

OM6409003

17 September 2021

Subject: Clarify information on disposal of investments in subsidiary and the Company's core business operations.

Attention: Director and Manager  
The Stock Exchange of Thailand

According to the letter of The Stock Exchange of Thailand requested News Network Corporation Public Company Limited (the Company) to clarify information on disposal of investment in subsidiary and the Company's core business operations. The Company would like to clarify the information as follows:

**1. The sale of GG at THB 15.50 million following capital increase in GG to THB 3,081.70 million**

**1.1. Question: NEWS' Board of Directors' opinion regarding necessity and reasonableness of the capital increase in GG and sale of GG shares — how did these two transactions benefit the Company — why was GG capital increase by THB 1,081.70 million conducted prior to transfer of common shares in GG to the Buyer?**

GG Network Company Limited ("GG") (formerly known as Spring News Corporation Company Limited) is a subsidiary of NEWS. GG was established on 26 February 2010 with registered capital of THB 100 million and business objectives of providing services in the production of television programs, and providing advertising services through television, radio and new media.

In 2011, GG increased its registered capital to THB 200 million, whereas the proceeds from the capital increase were used as working capital in the business.

In 2014, GG increased its registered capital to THB 1,200 million, whereas THB 995 million of the proceeds was used to buy new shares of Spring News Television Company Ltd. ("SPTV"). SPTV successfully obtained through auction from the Office of the National Broadcasting and Telecommunications Commission ("NBTC") a digital television frequency usage License ("License to use the frequency spectrum for the television business") to use the frequency to provide digital television services in the category of national business services in the area of news and information. At that point, the SPTV shares held by GG represented 99.99 percent of all issued shares. SPTV has operated digital television services under the name Spring News, Channel Number 19. In addition, GG has continuously borrowed funds from NEWS since 2010 to use as working capital in GG's business involving production of television programs, provision of advertising services through television media and new media, and creation of new television contents broadcast through Thai digital TV Channel 19 (Spring News Channel).

In 2016, GG increased its registered capital to THB 2,000 million, whereas THB 800 million from such proceeds was used in debt repayment to NEWS and also as GG's working capital.

Given the facts that digital television business requires a large investment and that technologies change rapidly, digital television business operators have been seriously affected. Accordingly, GG has continuously incurred losses from its operations. GG had average annual operation deficit of approximately THB 400-500 million. Moreover, in 2019, SPTV surrendered its License to NBTC, while GG still had debts which arose from investments and from production of television programs.

In 2021, GG increased its registered capital to THB 3,081.70 million, whereas THB 1,081.70 million from such proceeds was used in debt repayment to NEWS and other creditors. The details are as follows:

- (1) Loan repayment with interest to NEWS at THB 1,072.16 million;
- (2) Loan repayment to other creditors at THB 9.54 million.

Regarding the latest capital increase, NEWS' Board of Directors has considered GG's business situation and its debt obligations to NEWS and recognized the fact that NEWS owned 99.99% of GG's total shares. Moreover, NEWS also constituted a creditor of GG, and the repayment due to NEWS from GG (including accrued interests) amounted to THB 1,066.49 million (balance calculated on the day of the Board's approval). In such circumstances, NEWS was obliged to record loan interests from GG as a receivable, and GG had to record such interests as its payables. In fact, GG was not conducting any business and was generating no revenue, making GG able to repay neither the principal nor the interests due to NEWS.

In considering capital increase of GG and sale of GG shares, NEWS' Board of Directors duly took into account opinions of financial and legal advisors regarding GG's debt and capital structure. Accordingly, NEWS' Board of Directors saw that maintenance of such debt structure would lead to a constant decrease of Shareholders' Equity in GG every year. Thus, NEWS' Board of Directors' approval for restructuring GG's debt and capital structures had as objectives the reduction of GG's debt obligations and prevention of further inter-company obligations.

In the payment of GG's share price of THB 1,081.70 million, NEWS used the proceeds from investments and short-term borrowings (Bridging Loan) from non-connected parties. Accordingly, the Company gradually paid the capital increase share purchase price to GG, in order for GG to gradually repay its debts including interests back to NEWS, which is in accordance with the rules prescribed by law. It should also be noted that, as soon as NEWS received debt repayments from GG, NEWS immediately effected repayment of its short-term borrowings.

In relation to the sale of GG shares, there had been a potential investor who expressed interests in purchasing all GG shares held by NEWS, but such interest was obstructed by the fact that GG still had debt obligations towards NEWS and other creditors. That situation prevented NEWS from selling its shares in GG, which provided another justification for NEWS to proceed with capital increase in GG — so that GG could direct the funds received from such capital increase towards repayment of its debts to NEWS and other creditors. NEWS' Board of Directors has considered the advantages and disadvantages of selling GG shares and found that such sale would generate additional cashflow for NEWS, which could be designated as revolving funds. Moreover, the sale would reduce the group's financial burden in preparing consolidated financial statements and in arranging for the group's financial audit.

**1.2. Question: Opinion of the Board of Directors regarding its determination of the selling value GG at the price of THB 15.50 million: by which method was the share valuation conducted? Has the Company provided any loans to GG involving any collateral? If so, were these taken into account in determining the selling value of GG? Please outline the opinion of the Board of Directors in considering the appropriateness and reasonableness of the selling price.**

The Board of NEWS has determined the selling price of investment in GG by using the share valuation method (valuation conducted by NEWS' management) as follows:

Company Valuation Method	Company Value (THB million)
1. Book Value Approach as of 30 June 2021(negative value)	(1,201.24)

2. Adjusted Book Value Approach	15.01
3. Price to Book Value Ratio Approach	unable to calculate
4. Price to Earnings Ratio Approach	unable to calculate
5. Market Value Approach	unable to calculate
6. Discounted Cash Flow Approach	unable to calculate

From the above table, the NEWS Committee considered that the selling price of investment in GG was determined by the Adjusted Book Value Approach by adjusting the book value of GG after recording transactions arising from the debt restructuring mentioned in 1.1. This method was considered appropriate. After recording the aforesaid transactions, the book value of GG was THB 15.01 million, whereas any loans provided by NEWS has been repaid, and there was guarantee burden or other burdens with GG remaining.

