 31 December 2016, as if the Acquisition had taken place at 30 June 2017 and 1 January 2016, respectively. Although the result of this general offer may result in incalculable scenario, for illustration and for simplicity for the purpose of this unaudited pro forma financial information, it is assumed that an additional 5.72% of total issued shares of the Target Company would be acquired by Thai Alliance Co., Ltd. (the “**Offeror**”) from Mr. Somchai Sittichaisrichart and Mr. Sombuti Pungsrinont, who are directors of the Target Company, as they have given written irrevocable and unconditional undertaking to the Offeror that each of them will accept the offer in respect of approximately 2.70% and 3.02%, respectively, of the shares of the Target Company held by them, which will result in the Group obtaining 53.01% of the voting rights of the Target Company.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the audited consolidated statement of profit or loss and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2016, which have been extracted from the published annual report of the Company for the year ended 31 December 2016, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 which has been extracted from the published interim report of the Company for the six months ended 30 June 2017, and the consolidated statement of profit or loss and the consolidated statement of cash flows of the Target Group for the year ended 31 December 2016 and the consolidated statement of financial position of the Target Group as at 30 June 2017 which have been extracted from the accountants’ report of the Target Group as set out in Appendix I to this Circular.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors of the Company in accordance with paragraph 29 of Chapter 4 of the Hong Kong Listing Rules and is solely for the purpose to illustrate (a) the financial performance and cash flows of the Group as if the Acquisition had taken place on 1 January 2016; and (b) the financial position of the Group as if the Acquisition had taken place on 30 June 2017.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes, with narrative description of the pro forma adjustments of the proposed Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors of the Company based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information of the Enlarged Group may not give a true picture of the results, cash flows or assets and liabilities of the Group would have been upon completion of the Acquisition for the year ended 31 December 2016 or as at 30 June 2017 and in any future periods or on any future dates, as appropriate.

- (B) *The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the letter from the board set out in this circular, the financial information of the Target Group as set out in Appendix I to this circular and other financial information included elsewhere in this circular.*

1. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Unaudited pro forma adjustments					Unaudited pro forma of the Enlarged Group for the year ended 31 December 2016
	The Group for the year ended 31 December 2016 HK\$'000 (Note 1)	The Target Group for the year ended 31 December 2016 Baht'000 (Note 2)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 5)	HK\$'000 (Note 6)
Revenue	1,128,417	18,434,859	4,237,899	(2,534)		5,363,782
Cost of sales	(950,589)	(17,467,118)	(4,015,429)			(4,966,018)
Gross profit	177,828	967,741	222,470			397,764
Other income	12,224	59,256	13,622			25,846
Other gains and losses	(28,066)	586	135			(27,931)
Distribution costs	(29,114)	(429,195)	(98,666)			(127,780)
Administrative expenses	(86,846)	(252,868)	(58,131)	2,534		(148,443)
Gain from change in fair value of investment properties	232,057	—	—			232,057
Gain on re-measurement of previously held interest in an associate	—	—	—		3,116	3,116
Share of results of associates	28,214	2,908	669	(23,399)		5,484
Finance costs	(28,645)	(41,298)	(9,494)			(38,139)
Profit before taxation	277,652	307,130	70,605			321,974
Income tax expenses	(24,919)	(79,685)	(18,318)			(43,237)
	<u>252,733</u>	<u>227,445</u>	<u>52,287</u>			<u>278,737</u>
Profit for the year attributable to:						
Owners of the Company	236,209	227,445	52,287			237,539
Non-controlling interests	16,524	—	—		24,674	41,198
	<u>252,733</u>	<u>227,445</u>	<u>52,287</u>			<u>278,737</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**
**2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION**

	Unaudited pro forma adjustments						Unaudited pro forma of the Enlarged Group as at 30 June 2017 HK\$'000
	The Group as at 30 June 2017 HK\$'000	The Target Group as at 30 June 2017					
	(Note 1)	Baht'000 (Note 2)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Notes 4 and 5)	HK\$'000 (Note 6)	
Non-current assets							
Investment properties	3,859,235	—	—				3,859,235
Property, plant and equipment	328,018	98,675	22,684				350,702
Interests in associates	278,246	—	—		(186,120)		92,126
Goodwill	—	—	—		92,926		92,926
Intangible assets	—	24,853	5,713				5,713
Available-for-sale investments	148,287	—	—				148,287
Deferred tax assets	—	231,961	53,324				53,324
Other non-current assets	—	11,664	2,681				2,681
	<u>4,613,786</u>	<u>367,153</u>	<u>84,402</u>				<u>4,604,994</u>
Current assets							
Inventories	55,596	1,817,943	417,918				473,514
Trade and other receivables, deposits and prepayments	156,774	2,872,903	660,439				817,213
Amounts due from associates	2,667	58,578	13,466	(499)			15,634
Investment held-for-trading	15,766	—	—				15,766
Tax recoverable	2,146	—	—				2,146
Pledged bank deposit	333,198	—	—				333,198
Bank balances and cash	587,737	148,524	34,143		(32,245)	(6,000)	583,635
	<u>1,153,884</u>	<u>4,897,948</u>	<u>1,125,966</u>				<u>2,241,106</u>
Current liabilities							
Trade payables, other payables and accruals	148,910	1,883,121	432,901				581,811
Amount due to an associate	—	115,335	26,514				26,514
Amount due to a related company	—	2,258	519	(499)			20
Derivative financial instruments	—	10,226	2,351				2,351
Obligations under finance leases	4,135	—	—				4,135
Tax payable	16,143	50	11				16,154
Dividend payable	8,339	—	—				8,339
Rental deposits received	7,815	—	—				7,815
Bank loans	1,053,117	1,491,060	342,772				1,395,889
	<u>1,238,459</u>	<u>3,502,050</u>	<u>805,068</u>				<u>2,043,028</u>
Net current (liabilities) assets	(84,575)	1,395,898	320,898				198,078

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Unaudited pro forma adjustments						Unaudited pro forma of the Enlarged Group as at 30 June 2017 HK\$'000
	The Group as at 30 June 2017 HK\$'000	The Target Group as at 30 June 2017					
	(Note 1)	Bahr'000 (Note 2)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Notes 4 and 5)	HK\$'000 (Note 6)	
Non-current Liabilities							
Bank loans	981,779	—	—				981,779
Bonds	269,373	—	—				269,373
Obligations under finance leases	31,360	—	—				31,360
Rental deposits received							
— non-current	123,408	—	—				123,408
Deferred taxation liabilities	85,802	—	—				85,802
Provision for cost of assets dismantlement	—	3,960	911				911
Provision for employee benefit	—	47,990	11,032				11,032
	<u>1,491,722</u>	<u>51,950</u>	<u>11,943</u>				<u>1,503,665</u>
Net assets	<u>3,037,489</u>	<u>1,711,101</u>	<u>393,357</u>				<u>3,299,407</u>
Capital and reserves							
Financed by:							
Share capital	27,797	350,199	80,506		(80,506)		27,797
Share premium	73,400	435,415	100,095		(100,095)		73,400
Reserves	32,265	35,020	8,051		(8,051)		32,265
Retained earnings	<u>2,773,620</u>	<u>890,467</u>	<u>204,705</u>		(122,412)	(6,000)	<u>2,849,913</u>
Equity attributable to owners of the Company	2,907,082	1,711,101	393,357				2,983,375
Non-controlling interests	<u>130,407</u>	<u>—</u>	<u>—</u>		185,625		<u>316,032</u>
Total equity	<u>3,037,489</u>	<u>1,711,101</u>	<u>393,357</u>				<u>3,299,407</u>