In summary, the NEWS Board of Directors was of the opinion that, as GG did not operate a business or any other revenue-generating business, but GG still had some expenses such as audit fees, etc., if GG is dissolved, the expected remuneration that will be received after liquidation may be less than THB 15.01 million, which was the book value after adjustment. Therefore, the NEWS board was of the opinion that the sale of investment in GG by fixing the selling price at THB 15.50 million, which was higher than the book value after the adjustment, was reasonable and appropriate.

## **2. Core Business Operations of the Group**

**Question: According to Note 1 to the financial statements, the Group's main business is media-related, including the business of distribution, installation and development of information systems in the field of software and providing consultancy services regarding the development of comprehensive information technology systems both in terms of network system equipment supply and software development. However, the Financial Statements do not show business-specific sale or service revenues.**

**Therefore, SET would like to receive the opinion of the Board of Directors regarding the Company's business model. Is the Company's business appropriately classified as holding company, or is the Company an operating company having qualifications according to the criteria for maintaining the status of a listed company?**

NEWS is an operating company having qualifications according to the criteria for maintaining the status of a listed company. It continues to operate a consulting service business, which provides services in setting up information technology system integrations as well as providing hardware equipment, maintenance, design and production of public relations media in digital format. NEWS has provided such services to various agencies, whether private companies, banks, universities, state enterprises, as well as various government agencies.

After the Group received a digital television concession in 2013, it has focused on investments and business operations in various forms of media, but NEWS continues to conduct consulting and information technology systems (System Integration) business. The reason for the Group entering the digital television business and the media business in the recent past was that business related to information technology has been affected by rapid changes in technology. However, after the Group had operated digital television business for a while, it was found that the digital television business was highly competitive. In addition, there was a large financial burden of annual concession fees, while consumer behavior in television media has changed dramatically. Due to the rapid development of telecommunication systems, consumers have gained access to media in a new way through mobile phones and the Internet. Therefore, in 2019, the Group has ceased its digital television business, focusing instead on earning income from the media production

business in various forms, including online media, which still relies on NEWS' experience and expertise of its information technology personnel.

During the 2019 Coronavirus outbreak, NEWS' revenue from consulting service business, which provides services in setting up information technology system integrations as well as providing hardware equipment and maintenance, has dramatically dropped. However, NEWS has no policy to discontinue its consultancy and system integration services. At this time, NEWS sees that, under the epidemic situation of the Coronavirus 2019, various organizations in both public and private sectors have increasingly shifted towards working from home, which means there is a tendency for organizations to use more technology systems. Installation of the relevant technology systems in this sector such as Smart Classroom System, Smart Meeting Room System, Smart Conference Room System, etc., become business opportunities for NEWS' consultancy and system integration business, to respond to market demands in the current situation. In this regard, the main target group for the Company includes government agencies, private agencies, comprising various types of organizations - both small and large. The Company is now in the process of negotiating with prospective customers and expects to generate revenue from such service business by the end of this year.

Aside from NEWS' main business as stated above, subsidiaries of NEWS group of companies are as follow:

Business Type	Company Group Member (Subsidiary/ Associate)	Shareholding Proportion	Relevant Business
<u>Technological products distribution business / providing consultancy services and design of information technology systems</u>	NEWS NETWORK CORPORATION PUBLIC COMPANY LIMITED	-	Providing consultancy services and setting up information technology system integrations as well as providing hardware equipments, software development services, maintenance (MA), and design services.
<u>Media Business</u>	NEWS NETWORK MULTIMEDIA COMPANY LIMITED	99.99%	Providing radio station and public relations activities services. <i>*radio station services have ceased.</i>
	RUAMMUERUAMJAI COMPANY LIMITED	93.17%	Producing television program contents and managing advertising media <i>*business activity has ceased.</i>
	SPRINGNEWS TELEVISION COMPANY LIMITED	99.99%	Providing digital television station services <i>*digital television broadcasting service</i>

Business Type	Company Group Member (Subsidiary/ Associate)	Shareholding Proportion	Relevant Business
			<i>under Channel 19 terminated on 16 August 2019.</i>
	THANSETTAKIJ MULTIMEDIA COMPANY LIMITED	99.99%	Providing print media and information and news via online media including organization of seminars.
	NAT BUSINESS CONNECT COMPANY LIMITED	35%	Providing information and news about economics, finance, and investments.
Real Estate Business	THANSETTAKIJ CAPITAL COMPANY LIMITED	99.99%	Real estate agents and stock trading business. <i>* In the process of applying for permit.</i>
	LIBERATOR COMPANY LIMITED	99.99%	Full-service stock trading agents and futures broker services. <i>* In the process of applying for permit.</i>
Hotel Business	WEALTH VENTURES COMPANY LIMITED	40%	Providing hotel services, including Mercure Bangkok Makksasan Hotel.

Please be informed accordingly

Sincerely yours,

(Mr. Kritsada Pruitipat)  
Acting Chief Executive Officer  
News Network Corporation Public Company Limited