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited pro forma adjustments						Unaudited pro forma of the Enlarged Group for the year ended 31 December 2016
	The Group for the year ended 31 December 2016 HK\$'000 (Note 1)	The Target Group for the year ended 31 December 2016 Baht'000 (Note 2)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Notes 4 and 5)	HK\$'000 (Note 6)	HK\$'000
Cash flows from operating activities							
Profit before taxation	277,652	307,130	70,605	(23,399)	3,116	(6,000)	321,974
Adjustments for:							
Allowance (reversal) for doubtful debts	1,360	(14,406)	(3,312)				(1,952)
Allowance for obsolete and slow moving inventories	3,008	68,020	15,637				18,645
Amortization of intangible assets	—	5,804	1,334				1,334
Dividend income from available-for-sale investments	(112)	—	—				(112)
Dividend income from investments held-for-trading	(645)	—	—				(645)
Depreciation of property, plant and equipment	5,093	31,248	7,183				12,276
Doubtful debts expense for short-term loans to related parties	—	10,163	2,336				2,336
Finance costs	28,645	50,218	11,544				40,189
Loss from changes in fair value of derivative financial instruments	40,116	—	—				40,116
Gain on disposal of available-for-sale investments	(2,618)	—	—				(2,618)
Gain from change in fair value of investments held-for-trading	(560)	—	—				(560)
Gain from changes in fair value of investment properties	(232,057)	—	—				(232,057)
Gain on re-measurement of previously held interest in an associate	—	—	—		(3,116)		(3,116)
Interest income	(1,920)	(8,808)	(2,025)				(3,945)
Loss(gain) on disposal of property, plant and equipment	8	(354)	(81)				(73)
Loss on disposal of subsidiaries	24	—	—				24
Share of results of associates	(28,214)	(2,908)	(669)	23,399			(5,484)
Equity-settled share option expense	4,005	—	—				4,005
Gain on liquidation of a joint venture	(10,987)	—	—				(10,987)
Provision for employee benefit obligation	—	6,985	1,606				1,606
Unrealised loss on exchange	—	813	187				187
Operating cash flows before movements in working capital	82,798	453,905	104,345				181,143
Decrease (increase) in inventories	31,603	(462,946)	(106,424)				(74,821)
Increase in trade and other receivables, deposits and prepayments	(42,422)	(56,425)	(12,971)				(55,393)
Decrease in amount due from a joint venture	2,065	—	—				2,065
Increase in amount due from an associate	(127)	—	—				(127)
Increase in rental deposit	44,207	—	—				44,207
Increase in trade payables, other payables and accruals	27,773	457,017	105,061				132,834
Employee benefit obligations paid	—	(1,550)	(356)				(356)
Change in other non-current assets	—	(18)	(4)				(4)
Cash from operations	145,897	389,983	89,651				229,548
Hong Kong Profit tax paid	(1,705)	—	—				(1,705)
Overseas tax paid	(4,997)	(79,497)	(18,275)				(23,272)
Interest paid	(28,645)	—	—				(28,645)
Net cash from operating activities	110,550	310,486	71,376				175,926

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Unaudited pro forma adjustments					Unaudited pro forma of the Enlarged Group for the year ended 31 December 2016
The Group for the year ended 31 December 2016 HK\$'000 (Note 1)	The Target Group for the year ended 31 December 2016 Baht'000 (Note 2)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Notes 4 and 5)	HK\$'000 (Note 6)	HK\$'000
Investing activities						
Acquisition of investment properties	(681,883)	—	—			(681,883)
Acquisition of subsidiaries	—	—	—		(32,245)	(32,245)
Dividend received from associates	10,980	—	—	(10,980)		—
Dividend received from available-for-sale investments	112	—	—			112
Dividend received from investments held-for- trading	645	—	—			645
Interest received	1,920	8,829	2,030			3,950
Withdrawal of pledged deposits	123,081	—	—			123,081
Proceeds from disposal of investments held- for-trading	149	—	—			149
Proceeds from disposal of available-for-sale investments	9,520	—	—			9,520
Purchase of available-for-sale investments	(27,797)	—	—			(27,797)
Purchase of investment held-for-trading	(760)	—	—			(760)
Purchase of intangible assets	—	(874)	(201)			(201)
Purchase of property, plant and equipment	(198,539)	(26,789)	(6,158)			(204,697)
Cash received from the liquidation of a joint venture	10,987	—	—			10,987
Cash outflow on loans to related parties	—	(541)	(124)			(124)
Proceeds from disposal of property, plant and equipment	606	1,014	233			839
Net settlement on maturity of derivative financial instruments	(45,644)	—	—			(45,644)
Net cash used in investing activities	(796,623)	(18,361)	(4,220)			(844,068)
Financing activities						
Dividends paid	(8,327)	(105,060)	(24,152)			(32,479)
Interest paid	—	(49,902)	(11,472)			(11,472)
Proceeds from issue of new shares	172	—	—			172
Proceeds from issue of bonds	149,643	—	—			149,643
Net payments of loan from financial institutions	—	(38,783)	(8,916)			(8,916)
New bank loans raised	1,385,178	—	—			1,385,178
Repayment of bank loans	(627,950)	—	—			(627,950)
Repayment of finance lease obligations	(3,763)	—	—			(3,763)
Contribution from non-controlling interests	55,059	—	—			55,059
Net cash from (used in) financing activities	950,012	(193,745)	(44,540)			905,472
Net increase in cash and cash equivalents	263,939	98,380	22,616			237,330
Cash and cash equivalents at 1 January	389,916	49,490	11,377			401,293
Effect of foreign exchange rate changes	(8,964)	—	—			(8,964)
Cash and cash equivalents at 31 December, represented by bank balances and cash	644,891	147,870	33,993			629,659

Notes:

- (1) The unaudited condensed consolidated statement of financial position as at 30 June 2017 and the consolidated statement of profit or loss and consolidated statement of cash flows of the Group for the year ended 31 December 2016 were extracted from the published interim report of the Company for the six months 30 June 2017 and published annual report of the Company for the year ended 31 December 2016.
- (2) The unaudited consolidated statement of financial position as at 30 June 2017 and the consolidated statement of profit or loss of the Target Group for the year ended 31 December 2016 were extracted from the Adjusted Financial Information under the Company's Policies in the "Unaudited Adjusted Consolidated Statement" of the Target Group as set out in Appendix I to the Circular, with certain reclassification being made to bring them in line with presentation of the consolidated financial statements of the Group, where appropriate. The consolidated statement of cash flows for the year ended 31 December 2016 of the Target Group was extracted from the "Statement of cash flow" of the Target Group as set out in Appendix I to the Circular.

For the purpose of preparation of the unaudited pro forma financial information, the exchange rates adopted are as follows:

As at 30 December 2015	HK\$1=Baht4.35
As at 1 January 2016	HK\$1=Baht4.35
As at 30 June 2017	HK\$1=Baht4.35
Average rate in the year ended 31 December 2016	HK\$1=Baht4.35

No representation is made that the Baht amounts have been, could have been or could be converted to Hong Kong Dollar, or vice versa, at those rates or at any other rates or at all.

- (3) The adjustment represents elimination of intercompany balances as at 30 June 2017, elimination of intercompany transactions within the Enlarged Group, and reversal of the share of result of, and dividend received from, the Target Group as an associate for the year ended 31 December 2016 as if the Acquisition was completed at 1 January 2016.
- (4) The adjustment represents the consideration of the Group for the acquisition of additional 9,457,961 and 10,580,010 shares, which represented 2.70% and 3.02% of the shares of the Target Company, respectively, from Mr. Somchai Sittichaisrichart and Mr. Sombuti Pungsrinont, who are directors of the Target Company and have given written irrevocable and unconditional undertakings to Thai Alliance Co Ltd. (the "**Offeror**") that each of them will accept the offer and sell their shares to the Offeror. The total consideration, based on the offer price of Baht7.00 per share, to be paid by the Group for the acquisition of additional 5.72% issued shares of the Target Company, is approximately Baht140,266,000 (equivalent to approximately HK\$32,245,000).

As set out in this Circular, the funding of the Acquisition will be satisfied by cash. It is the intention of the Directors that the acquisition is to be financed by a combination of bank loans and the Group's internal resources. As at the date of this Circular, the Company has been in negotiations with various financial institutions, and no definitive agreements for such external financing from financial institutions have been entered into. Therefore it is assumed that the funding of the Acquisition will be satisfied by cash for the purpose of preparation the unaudited pro forma consolidated statement of financial position.

- (5) The adjustment represents consolidation entry for the elimination of the investment cost of the Target Group, and allocation of the cost of the Acquisition to the identifiable assets acquired and liabilities assumed by the Company and recognition of the goodwill on consolidation. Upon completion of the Acquisition, the Group will apply the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations”, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value.

For the purpose of the preparation of the unaudited pro forma financial information of the Enlarged Group and for illustrative purpose, the Directors of the Company had assumed that the carrying values of the identifiable assets and liabilities of the Target Group as at 30 June 2017 of HK\$393,357,000 (details are set out in the unaudited pro forma consolidated statement of financial position) approximates to their fair values and the recognition of goodwill arising from the Acquisition is analysed as follows:

	<i>HK\$'000</i>
Consideration for the Acquisition (note 4 above)	32,245
Add: Fair value of previously held interest (see below)	268,413
Non-controlling interest	185,625
Less: Assumed fair value of the net identifiable asset of the Target Group	<u>(393,357)</u>
Goodwill arising from the Acquisition	<u>92,926</u>

As a consequence of the Acquisition, SiS Distribution (Thailand) Public Company Limited will become a non-wholly owned subsidiary of the Group by way of step acquisition, as previously the Group accounted for its 47.29% share interest in SiS Distribution (Thailand) Public Company Limited as interests in an associate. Under HKFRS 3, the Group is required to recognise a gain or loss between the carrying value of its interest in SiS Distribution (Thailand) Public Company Limited (while it is classified as interests in an associate) and the fair value of this interest at the date of the Group obtaining control over such investee. The Directors determined the fair value of the Group's existing interest in SiS Distribution (Thailand) Public Company Limited at the date of the Acquisition when control is obtained to be approximately HK\$268,413,000 which represents the 165,616,595 shares of SiS Distribution (Thailand) Public Company Limited held by the Group stated at the quoted market price per share of Baht7.05 as at 30 June 2017. The carrying amount of interest in SiS Distribution (Thailand) Public Company Limited included in the condensed consolidated financial statements of the Group for the six months ended 30 June 2017 was HK\$186,120,000. As a result, the gain on re-measurement of previously held interest in an associate was HK\$82,293,000.

If the Acquisition was completed at 1 January 2016, the Directors determined the fair value of the Group's existing interest in SiS Distribution (Thailand) Public Company Limited as the date of Acquisition to be approximately HK\$162,952,000 which represents the number of 165,616,595 shares of SiS Distribution (Thailand) Public Company Limited held by the Group stated at the quoted market price per share of Baht4.28 as at 30 December 2015. The carrying amount of interest in SiS Distribution (Thailand) Public Company Limited included in the consolidated financial statements of the Group at 31 December 2015 was HK\$159,836,000. As a result, the gain on re-measurement of previously held interest in an associate was HK\$3,116,000.

Non-controlling interest is measured at the present ownership interests' proportionate share in the carrying amounts of the net identifiable asset of the Target Group. The Group currently owned 47.29% equity interests in the Target Company and according to the current group structure set out in the letter from the board, the Group (through Thai Investment Holdings Pte. Ltd.) and Mr. Lim Kia Hong and Mr. Lim Hwee Hai, the Directors of the Company, held 96.55% effective interests in the Offeror. After completion of the Acquisition, the Group would hold 52.81% interests in the Target Company and 47.19% will be held by non-controlling interest. The non-controlling interest recognised, at the date of Acquisition, to be HK\$185,625,000. If the Acquisition was completed at 1 January 2016, the share of result of the non-controlling interest for the year ended 31 December 2016 to be approximately HK\$24,674,000.

Since the carrying amounts and fair values of the identifiable assets acquired and liabilities assumed of the Target Group at the actual date of completion of the Acquisition may be substantially different from the values used in preparing this unaudited pro forma financial information of the Enlarged Group, eventual goodwill at the date of actual completion will be different from the amounts presented above.

For the purpose of the unaudited pro forma financial information of the Enlarged Group, the Group's management has performed an impairment assessment on the provisional goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") and concluded that there would have been no impairment of the goodwill if the Acquisition had been completed on 30 June 2017 for the purpose of unaudited pro forma consolidated statement of financial position and 1 January 2016 for the purpose of unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated statement of cash flows. The recoverable amount under impairment assessment was derived based on the value-in-use calculations. That calculations used cash flows projections based on financial budgets as approved by management of the Target Group covering five years period, assuming that (i) there are no material adverse changes in the fair values of the assets and liabilities of the Target Group; and (ii) the identifiable assets and liabilities can be realised at their carrying amounts. However, should there be any adverse changes to the business of the Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against provisional goodwill in accordance with HKAS 36 and the Group's accounting policies.

The Directors confirmed that they will adopt consistent approach to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36.

- (6) The adjustment represents the estimated transaction costs of approximately HK\$6,000,000, including the accountancy, legal, valuation and other professional services related to the Acquisition. The expenses are charged to profit or loss directly.
- (7) The adjustments in respect of the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows are not expected to have a continuing effect on the Enlarged Group.

**(C) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****Deloitte.****德勤****To the Directors of SiS International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SiS International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 June 2017, the unaudited pro forma statement of profit or loss for the year ended 31 December 2016, the unaudited pro forma statement of cash flows for the year ended 31 December 2016 and related notes as set out on pages 266 to 273 of the circular issued by the Company 16 October 2017 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page 265 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Group’s acquisition of additional 5.72% issued shares in SiS Distribution (Thailand) Public Company Limited (the “Target Company”) from Mr. Somchai Sittichaisrichart and Mr. Sombuti Pungsrinont, who are directors of the Target Company and have given written irrevocable and unconditional undertaking to Thai Alliance Co., Ltd. (the “Offeror”) on the Group’s financial position as at 30 June 2017 and the Group’s financial performance and cash flows for the year ended 31 December 2016 as if the event or transaction had taken place at 30 June 2017 and 1 January 2016 respectively. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the six months ended 30 June 2017, on which a review report has been published, the Group’s financial performance and cash flows has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2016, on which an annual report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 or 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 16 October 2017

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Hong Kong Listing Rules adopted by the Company to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

(i) Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal interests	Family interests	Joint interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kia Hong (Note 4)	6,933,108	504,000	—	178,640,000	186,077,108	66.94%
Lim Kiah Meng (Note 4)	5,403,200	450,000	534,000	178,640,000	185,027,200	66.56%
Lim Hwee Hai (Note 3)	4,493,200	4,751,158	—	—	9,244,358	3.33%
Lim Hwee Noi (Note 3, 4)	4,751,158	4,493,200	—	—	9,244,358	3.33%
Lee Hiok Chuan	250,000	—	—	—	250,000	0.09%
Ong Wui Leng	250,000	—	—	—	250,000	0.09%

Notes:

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

- (3) 4,493,200 shares and 4,751,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.
- (4) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 304,000 shares on behalf of three beneficiaries aged below 18. Out of these 304,000 shares, 200,000 shares and 104,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

(ii) Share Options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out as follows.

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options outstanding at the Latest Practicable Date
Lim Kia Hong				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lim Kiah Meng				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lim Hwee Hai				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lim Hwee Noi				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options outstanding at the Latest Practicable Date
Lee Hiok Chuan				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
Ong Wui Leng				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
Ma Shiu Sun, Michael				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
				990,000

(iii) Long positions in the shares and underlying shares of a subsidiary of the Company

Ordinary share of HK\$0.10 each of SiS Mobile Holdings Limited (“SiS Mobile”), which is listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1362).

Name of Director	Personal interests	Family interests	Joint interests (Note 1)	Corporate interests (Notes 2 and 3)	Total number of issued ordinary shares held	Percentage of the issued share capital of the SiS Mobile
Lim Kia Hong (Note 5)	1,846,754	161,280	—	203,607,467	205,615,501	73.43%
Lim Kiah Meng (Note 5)	1,729,024	144,000	170,880	203,607,467	205,651,371	73.45%
Lim Hwee Hai (Note 4)	1,065,984	1,145,330	—	—	2,211,314	0.79%
Lim Hwee Noi (Note 4, 5)	1,145,330	1,065,984	—	—	2,211,314	0.79%
Lee Hiok Chuan	64,000	—	—	—	64,000	0.02%
Ong Wui Leng	64,000	—	—	—	64,000	0.02%

Notes:

- (1) Shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) 146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.50% by Gold Sceptre Limited.
- (3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of SiS Mobile. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (4) 1,065,984 shares and 1,145,330 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.
- (5) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 97,280 shares. 64,000 shares and 33,280 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

(iv) Share options of SiS Mobile, a subsidiary of the Company

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options outstanding at the Latest Practicable Date
Directors and their associates:				
Lim Kia Hong				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Lim Kiah Meng				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Lim Hwee Hai				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Lim Hwee Noi				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	200,000
				4,200,000

(v) **Long positions in the shares and underlying shares of associated corporations of the Company**

- (a) Ordinary share of Baht 1 each of SiS Distribution (Thailand) Public Company Limited (“**Target Company**”), which is listed in the Stock Exchange of Thailand.

Name of Director	Personal interests	Corporate interests (Note)	Total number of issued ordinary shares held in Target Company	Approximate % of issued share capital of Target Company
Lim Kia Hong	241,875	165,616,595	165,858,470	47.36%
Lim Hwee Hai	244,687	—	244,687	0.07%

Note: The Company indirectly holds 165,616,595 ordinary shares of the issued capital of Target Company. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.94% in the Company, therefore Mr. Lim has deemed corporate interest in Target Company under the SFO.

- (b) Ordinary share of Taka 10 each of Information Technology Consultants Limited (“**ITCL**”) which is incorporated in Bangladesh, and is listed in The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016 (DSE Stock Code: ITC, CSE Stock Code: ITC).

Name of Director	Corporate Interests (Note)	Approximate % of issued share capital of ITCL
Lim Kiah Meng	46,068,298	46.05%

Note: A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse holds 8,452,500 ordinary shares in ITCL, while the Company indirectly holds 37,615,798 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.56% in the Company, therefore Mr. Lim has deemed corporate interest of 37,615,798 shares in ITCL under the SFO.

Save as disclosed above, none of the Directors nor their associates, as at the Latest Practicable Date, had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	700,000	1,220,000	12,900,000	14,820,000	5.33%
Lim Mee Hwa	1,220,000	700,000	12,900,000	14,820,000	5.33%

Notes:

- (1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.
- (2) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in a corporation which holds the shares of the Company as an investment manager.

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, there were no persons (other than a Director or chief executive of the Company as disclosed above) had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business which competes or was likely to compete, whether directly or indirectly, with the business of the Group.

6. DIRECTORS' INTEREST IN ASSETS AND/OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, there is no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the members of the Group within two years preceding the Latest Practicable Date and are or may be material:

- (i) the Sale & Purchase Agreement dated 25 February 2016 entered into between TMK SSG23, an indirect wholly-owned subsidiary of the Company and Kenedix Development Kabushiki Kaisha for the Acquisition of the Trust Beneficial Interest of a property (including land and building) in Japan at a consideration of approximately JPY5,963,000,000 (equivalent to approximately HK\$411,447,000);
- (ii) the Sale & Purchase Agreement dated 16 June 2016 entered into between SiSJP10 TMK, an indirect wholly-owned subsidiary of the Company, and Kabushiki Kaisha Miya Estate for the Acquisition of the Trust Beneficial Interest of a property named Hotel Sun Plaza Sakai Annex in Osaka, Japan at a consideration of JPY1,670,000,000 (equivalent to approximately HK\$116,900,000);
- (iii) the Sale & Purchase Agreement dated 8 December 2016 entered into between TMK SSG28, an indirect wholly-owned subsidiary of the Company, and B-Lot Company Limited for the Acquisition of the Trust Beneficial Interest of a property named Imano Tokyo Hostel located in Tokyo, Japan together with furniture, fixtures and equipment at a total consideration of JPY946,596,000 (equivalent to approximately HK\$66,262,000); and
- (iv) the Sale & Purchase Agreement dated 12 December 2016 entered between SiSJP10 TMK, an indirect wholly-owned subsidiary of the Company, and the seller for the Acquisition of two hospitality properties in Kyoto city, Japan at a total consideration of JPY3,000,000,000 (equivalent to approximately HK\$210,000,000).

8. EXPERT AND CONSENT

The following is the qualification of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
KPMG Phoomchai Audit Ltd	Certified Public Accountants
KPMG	Certified Public Accountants

Each of the above named experts has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interests in any assets which have since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above named experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion prepared for the purpose of incorporation in this circular, and the references to its name and opinion in the form and context in which they respectively appear.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated accounts of the Group have been made up.

10. MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this circular, the Directors confirm that there has been on any material acquisitions and disposals of subsidiaries and affiliated companies since 31 December 2016.

11. LITIGATION

Reference is made to the announcement of the Company dated 29 March 2017. During the six months ended 30 June 2017, an originating notice of application (the “**Originating Notice**”) filed with the Competition Tribunal of the Hong Kong Special Administrative Region (the “**Competition Tribunal**”) was served on SiS International Limited, a wholly-owned subsidiary of the Group (“**SiS International**”), by the legal adviser of the applicant, the Competition Commission (the “**Applicant**”). According to the Originating Notice, the Applicant alleged that, among other things, SiS International, along with other respondents under the Originating Notice (the “**Respondents**”), has contravened section 6(1) of the Competition Ordinance (Cap. 619, the laws of Hong Kong) (the “**First Conduct Rule**”) and the Applicant seeks orders from the Competition Tribunal, amongst other reliefs, for pecuniary penalty to be imposed on the Respondents and declaration that each Respondent has contravened the First Conduct Rule. The Group is seeking legal advice on the Originating Notice and the appropriate course of action in respect of the abovementioned application. It is currently at fact finding and information gathering stage, the outcome of the application cannot be readily ascertained. The Directors are of the opinion that the financial effects, if any, would not likely to be significant to the Group.

Save as disclosed above, as of the Latest Practicable Date, no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

12. GENERAL

- (i) The Company Secretary of the Company is Ms. Chiu Lai Chun, Rhoda, associated member of Hong Kong Institute of Certified Public Accountants;
- (ii) The registered office of the Company is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda;
- (iii) The Company’s Branch Share Registrar in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong; and
- (iv) In the event of inconsistency, the English text shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 803 Nine Queen’s Road Central, Hong Kong up to and including the date of SGM:

- (i) this circular;
- (ii) the memorandum of association and Bye-Laws of the Company;
- (iii) the annual reports of the Company and the Target Company for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016;

- (iv) the interim report of the Company and the interim financial statements of the Target Company for the six months period ended 30 June 2017;
- (v) the Assurance Report on the pro forma financial information of the Enlarged Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this circular;
- (vi) the letters of consents referred to under the section headed “Experts and Consents” in this appendix; and
- (vii) the material contracts referred to under the section headed “Material Contracts” in this appendix.

NOTICE OF THE SPECIAL GENERAL MEETING



SiS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the special general meeting of SiS International Holdings Limited (the “**Company**”) will be held at Kellett Room IV, 3/F The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on 31 October 2017 (Tuesday) at 3:00 p.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

“1. THAT:

- (a) the acquisition of all the issued and fully paid-up shares in the capital of SiS Distribution (Thailand) Public Company Limited, other than those already owned and controlled by the Company and its subsidiaries, Mr. Lim Kia Hong and Mr. Lim Hwee Hai (collectively the “**Offer Shares**” and each an “**Offer Share**”), by way of a voluntary general offer in Thailand by Thai Alliance Co Ltd. (the “**Offeror**”), a company incorporated in Thailand with limited liability and is directly held as to approximately 48.996% by Thai Investment Holdings Pte. Ltd., a company incorporated in Singapore with limited liability and is an indirectly wholly owned subsidiary of the Company, in respect of the Offer Shares at an offer price of Baht7.00 per Offer Share (subject to 10% adjustments based on the market conditions in Thailand) in cash in the manner described in the Company’s circular dated 16 October 2017 (the “**Acquisition**”) and all the transactions contemplated thereunder, be and are hereby ratified, confirmed, authorised and approved; and

* For identification purposes only

NOTICE OF THE SPECIAL GENERAL MEETING

- (b) any one or more directors of the Company be and are hereby authorised to do all such further acts and things and to sign, seal, execute and deliver all such documents, instruments, agreements and deeds, including under seal where applicable (in which case by any two directors of the Company) and to take all such steps as he may in his absolute discretion considers necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions set out in the above resolution and to agree to any variation, amendments, supplement or waiver of matters relating thereto.”

Yours faithfully,
For and on behalf of the Board of
SiS International Holdings Limited
Lim Kia Hong
Chairman

Hong Kong, 16 October 2017

Notes:

1. The resolution set out in this notice will be voted by poll.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, in the event of poll, vote in his stead. A proxy needs not be a member of the Company.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited, at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
4. If more than one of joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of the relevant shares shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall be deemed joint holders.
5. Completion and deposit of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes. If a member attends and votes at the meeting, the authority of the proxy will be revoked.
6. The Register of Members will be closed on 31 October 2017, no share transfer will be effected on that date. In order to qualify for attending and voting at the meeting or any adjournment thereof, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 30 October 2017.

As at the date of this notice, the executive directors are Mr. Lim Kia Hong, Mr. Lim Kiah Meng, Mr. Lim Hwee Hai and Madam Lim Hwee Noi. The independent non-executive directors are Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael.