

INET to the cloud

Annual Report 2009
Internet Thailand Public Company Limited



Contents

Highlights of Financial Performance.....	1
Message from the Chairman of the Board of Directors.....	3
Message from President & CEO.....	5
Significant change of the company in 2009 and Business objective	13
Type of Business	15
Investment in subsidiary.....	17
Social Contribution Activities	18
Marketing and Competition Situation	19
Revenue Structure	22
Risk Factors	23
Shareholding Structure and Management	25
Committees	28
Brief Profile of Directors	35
Report on Good Corporate Governance Practice.....	43
Related party transactions.....	53
Audit Committee's Report	55
Management's Discussion and Analysis	56
Report of the Board of Directors' Responsibilities for financial statements	63
Auditor's Report and Financial Statement	64

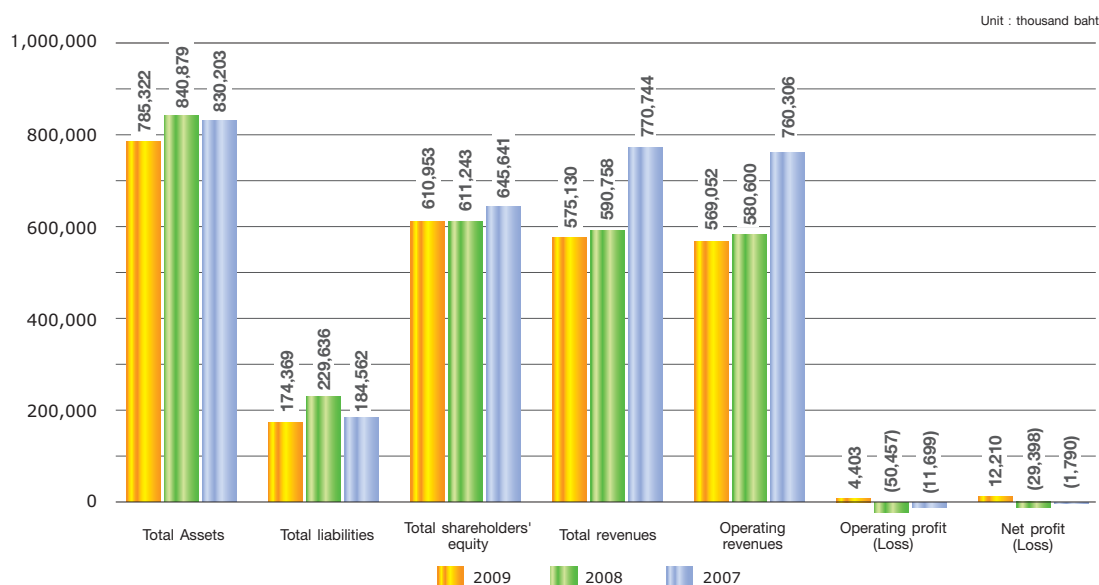
Highlights of Financial Performance

Unit : thousand baht

	2009 ^{1/}	2008 ^{1/}	2007 ^{1/}
Financial Highlight			
Total Assets	785,322	840,879	830,203
Total Liabilities	174,369	229,636	184,562
Shareholder's Equity	610,953	611,243	645,641
Total Revenue	575,130	590,758	770,744
Operating Revenue	569,052	580,600	760,306
Operating Profit (Loss)	4,403	(50,457)	(11,699)
Net Profit (Loss)	12,210	(29,398)	(1,790)
No. of Employees	190	196	204
Financial Ratios			
Current Ratio (times)	3.67	3.00	3.64
Gross Profit Margin (%)	32.46	16.43	21.89
Operating Profit Margin (%)	0.77	(8.69)	(1.54)
Net Profit Margin (%)	2.12	(4.98)	(0.23)
Return on Equity (%)	2.00	(4.68)	(0.28)
Return on Asset (%)	1.91	(4.77)	(0.34)
Debt to Equity Ratio (times)	0.29	0.38	0.29
Per Share Information			
Earnings (Loss) per Share (Baht)	0.05	(0.12)	(0.01)
Dividend Payment per Share ^{2/}	0.05	0.05	0.02
Book Value per Share (Baht)	2.44	2.44	2.58

Remarks : 1/ The consolidated financial statement included the performance of the Company and its subsidiary, Mandala Communication Co., Ltd.

2/ As the Board of Directors' Meeting No.2/2010, held on February 26, 2010, made a resolution to pay the dividend payment of year 2009 at the rate of 0.05 Baht per share, to the amount of Baht 12,501,040. The right to receive has to be approved by Annual General Meeting of shareholders first.





Message from the Chairman of the Board of Directors

For the success of the organization, apart from effective management which results in continuous growth, the maintenance of business stability is also another key factor contributing to outstanding performance. Today, Internet Thailand Public Company Limited has achieved its management potential and organization development to maintain continuous and steady growth.

Internet Thailand Public Company Limited (INET) is committed to maintaining good relationships with all its customers and strategic partners for their maximum benefit, and this is one of its main business policies, and it is also the reason for turning out new products and services to ensure customer's satisfaction. Out of the profits that INET has earned, INET has made some contributions to public and social services.

The development and growth can be attributed to the efforts of our human resources, the most valuable assets of INET. INET continues to develop our human resources by training to help them gain new knowledge and skills. INET puts emphasis on the open views to come up with socially favorable innovations. INET adopts good governance and feels responsible for the society, the concepts of which are reflected in our missions, visions and core values. Therefore, INET is ready to satisfy the demand of its customers and partners.

Finally, in the name of the Board of Directors, I would like to extend my heartfelt gratitude and appreciation to shareholders, customers, the management and staff for their continued and dedicated support that helped us achieve tremendous success. INET is committed to maintaining good governance, and INET will strive to become the leading ICT Solutions Provider in the region and the most trusted public service provider.



(Prof. Dr. Pairash Thajchayapong)

Chairman of the Board



Message from President & CEO

From 2008 to 2009 the economic crisis substantially affected the business and financial plans of Internet Thailand Public Company Limited. In dealing with this unfavorable situation, we operated our business with utmost care and tried to develop customer-centric products and services to satisfy the demand of service users while remaining in cooperation with our strong business partners who have the expertise in the activities that we are engaging in or about to engage in, which is regarded as one of the most essential business strategies that keeps us growing.

In 2009, INET had a turnover of 575 million baht: approximately 250 million baht from Access Business and approximately 319 million baht from ICT Business Solutions, both of which are in the proportion of 44:56 respectively.

INET pays good attention to our organization's core value, and put it into practice by adhering to good corporate governance to ensure outstanding performance and continuous growth, which offers good returns to stakeholders and builds confidence in our customers and shareholders.

Finally, in the name of the Management, I would like to extend my heartfelt gratitude and appreciation to shareholders, customers, business partners, financial institutions, government and private sectors for their continued and dedicated support. INET is committed to maintaining honest and fair relationships with all our business partners, customers and interested parties for their maximum benefit. INET will strive to become the leading ICT Solutions Provider and maintain professional competence and image.

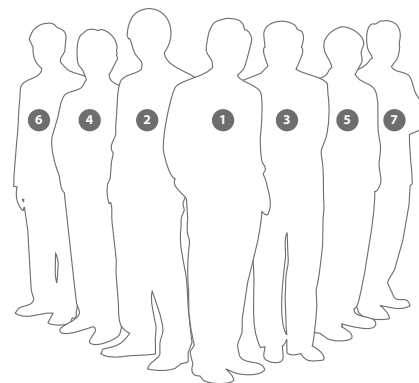


(Mr. Dheeramet Pokmanee)
President & CEO

Board of Directors

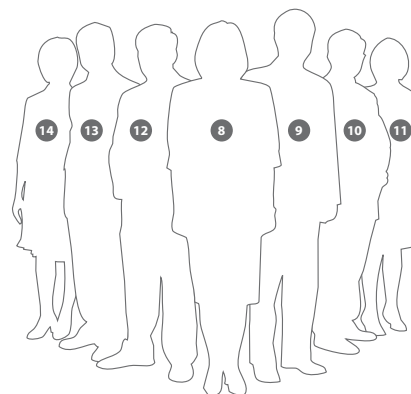


- 1 Prof. Dr.Pairash Thajchayapong
Board Chairman and Chairman of Executive Committee
- 2 Dr. Thaweesak Koanantakool
*Director, Chairman of Risk Management Committee,
Vice Chairman of Executive Committee and Chairman of CEO
Performance Review Committee*
- 3 Mr. Aran Permpiboon
*Independent Director, Chairman of Nomination
and Remuneration Committee and Audit Committee Member*
- 4 Prof. Emeritus Dr. Achara Chandrachai
Independent Director and Chairman of Audit Committee
- 5 Mr. Sahas Treetipbut
*Director, Nomination and Remuneration Committee Member
and Executive Committee Member*
- 6 Mr. Chavalit Uttasart
*Independent Director, Audit Committee Member and Nomination
and Remuneration Committee Member*
- 7 Mr. Patrakorn Aksornvoranart
Director and Risk Management Committee Member





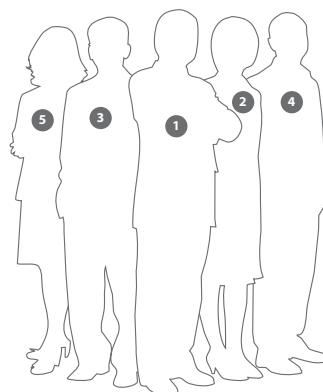
- 8 Ms. Narumol Wangsatorntanakun
Independent Director and Risk Management Committee Member
- 9 Mr. Noppanat Hutacharoen
Director and CEO Performance Review Committee Member
- 10 Mr. Asa Sattayut
Director
- 11 Ms. Tanwadee Wongterarit
Director and CEO Performance Review Committee Member
- 12 Mr. Aniruth Hiranraks
Director
- 13 Mr. Dheeramet Pokmanee
Director and Executive Committee Member
- 14 Mrs. Morragot Kulatumyotin
*Director, Risk Management Committee Member
and Executive Committee Member*



Executives



- 1 Mr. Dheeramet Pokmanee
President & CEO
- 2 Mrs. Morragot Kulatumyotin
Senior Executive Vice President & COO
- 3 Mr. Buncha Srisamanuwat
Executive Vice President – Engineering & Services
- 4 Mr. Suvech Ongla-or
Executive Vice President – Finance
- 5 Mrs. Linitda Sooksomstarn
Executive Vice President – Information & Organization Development





Important Changes in 2009 and Type of Business

Vision, Mission and Core Values

Vision

- To make "Information finds you" a reality

Mission

- To utilize high value innovations and communication technologies with the aim of enhancing the modern lifestyles and business of stakeholders

Core Values

Internet Thailand Public Company Limited or INET operates a business that transforms knowledge into business opportunities. We uphold 6 principles as follows:

1. Performance

INET work in a result oriented culture where good results shall be appropriately rewarded. Good results must have acceptance as evidenced by peer review and cross-evaluation.

2. Innovation

INET appreciate every idea that develops better solutions in response to customer's needs. In our terminology, innovation is more than just providing better goods or services - it includes business process optimization or improvement as well. Innovation is part of everyone's job.

3. Fairness

INET have a firm belief that we can prosper together with stakeholders including shareholders, customers, staff, partners-alliances and society in general. INET, therefore, attempt to balance the benefits among every stakeholder.

4. Teamwork

INET benefit from the diversity of our people. Our business succeeds by holistic communications, sharing, and working together where INET respect each other's and the customers' integrity. INET respect differences and individualism.

5. Integrity

Our personnel are professional, honest, responsible, ethical and reliable at all times. INET do not engage in any unethical activities. We firmly believe that being a good corporate citizen can lead us to the greater success. INET treat the competitors with fairness and in accordance with free market competition principles which will in turn benefit our stakeholders in the long run.

6. Dynamism

INET respond to external changes by making better internal changes. These changes require proper risk management in order to achieve higher organization value. INET work hard to prepare advanced plans and contingencies even though some of these plans will not be implemented; it is better than to risk lowering the value of our organization.

Milestones to success

INET : A decade of success

INET was established jointly by CAT Telecom Public Company Limited (CAT), TOT Corporation Public Company Limited (TOT) and the National Science and Technology Development Agency (NSTDA) and has continuously expanded its operations ever since.

- February and March 1995 INET was granted a license to provide commercial Internet Services from CAT and was established as Internet Thailand Service Center (ITSC)
- October 1997 The Company was changed to a state enterprise under the name Internet Thailand Co., Ltd
- November 2001 The Company ended its state enterprise status by listing the company on the Stock Exchange of Thailand and selling shares to the public via electronic IPO.
- November 2004 The Company re-branded with its brand "INET", new logo and slogan "Always by your side"
- November 2004 INET invested in the Netbay Co., Ltd. in a ratio of 40% to extend to e-logistic service provision.
- August 2005 INET has built a solid ground for a sustainable growth by establishing a subsidiary, Mandala Communication Co., Ltd., to expand into Internet Protocol (IP) business in the future.
- August 2006 INET provided an internal management method consistent with the good corporate governance guidelines by developing an evaluation system consistent with the company's strategies with Balance Scorecard and integrated with Enterprise Risk Management System at all levels of organization.
- December 2007 INET launched OpenCARE (Open Exchange for Collaborative Activities in Response to Emergencies) project which had been initiated and developed by INET with supporting funds from NECTEC.
- July 2008 INET opened the INET Security Center to provide Log Management Service and Information Monitoring Service to support the Computer Crime Act B.E. 2550 and to comply with information security system management standard, under joint cooperation between INET, Mandala Communication and Sim Commander Co., Ltd.
- 2008 INET executed a contract for employment as consultant on network and security system for TOT Public Co., Ltd. for "His Majesty the King's 80th Anniversary, 5 December 2007 Official Center Project".
- 2009 INET collaborated with Symantec (Thailand) Ltd. to launch new service; Inet-Endpoint Security Solutions, for the first time in Thailand by applying the concept of "Cloud Computing" with "Managed Security Solutions" in order to protect all data and computers in the network from many kind of threats for corporate customers via fee-based Internet computing, the first in Thailand."
- 2009 INET raised stake in Netbay Ltd to offer complete, integrated online services in e-Logistics and e-Enterprise.

Honorable Awards & Recognitions

INET's mission to offer the most excellent services and its good corporate governance philosophy have earned the company many accolades and awards;

Year 2000 : ISO 9002 : 1994 certificate for corporate management standard

Year 2001 : The best internet service provider from Bangkok Post Poll.

- Year 2001 :** Best newly Listed Company from asiamoney magazine.
- Year 2002 :** PR week award in financial category for the IPO campaign prepared by Ogilvy PO Worldwide.
- Year 2002 :** Disclosure Reports Award 2002 from the Securities and Exchange Commission.
- Year 2003 :** Disclosure Reports Award 2003 from the Securities and Exchange Commission.
- Year 2004 :** ISO 9001 : 2001 certificate for connectivity corporate services
- Year 2004 :** Deloitte 2004 Asia Pacific Technology Fast 500 from Deloitte Touche Tohmatsu Chaiyos Co.,Ltd
- Year 2005 :** "Outstanding Organization in IT Business" from Annual Outstanding Organization Selection Committee and Business Outlook newspaper with the support of Thai Society Foundation
- Year 2006 :** ISO 9001 : 2000 certificate for Corporate Node, MetroLAN and Data Center
- Year 2007 :** Registered as a Consultant Type A : Telecommunication and IT with Thai Consultant Database Center, Ministry of Commerce.
- Year 2008 :** Selected as an outstanding establishment on labor relations and welfare for 2008.
- Year 2009 :** Selected as an outstanding establishment on labor relations and welfare for 2009.

Significant change of the company in 2009 and Business objective

Significant change

In 2009, INET launched a fully integrated Cloud Computing network security service in cooperation with Symantec (Thailand) Co., Ltd., our strong strategic partner, by the introduction of the new products entitled "Inet - Endpoint Security Solutions", which are capable of malware elimination, spamming prevention, data backup and recovery. The high technology solutions are suitable for all types of business organizations; they include the first cloud computing lease service in Thailand.

Our unlimited real time Inet-web Xference service provides many cost effective and time saving functionalities for video conferencing service for international agencies or branches in the introduction of products and services to their potential customers, and for educational institutions in distance learning courses.

INET has expanded its International Internet Gateway (IIG) from 350 Mbps to 400 Mbps to improve our international connection speed that will always be stable even in case of emergency. The expansion will be capable of meeting all types of business demand arising from the launching of new products and services, especially the ones that require more than one route which must be highly stable and always be accessible. INET has also improved the speed of its MetroLAN from 1 Gbps to 10 Gbps

INET has made and developed an online magazine, called "By Your Side", which is the way to stay in contact with clients over the past 2 years. The magazine consists of lifestyle news, IT news, as well as the interview of leading businessmen in aspects of their daily life. The magazine will be delivered directly to clients and those interested in the magazine by subscribing on the Company's website: <http://www.inet.co.th>.

Business Objective

The company has a vision to provide various services which are a part of daily life to follow the concept of "To make "Information finds you" a reality". The company focuses on demand fulfillment and deliver a better way of life and business process to contribute the highest return to the stakeholders, shareholders, customers, business allies and society.

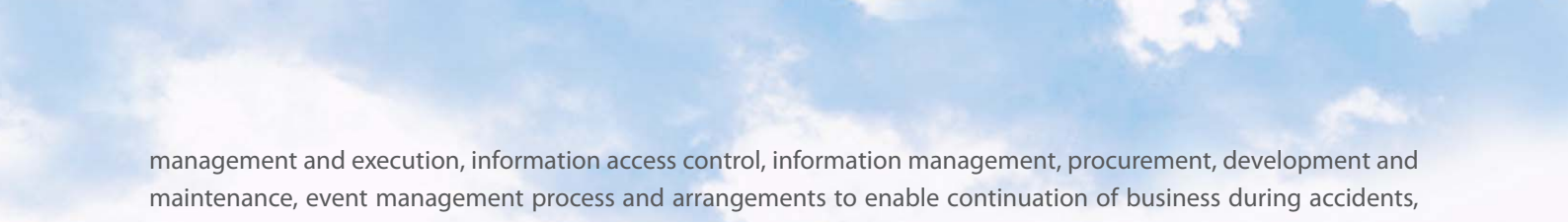
The company has a policy to promote quality of service that is equivalent to international standard hence the company attempts to enhance the proficiency and capability of the operation. Customer centric approach is being applied in order to serve specific service that respond particular customer. The six business units are formed to provide various services categories accompanied with services from business partners those have expertise in each field. Both the company and business allies aim to build customer value rather than use price competition strategy.

The company places importance on developing staffs' competencies to be able to create innovative products, services and marketing strategies those provide added value to our customers. The direction to strengthen staffs' competencies would lead us to achieve our goal to be "a Learning Organization".

Significant changes within the organization

Significant changes within the organization in 2009 are as follows:

1. The Board of Directors appointed Mr. Dheeramet Pokmanee the Managing Director by approval of the Ad Hoc Committee on the President & CEO Recruitment based on the performance assessment conducted by the Managing Director Performance Assessment Committee.
2. In 2009, the organization internal management structure was improved to ensure appropriateness and higher efficiency in management.
3. INET was awarded the ISO9001: 2008 for provision of Dedicated Line (Node and MetroLAN) and Internet Data Center (IDC) services to corporate accounts under the policies on delivery of high quality to meet the customer's demand for user's satisfaction with constant improvement and strict compliance with the international laws and technical standard for the ninth year.
4. Preparation of the Information Security Management System (ISMS) to enable INET to efficiently reduce risk opportunities and factors which would impact upon the business and information security, taking into consideration 3 elements of the information security, i.e. 1) Confidentiality - assured that only authorized persons can access to information; 2) Integrity - assured that information is accurate and complete without being altered or changed by unauthorized persons; 3) Availability - assured that information is always readily available for use by those authorized to have access thereto. The procedures would cover the security policy, the security unit, asset administration, safety management of the personnel resources system, physical management and the environment, communication



management and execution, information access control, information management, procurement, development and maintenance, event management process and arrangements to enable continuation of business during accidents, all of which must undergo a thorough examination to ensure that INET would be stable, secured and could survive information threats, which would contribute to stability and continuous use of services by service users. Currently, INET is in the process of preparing to file application for ISO 27001:2005 certification.

5. INET made the Balanced Scorecard and managed the risks associated with our main marketing strategies. Communications at organization and employee levels shall be made to ensure the best internal control and audit. There shall be cooperation with many internal audit agencies to exchange the knowledge and information on the risks that we may be involved in and the scope of risk management to ensure proper procedures for the entire organization and the understanding of staff in the risk management within the organization in line with our visions, missions and strategies.

The Company's business group

1) Internet Access

INET caters for all types of businesses throughout the country with a variety of broadband connections. One-Stop Service helps businesses obtain a connection set up by a team of experts. Enterprise Access offers flexible leased lines for organizations demanding the highest quality connections. INET also offers MetroLAN with Ultra hi-speed Internet that can transmit and receive data at speeds up to 100 Mbps, a step towards the "Intelligent Office".

1. MetroLAN Service

This is office fiber optic network for limited local and international Internet access at the speed of 10Mbps (LAN speed) or faster. The service can be used by business of any size on a stable Ring Network of Full Redundancy type for prevention of network failure; 24 hr. connection for high speed Internet access and data communication; suitable for leading organizations requiring effective operation and efficient communications. The MetroLAN service is the business of the future world using intelligent office for wireless office and other high technologies such as Multicast Video Streaming, Video Conference, Voice over IP (VOIP), Online Data Back-up, Virtual Private Network (VPN) connecting major business centers in the Greater Bangkok covering an area of over 1 million square meters.

2. Enterprise Access Service

Internet service through leased line for local and international connection with a speed of 64 Kbps or more using cutting edge technologies such as TDM, MPLS, G.SHDSL and Frame Relay, and the structure capable of fully integrated solutions such as security, VOIP, VDO conference, etc. We have partners that are leaders in provision of network service. With our service it is possible to search, send or receive data locally and internationally 24 hr. It is quite flexible so it can be configured to suit the needs of each organization. Our customers can manage and control their businesses with their fixed IP addresses and their own domain names.

3. Broadband Internet Service

The Broadband Internet service is offered through an entire network with the speed of 256 Kbps – 4 Mbps. It is always on and can be used for an unlimited period. Fixed IP address is provided for professional IT solutions such as web service, e-commerce, etc. It is a one-stop service from our experts on fully integrated management. There are two Network Operation Centers for network connections to ensure maximum stability for user.

2) Business Solutions

INET offers complete, integrated ICT business solutions for modern, networked business operations, with professional teams having long experience in serving and supporting corporate clients. INET and its partners offer five main Business Solutions.

- Business Collaboration Solutions
- INET offers solutions that increase business competitiveness on a highly secure, stable and fast internet network, such as Inet-SMS for sending SMS to large numbers of targeted clients in a few seconds with considerable savings, International Roaming for business executives who want to connect the Internet anywhere in the world, and virtual international network connection via Private Network (IPVPN) for international businesses wanting the most secure data communication in all forms.
- E-Business & Media Services
- INET offers a variety of online applications which speed up work processes and increase efficiency, such as Online Recruitment which facilitates effective recruitment via online applications with integrated database management, e-Marketing Consultant Services for online marketing, and modern marketing activity planning, complete Web & Application Development Services for web design and applications.
- Banking and Financial Services
- INET offers fast, secure financial transactions on a stable network linked with leading financial institutions such as the EDC Network Service, which offers electronic payment services via credit card, debit card and smart card. Terminal Line Encryption is a secure encryption service to combat electronic data theft. INET also sells, leases and installs EDC Terminal for electronic payment services.
- ICT Services
- Complete ICT services to create business opportunities such as planning, system development or services that meet every requirement, including professional installation and operation.

- Managed Security Solutions
- Total security management solution, offering two types of service:
- Network Security Service takes care of security of the Internet network, such as Log Management Solutions, a total solution for restoring and administering log files, which is in compliance with the Computer Crime Act and that covers all types of organization at every level and for every budget, including monitoring and sending alerts for any threat 24 hours a day.
- Information Security Service ensures that all working terminals are completely secured and free from threats such as viruses, malware, spyware, and spam mail that can affect an organization's critical data.

To support this service, INET has also set up the INET Security Center to provide security services for a corporate's IT facility, with real-time security alert 24 hours a day by a team of security experts who can give advice on and solutions for security threats.

3) INET Data Center

INET offers business data management center services through the most secure and stable network with 24-hour service by a team of experts who are ready to provide advice and support. INET Data Center is a center of service for organizations and enterprises that need to provide data through Internet or Intranet, Public Network and Private Network. INET Data Center offers a Co-location service, Web Hosting service, Virtual Private Server (VPS) and other value-added services such as the Disaster Recovery Center. INET Data Center offers the following services:

- INET Security Center : Offers data security service to cover every need and budget of corporate clients at all level. The Center manages the Log File in compliance with the Computer Fraud and Abuse Act 2550.
- Disaster Recovery Center : Offers data backup service to ensure data recovery in case of damage to the corporation's main data.
- Web Hosting : Offers Web Hosting service under Virtual Private Server (VPS) technology that webmaster can manage on its own in real time.
- Dedicated Server : Offers data storage in a Shared Rack for corporate clients instead of investing in the additional overhead associated with maintaining your own infrastructure, and with support using our hardware leasing programs.
- Co-Location : Offers data storage in Shared Rack for corporate client wanting a private renting space for data storage.

There are two INET Data Centers: a primary center located at Thai Summit Tower and a secondary center located at Bangkok Thai Tower. Both centers run complete backups of each other's data in full redundancy manner, and they are well equipped with security systems that meet international standards. The service is provided 24 hours. Most of our customers are leading organizations such as financial institutions that operate online securities trading, famous local web hosting companies and overseas users who want to localize their products and services in Thailand.

Mandala Communication Co.,Ltd

The Company holds 999,993 shares of Mandala Communication Co.,Ltd., which has a registered capital of Baht 10 million (the company holds in the proportion of 99.99 %) divided into 1,000,000 shares with a par value of Baht 10 per share and already paid-up share capital of Baht 5 million with a purpose to operate its Internet service in any business that the Company can not provide due to the exclusion of the concession right from the Communications Authority of Thailand (current name : CAT Telecom Public Company Limited)

The Company has appointed Mandala's board of directors as per the resolution of Board of Director's meeting No. 7/2005 dated August 25, 2005 as follows:

- | | |
|--------------------------------|--------------------------------|
| 1. Mrs. Morragot Kulatumyotin* | Chairman of the Board |
| 2. Mr. Buncha Srisamanuwat | Director and Managing Director |
| 3. Mr. Suvech Ongla-or | Director |
| 4. Mrs. Linitda Sooksomstarn | Director |

* The Extraordinary General Shareholders' Meeting of Mandala Communication Co.,Ltd. No.1/2008, held on January 5, 2009, has approved the appointment of Mrs. Morragot Kulatumyotin to be the Chairman of the Board.

Right of Internet service license of Mandala Communication Co.,Ltd

The National Telecommunication Committee ("NTC") has issued the license of the first category Internet service without its own telecommunications network (through other service provider's telecommunications network) since February 16, 2006 to Mandala Communication Company Limited, and the license has been renewed until February 15, 2014 by rendering Internet services directly to end users specifically for the following Internet services

1. Narrowband Internet service (dial-up modem) by linking to the Internet through telephone line in the basic telephone network (PSTN).

2. Broadband Internet service (dial-up modem) by linking to the Internet through telephone line in the digital telephone system network (ISDN).

3. ADSL Internet service (ADSL modem) by linking to the Internet through leased telephone line only for part where the applicant for license requests to take on lease the basic telephone network (PSTN).

4. Leased line Internet service only for part where the applicant for license requests to take on lease the telecommunications network from a telecommunications network service provider in order to render further services to the applicant's customers, where the applicant has no control and/or management over such telecommunications network including the control on signal release or cut.

5. WiFi Internet service with a radio frequency range of 2.4 Gigahertz and not more than 100 milliwatt of equivalent isotropically radiated power (EIRP).

6. Voice over Internet Protocol or Internet telephony services, only on computer to computer and computer to telephone set methods without using telephone number.

7. Internet service through frequency wave network, i.e. cellular mobile telephone network and PCT network in a mobility manner.

8. Other services, i.e. web hosting, mail hosting, co-location.

9. Network equipment rental service

10. Log Management System

Social Contribution Activities

For education activities, INET is determined for creativity and upholding of the society and community with information technology and the communications beneficial to development and learning promotion of Thai youth e.g. "INET Young Webmaster Camp Project" in conjunction with Thai Webmaster Association to organize the activity in 7th year as the stage in initiating chance for Thai youth all over the country to encourage them to show their potential in expressing creation and gaining outside classroom experience to state of professional webmaster with good ethic which will be strong foundation in social and national development in the future. Presently, there are 560 students attending this project.

In the Digital News Pigeon Seminar No.7 held by the IT News Reporters Club of the News Reporters Association of Thailand, INET offered the training of new IT reporters through dissemination of knowledge in positive thinking and personality development and the development of useful skills that young news reporters can use in their future career.

In 2009, INET provided an opportunity for interested students from various institutes to visit the INET Data Center and exchange knowledge on the Company's operation. There are institutes and interesting groups from Police National Bureau, Royal Thai Police, the Prime Minister's office, and King Mongkut's Institute of Technology Ladkrabang visiting the Company during the year of 2009.

INET has supported the OpenCARE Foundation (Open Exchange for Collaborative Activities in Response to Emergencies) which is online network covering internet, telephone circuit including radio wave in order not to make emptiness in the connection or access to the data, to have duty as network supporting access to information for warning of the calamity from different agencies from national to people level. This concept has been inspired by tsunami calamity in 2004.

INET has supported the Internet Foundation for the Development of Thailand in the application of ICT to communication for economic and social development, especially in the rural communities to help the underprivileged learn and understand ICT for raising the standard of technology education and leading to a better way of life. INET has also assisted non-profit organizations in the Internet communication.

INET pays a lot of attention to the environment. INET has implemented the Green Office Project to raise our employees' energy conservation and global warming awareness. INET has done advertising campaigns in many forms of media to raise the awareness of the environment among companies, shops and agencies within the government and private sector. INET has also participated in the Office of Social Security's White Business Establishment Project, which aims at prevention of narcotics consumption in the workplace.

In addition, INET was honored by media to provide an interview of INET's business and services, regarding technology usage for energy and cost saving in domestic organizations. The interviews were published and broadcast in many media channels, such as MBA Magazine, e-Commerce Magazine, IT Time" Trinity Radio FM 98.75 MHz, Neepondin Program, Business Hour Nation TV, IT Time: Inet-Web Xference program.

Marketing and Competition Situation

Vision : *To make "Information finds you" a reality*

Mission : *Use the highest value of innovation and data communication technology to meet way of life and modern business creating maximum benefit to stakeholders*

INET has a strong determination to maintain and expand the customer base for Internet Access services in order to provide further professional IT solution services and to take control of new business operations effectively by adopting the following business management guidelines:

1. Financial Performance

The final business target is generation of attractive incomes or high returns on investment as determined from the turnover, net profit, growth rate, etc.

Income generation methods:

1.1 Revenue Growth

To maintain and expand the customer base for access business, the service that INET has expertise in. INET will also provide business solutions and data centers capable of co-location service or security purpose and introduce other new products and services to its existing customers.

1.2 Cost Reduction & Productivity Improvement

To reduce production costs and add more value to the services by maintaining an excellence service standard.

1.3 Asset Utilization & Investment Strategy

The cash flow liquidity makes an opportunity for INET to be able to make more investments and benefits to its organization development by using the existing assets.

2. Customers

Customer expansion activities:

2.1 Product & Service Attributes

To create brand loyalty, the products and services shall have valuable attributes: timely delivery, high quality, useful functionality and competitive price.

2.2 Image & Reputation

It is necessary to acquire good image and reputation. Apart from establishment of brand loyalty, INET will uphold the six main organization values to display its operation standard.

2.3 Customers Relationship

INET focuses on marketing activity continuously and builds its customer and partner relation regularly.

3. Internal Process

The internal process will be improved as follows:

3.1 Innovation

There will be two innovation strategies, one is to focus on cost reduction of products and services and two is to make different products and services so as to ensure that INET is able to build a value innovation.

3.2 Operation Management

To use a flexible operation management for carrying out the right process.

3.3 Customer Management

INET pays a lot of attention to customers by using customer survey regularly.

3.4 Social Responsibility

INET is responsible for its products and services in respect of production process, distribution and after - sales service, aiming at high quality and/or compliance with the ISO standards that INET were awarded for the past 8 years, including the ISO/IEC 27001 already applied for and pending decision.

4. Intangible Assets (Learning & Growth)

An organization structural development through long-term planning, short-term and medium-term capacity increase for internal process improvement as follows:

4.1 Human Resources Development

To ensure that INET is ready for future depth and width expansion, INET constantly develops its human resources through training and re-skilling of its existing employees and recruitment of new talents.

4.2 IT Application

The information technology shall be applied to management more to ensure plenty of up-to-date information for the analysis of organization's business and marketing situation and assistance in operation management.

4.3 Organization Structure

To create the flexible organization structure for adapting to the current competitive situation.

Types of customers and target groups

Two categories of customers:

1. Corporate Accounts: Finding that the service is highly reliable, many government agencies, state enterprises, banks, financial institutions and private firms have corporate accounts and good long-term relationship with us. They are the main sources of income.
2. Individual Accounts: They are individual customers.

Competition within the industry

According to National Electronics and Computer Technology Center's (NECTEC) figures, the value of the Internet Access service increased by 20% in 2009 as compared with 2008¹. The demand for LAN and wireless broadband Internet has increased rapidly in all parts of the country due to the advent of WIMAX, the next generation of wifi.

The IP Service Networks all over the world will expand by 5 times in 2013 due to the use of broadband Internet, video streaming, mobile connections and digital multitasking. This is an indication that all Internet users in the world must upgrade their systems in line with the advancement in technologies. In the private sector, there is a great deal of demand for communication service of IP Service, Internet Access and mobile Non-voice types as compared with the government sector that still uses the legacy systems. It means that there are many future markets for the value added products and services, especially the changeover by the government sector to the use of IP Service and mobile non-voice service.

Many service providers are engaging in fierce competition. Partnership with the firms fully equipped with a wide range of business solutions helps us remain competitive because it enables us to adopt the most effective strategies for investment, cost management and service provision and to develop the products and services that truly satisfy the requirements of many industries.

At the Software Park meeting in Asia, the Internet access was discussed in respect of concepts, commerce, health and education. This is the golden opportunity for the Internet service providers in Thailand to develop their products and services with their business partners.

Through the adoption of customer-centric strategies in 2009 and the ICT business expansion that paid attention to different segments, especially commerce, health and education and the overall demand for ICT solutions, INET has rearranged all the service portfolios as Internet Access, INET Data Center and Business Solutions to satisfy the demand in a proactive manner.

Apart from adoption of customer-centric marketing strategies, INET has to improve the tools for reaching the digital age target groups directly in line with the social media demand that increased by 66% in 2009. To satisfy the Social Networking demand, INET has launched INET Twitter, INET Club Facebook and By Your Side Facebook service to expand the digital market in order to reach the target groups.

The Marketing Department and Business Sector have been cooperating on the value-added innovation on the basis of the visions and strength to keep INET abreast of the present marketing situation. INET pays a lot of attention

to the Cloud Computing Technology at present, and cooperates with Symantec, its strong partner, on the launching of Inet-Endpoint Security Solutions service. INET is making the best effort to sell Managed Security Solutions and proactively present Cloud Computing service with cutting edge technologies to its target groups. The economies of scale and flexibility in effective IT management can help the customers reducing production costs and take some calculated risks in the operation on the network with only the fee per number of times of connections without having to pay a large sum. This is the offer which is suitable for this economic situation.

The expansion of market for government sector customers is the testimony of the unlimited strength in business solutions. In the government's Tonkla Acheep (occupational training) Project that was successfully implemented, INET helped design its IT management system.

INET shall maintain the standard of its Internet service according to its quality policies on the provision of Internet service to corporate and individual accounts, under which INET will constantly improve its products and services to ensure customer's satisfaction and compliance with international laws and technical standards. INET will come up with great innovations to meet the demand for Internet access that is rapidly increasing all the time, especially in 2010.

Remark : 1. Report of the survey on groups of Internet users in Thailand, 2009, National Electronics and Computer Technology Center.

Revenue Structure

Revenue Structure of INET and its Subsidiary^{1/}

Services and products	Consolidated Financial Statement 2009		Consolidated Financial Statement 2008		Consolidated Financial Statement 2007	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Access Business	250.49	43.55	272.71	46.16	406.29	52.71
2. Business Solutions ^{2/}	318.56	55.39	307.89	52.12	354.02	45.93
Total revenue from operating business	569.05	98.94	580.60	98.28	760.31	98.65
3. Other income ^{3/}	6.08	1.06	10.16	1.72	10.43	1.35
Total Revenue	575.13	100.00	590.76	100.00	770.74	100.00
4. Share of profit from an associate ^{4/}	11.12	1.93	10.57	1.79	8.82	1.14

Remarks : 1/ Consolidating the Company's financial statement with the financial statement of its subsidiary, Mandala Communication Co., Ltd.

2/ Revenue from Business Solutions included revenues other than revenue from Access Business such as revenue from INET Data Center (IDC), Business Collaboration Solutions, E-Business & Media Services, Banking and Finance services, ICT Services, Managed Security Solutions and Sales of computer and relevant equipment.

3/ Other income consisted of interest income and other income.

4/ The Company has been acknowledged the share of profit according to the Equity Method from the investment in 40% shares of the associated company, Netbay Co., Ltd.

General risk factors in the industry

1) Risk associated with time extension of enforcement of telecommunications business master plan A.D.2008-2010

It was found from the Telecommunication Enterprise Master Plan No. 2 (2008-2010) issued by the National Telecommunications Commission (NTC) and published in the Government Gazette Vol. 125, Special Section 65 dated 1 April 2008, that during 2008 to 2010, NTC would focus and emphasize on strengthening Thai telecommunication enterprises by allowing free and fair competition and greater participation by the public. There would be thorough services supporting technological blend towards sustainable international standard under the self-sufficiency philosophy for benefit of the country and the public as a whole based on a key principle, i.e. supervision of telecommunication enterprise operation as required emphasizing on enforcement of rules and regulations creating free, fair and equal competition, taking into account benefit of the people as a whole. However, it was essential to issue necessary rules and regulations thoroughly, such as right of way, price regulation emphasizing on enforcement of the rules and regulations prescribed including provision of thorough basic telecommunication services and prescription of rules and regulations on a timely basis to keep pace with various technological changes, such as 3G mobile phone, WiMAX (wireless net service covering area of several kilometers to replace cable and copper wire networks). However, NTC was still lacking ascertainment regarding supervising agency to be in charge, personnel, tools, process to ensure efficient supervision and enforcement materialization. In addition, all policies and rules of NTC, both existing and to be issued, should be reviewed and adjusted to be in compliance with practices and new laws to be promulgated, in which there might be some rules impacting upon INET's business operation direction. However, INET has a policy to operate the business emphasizing on providing good services with quality and fairness to service users. INET designated the Legal Department to closely pursue the situation and coordinate with government agencies to ensure maximum compliance with new regulations to be enforced, and timely correction.

2) Risk associated with conflict of interest of the major shareholders in doing competitive business

Besides National Science and Technology Development Agency (NSTDA), one of major shareholders (17%), INET's major shareholders, are also CAT Telecommunications Public Company Limited ("CAT") and TOT Public Company Limited ("TOT"). Both hold company's share in the proportion of 16% of paid up registered capital of INET. CAT and TOT have designated two representatives to hold the position of director of the company and to be the signatories, in this respect, INET's policy seriously follows the corporate governance with the role, duty and responsibility of the company's directors being stipulated clearly, for example, the making of Code of Conduct in writing regarding secrecy upkeep and information within INET and stipulating that the director having interest will have no participation in making decision in the matter of his interest.

At present both CAT and TOT provide commercial internet service too. Both agencies have competitive edge since they have their own network. However, INET arranges the measure to reduce the risk in doing the business having the same competitor cooperating as the business ally with the major shareholder featuring jointly giving service to the customers in order to maximize the available resources for utmost benefit, able to expand customer base and increase market share of the competitor in providing internet service.

Risk factors from the company's business operation.

1) Risk associated with business competition .

INET expects that in the year 2010, the competition in internet service will be intensified due to the liberalization of telecommunications business of the National Telecommunications Commission ("NTC") since the year 2005. INET is confident that it is ready for the competition because of the advantage in giving full service plus long experience in internet business. Moreover main policy of INET concentrates on service quality for total satisfaction of the customer

rather than pricing. INET tries to develop and improve its products and service continually by increasing high speed signal media circuit both domestically and internationally to meet higher demand of the service users. The ISO 9001:2008 for Corporate Services of always connected type and INET Data Center (IDC), and the use of Information Security Management System (ISMS) within the organization for Internet Data Center-IDC, Corporate Node and MetroLAN help building customer's confidence in the international quality standard of our services.

INET maintains its competitiveness through customer-centric product and service development to meet the ICT demand of various industries through proactive marketing strategies. INET hopes to expand its customer base in three areas, namely Internet access, Business Solutions and INET Data Center. INET also provides consultation on Network System Integration (NSI), which covers the studies of system analysis, infrastructure, Hardware, Software and turnkey or partial project implementation. INET was registered in Category A, Registration No. 1636, with the Thai Consultant Database Center on March 18th, 2009, which will expire on March 16th, 2011.

2) Technological alteration

The communication and telecommunication business including information technology business are dynamic and technologically developed especially connection speed. High speed internet connection will be more popular than the past connection resulting in highly competitive market especially the service charge which tends to be lower. Moreover, new technology in other connection eg. connection through Wimax frequency wave (Worldwide Interoperability for Microwave Access), WiBro technology (Wireless Broadband) which is connected via mobile phone and Third Generation (3G) Mobile Network service, etc. This new technology becomes more widespread in the developed country. INET realizes the said change and hence attempts to develop product/service of the company to keep pace with technological change by setting IT Coordinating Committee to study and regularly follow technological change, and exchange IT data in order to be advantage and support for INET's business.

Risk factor from projects which are difficult to control time

From investments in projects which are difficult to control time and need to rely on expertise of third parties, INET became aware of weak points and strong points including remedial measure to ensure optimal benefits to INET and prevent recurrence of such incidents. INET, therefore, studied to find such remedial measure. Should there be a project the Company would be interested to execute, INET would require that rules be applied to examine the project, to select allies emphasizing on those with potential and expertise in such business, to control and reduce and handle risks before investing in any project, for presentation to the Board of Directors for consideration and approval. INET would emphasize on businesses in which INET is best qualified for, especially services on Internet Protocol (IP) networks.

Shareholding Structure and Management

Shareholding Structure and Management

The first top 10 shareholders on the closing date of the registration book as of January 29, 2010 are as follows::

Rank	Name	No. of shares	%
1	National Science and Technology Development Agency	42,500,000	17.00
2	TOT Public Company Limited	40,000,000	16.00
3	CAT Telecom Public Company Limited	40,000,000	16.00
4	Mr. Chaweng Apatha	13,912,000	5.56
5	Thai NVDR Company Limited	7,934,800	3.17
6	CLEARSTREAM NOMINEES LTD	6,623,466	2.65
7	Ms. Suthida Chumpani	5,200,000	2.08
8	Mr. Thanabodi Huthakun	3,000,000	1.20
9	M.D. Chumphon Limchuwong	2,788,900	1.12
10	Ms. Sahaphap Samo	2,200,000	0.88
	Total	164,159,166	65.66

Source : Major shareholders as of January 29, 2010 prepared by Thailand Securities Depository Co.,Ltd.

NVDR Outstanding Share

As of January 29, 2010, Thai NVDR Company Limited has company's share as NVDRs (Non-Voting Depository Receipt) outstanding of 7,934,800 units or equivalent to 3.17% of total shares of the company. The NVDR holders are not allowed to vote in the Annual General Shareholder Meeting, excluding the agenda related to withdraw NVDRs from the status of listed company share of The Stock Exchange of Thailand.

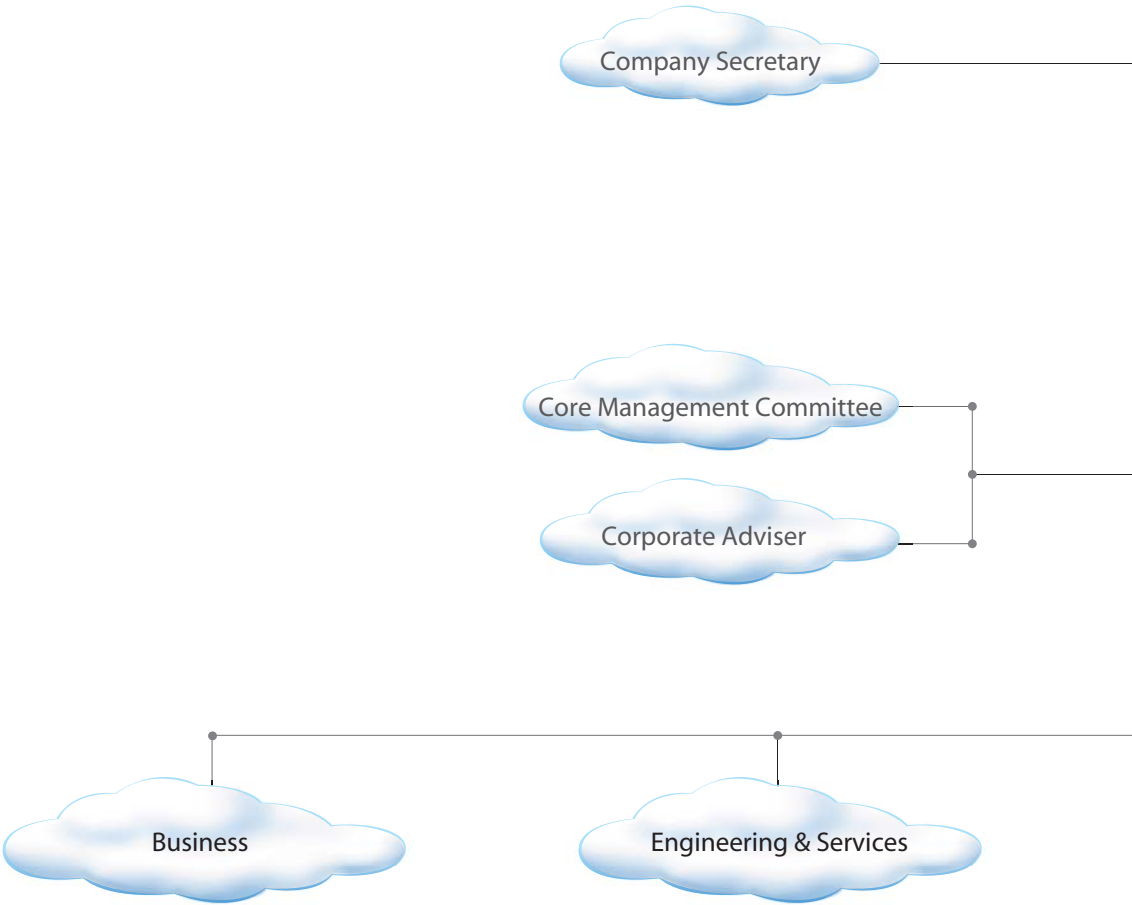
Dividend Policy

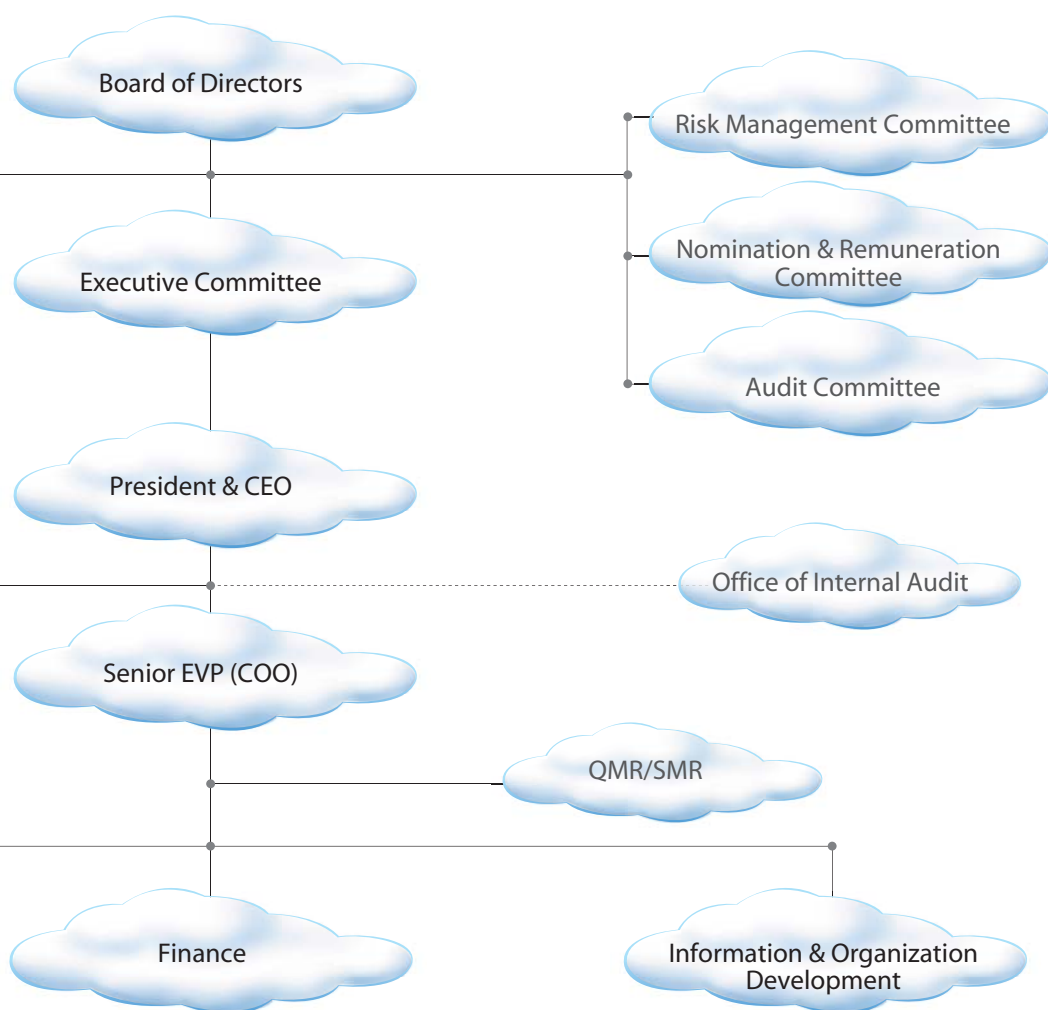
- **The company's dividend policy**

The company's dividend policy is to pay dividend no less than 30% of profit after tax, if the fund is not required elsewhere and subject to the economic and future project of the company and the subsidiary and the payment would have no significant effect on the running of the company.

Organization Chart

From until present December 31, 2009





Committees

As of December 31, 2009, the Company has six committees: the Board of Directors, the Executive Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the CEO Performance Review Committee.

The Board of Directors

The Company's Board of Directors consists of 14 members who are scholars and experts and whose personal qualifications fully conform to Section 68 of the Public Company Act B.E. 2535 and the Notification of the Securities and Exchange Commission (SEC) No. KorJor. 12/2543 Re: Application for approval and granting of approval for an offer for sale of newly issued shares dated March 22, 2000. They are:

(1) Prof. Dr. Pairash Thajchayapong ¹	Chairman of the Board of Directors and Chairman of Executive Committee
(2) Mr. Aran Permpiboon ¹	Independent Director, Chairman of Nomination and Remuneration Committee Member and Audit Committee Member
(3) Dr. Thaweesak Koanantakool ²	Director, Chairman of Risk Management Committee, Vice Chairman of Executive Committee and Chairman of CEO Performance Review Committee
(4) Emeritus Prof. Dr. Achara Chandrachai ³	Independent Director and Chairman of Audit Committee
(5) Mr. Sahas Treetipbut ²	Director, Nomination and Remuneration Committee Member and Executive Committee Member
(6) Mr. Patrakorn Aksornvoranart ¹	Director and Risk Management Committee member
(7) Mr. Asa Sattayut ²	Director
(8) Mr. Noppanat Hutacharoen ³	Director and CEO Performance Review Committee Member
(9) Ms. Tanwadee Wongterarit ³	Director and CEO Performance Review Committee Member
(10) Mr. Aniruth Hiranraks ³	Director
(11) Ms. Narumol Wangsatorntanakun ⁴	Independent Director and Risk Management Committee Member
(12) Mr. Chavalit Uttasart ⁵	Independent Director, Audit Committee Member and Nomination and Remuneration Committee Member
(13) Mr. Dheeramet Pokmanee ³	Director and Executive Committee Member
(14) Mrs. Morragot Kulatumyotin ³	Director, Risk Management Committee Member and Executive Committee Member

Remark

1. Appointed to be a director of the Company on April 28, 2008.
2. Appointed to be a director of the Company on April 27, 2007.
3. Appointed to be a director of the Company on April 24, 2009.
4. Appointed Ms. Narumol Wangsatorntanakun to be a director of the Company replacing Mr. Trin Tantsetthi who resigned on February 26, 2009.
5. Appointed Mr. Chavalit Uttasart to be a director of the Company replacing Mr. Sawait Santanond who resigned on June 25, 2009..

Authorized Directors

"Either one of Prof. Dr. Pairash Thajchayapong or Dr. Thaweesak Koanantakool jointly with either one of Mr. Asa Sattayut, Mr. Noppanat Hutacharoen, Ms. Tanwadee Wongterarit, Mr. Aniruth Hiranraks are authorized to sign on behalf of the Company with the Company's seal affixed" or "Either one of Mr. Asa Sattayut or Mr. Noppanat Hutacharoen jointly with either one of Ms. Tanwadee Wongterarit or Mr. Aniruth Hiranraks are authorized to sign on behalf of the Company with the Company's seal affixed".

Authority and duties of the Board of Directors

The Board of Directors has the authority and duty to ensure that the Company conforms to the objectives, articles of association and resolutions of the shareholders' meeting including the following duties:

1. Set the Company's business policies
2. Approve the Company's business plans

3. Set out the Company's investment and funding plans
4. Control and ensure the business operations comply with the Company's business plans
5. Manage and govern the Company's operations to achieve the highest benefit and comply with the Company's articles of association and the resolutions of the shareholders' meeting
6. Assign one or more of the Company's directors or other persons to execute any task on behalf of the Board of Directors
7. Any director not to operate any business which is similar to or competes with the Company, nor to become a partner in any ordinary partnership or an unlimited responsibility partner in any limited partnership or a director in any private company or other companies that operate a similar type of business and compete with the Company, whether for self-benefit or for the benefit of the others, provided that a notification thereof has been made to the shareholders' meeting before the appointment of any such director
8. Any director to instantly inform the Company if he has any interest, either directly or indirectly, in the contracts signed on behalf of the Company or holds an increased or decreased amount of shares or debentures in the Company or subsidiaries of the Company.

Except the following, which has to be approved from the resolution of the Shareholders Meeting:

1. Issues prescribed by law have to be approved by for the resolution of the Shareholders Meetings.
2. Issue of related-party transactions with the value of item needed to be approved from the resolution of the Shareholders Meeting according to the regulation or promulgation of the Stock Exchange of Thailand about related-party of listed companies.
3. Issue of buying or selling significant assets with the value needed to be approved from the resolution of the Shareholders Meeting according to the regulation or promulgation of the Stock Exchange of Thailand about acquisition and disposal of assets of listed companies.

There was a review of duties of the board of directors in order to harmonize with the good corporate governance policy.

Moreover, the company realized the importance of good supervising by encouraging 14 directors to attend the Director Accreditation Program (DAP) and Director Certification Program (DCP), which are set by Thai Institute of Directors.

The Executive Committee

In the meeting No. 12/2008 of the Board of Directors of the Internet Thailand Public Company Limited held on December 29, 2008, a resolution was passed to appoint an executive committee of the Internet Thailand Public Company Limited to perform the duties to support work performance of the Company's Board of Directors in establishment of policies or strategies, including supervision of administration, management and business operation policies as at 31 December 2009. The Executive Committee comprises 5 members, namely:

As on December 31, 2009, the Executive committee consisted of the following 5 members as follows;

- | | |
|------------------------------------|------------------------------------------|
| 1. Prof. Dr. Pairash Thajchayapong | Chairman of the Executive Committee |
| 2. Dr. Thaweesak Koanantakool | Vice Chairman of Executive Committee |
| 3. Mr. Dheeramet Pokmanee | Executive Committee Member |
| 4. Mr. Sahas Treetipbut | Executive Committee Member |
| 5. Mrs. Morragot Kulatumyotin | Executive Committee Member and Secretary |

Authority and duties of the Executive Committee

The Executive Committee has the following authority and duties:

1. To support the Board of Directors in establishment of policies or strategies, and in supervision of administration, management and business operation policies to ensure achievement of financial targets and strategies established.
2. To review the Company's annual budget before presenting to the Board of Directors' meeting for consideration and approval.
3. To consider the Company's new business commencement to ensure compliance with the Company's policies before presenting to the Board of Directors' meeting for consideration and approval.
4. To consider and approve investments on execution of projects on trading of office equipments, construction, reparation and improvement of office buildings with a value of not exceeding 30.0 million Baht.
5. To perform other duties assigned by the Board of Directors from time to time.

The Audit Committee

The Audit Committee has the duty to encourage operational efficiency and increase the organization's value to give effect to increase confidence and trust in the company's financial statements and reports, improve the function and process of internal and external audits and improve the efficiency of communication between the internal audit committee and the auditor.

As on December 31, 2009 the Audit Committee consisted of the following 3 members and Secretary of the Audit Committee (All have understanding or experience of accounting and finance) as follows:

- | | |
|---------------------------------|---------------------------------|
| 1. Prof. Dr. Achara Chandrachai | Chairman of the Audit Committee |
| 2. Mr. Aran Permpiboon | Audit Committee Member |
| 3. Mr. Chavalit Uttasart | Audit Committee Member |

Remark Mr. Akardej Pralomgan, Internal Auditor of the company is a Secretary to the Audit Committee

Authority and duties of the Audit Committee

The Audit Committee has the following authority and duties:

1. Review the correct and adequate information disclosure of the Company's financial reports by coordinating with the Auditor and the executives responsible for preparing the financial statements on both a quarterly and yearly basis. The Audit Committee may suggest the Auditor to review or to investigate any transactions that are necessary and material to the Company during the auditing period.
2. Review with the Auditor and internal auditor to ascertain that the internal audit system of the Company is appropriate and efficient.
3. Review and ensure that the Company operates in conformity with the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand (SET) or other laws which relate to the business of the Company.
4. Consider, select and nominate the Company's Auditor and determine the Auditor's remuneration. The selection should be based on the reliability, the adequacy of resources and the quantity of jobs in hand of that Auditor as well as the experience of the assigned Auditor.
5. Consider the disclosure of information on connected transactions or transactions with conflicts of interest to ascertain that they are correct and complete.
6. Perform any act assigned by the Board of Directors and consented to by the Audit Committee, such as review the financial and risk management policy, review the operation of the management to conform with the code of ethics, review any management report that is to be disclosed to the public as required by laws such as a report on management's discussion and analysis, etc.
7. Prepare a report on the activities of the Audit Committee for disclosure in the Company's annual report. The report is to be signed by the Chairman of the Audit Committee and should contain the following information:
 - Opinion on the accuracy, completeness, and credibility of the preparation process and disclosure of the information in the Company's financial report;
 - Opinion on the sufficiency of the Company's internal audit;
 - Opinion on the compliance with regulations of the SEC and SET, or other laws related to the business of the Company;
 - A justification for extension of the term of the Auditor; and
 - Other reports that should be disclosed to the shareholders and other investors within the scope of duties and responsibilities assigned by the Board of Directors.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee has the duty to consider selecting appropriate person for the positions of the Audit Committee Member, the Nomination and Remuneration Committee Member and others to govern management and internal control system including establishing criteria for remuneration to the Board of Directors, other directors, President and core management committee.

As on December 31, 2009 the Nomination and Remuneration Committee consisted of the following 3 members as follows:

- | | |
|--------------------------|---------------------------------------------------|
| 1. Mr. Aran Permpiboon | Chairman of Nomination and Remuneration Committee |
| 2. Mr. Sahas Treetipbut | Nomination and Remuneration Committee Member |
| 3. Mr. Chavalit Uttasart | Nomination and Remuneration Committee Member |

Authority and duties of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee has the following authority and duties:

1. Consider selecting appropriate persons who shall be appointed as new director of the Company, Audit Committee Member, Independent Director, Nomination and Remuneration Committee Member or Subcommittees appointed by the Board of Directors to propose the Board Meeting for consideration.
2. Set the procedure and criteria to select appropriate person as no.1 and/or the related procedure and criteria to make transparent for proceeding the Nomination and Remuneration's duties.
3. Present outline, procedure and criteria on payment of the remuneration for the Board of Directors, Subcommittees appointed by the Board of Directors and President, which are fair and reasonable.
4. Present remuneration policy for Management Incentive that harmonized with the company's outcome and Management Incentive's performance.
5. Perform any act assigned by the Board of Directors.

The Risk Management Committee

According to the resolution of the Board of Director's Meeting No. 4/2007, held on March 11 2007, the Board of Directors passed the resolution to approve the appointment of Risk Management Committee for prescribing the policy framework, guideline, and for giving recommendation to the Board of Directors for supervising risks that have adverse affect on the Company either internal or external factors to leaving the remaining risks to suitable and acceptable level. As on December 31, 2009 the Risk Management Committee consisted of the following 3 members:

- | | |
|----------------------------------|-------------------------------------------|
| 1. Dr. Thaweesak Koanantakool | Chairman of the Risk Management Committee |
| 2. Mr. Patthakorn Aksornworanart | Risk Management Committee Member |
| 3. Ms. Narumol Wangsatorntanakun | Risk Management Committee Member |
| 3. Mrs. Morragot Kulatumyotin | Risk Management Committee Member |

Remark Mrs. Linitda Sooksomstarn, Executive Vice President – Information & Organization Development is Secretary to the Risk Management Committee

Authority and duties of the Risk Management Committee

The Risk Management Committee has the following authority and duties:

1. To consider the policy and risk management framework for submitting to the Board of Directors.
2. Follow-up with development of risk management framework.
3. Follow-up identification process and risk evaluation.
4. Report to the Board of Directors about risks, and management of risks for information regularly. In case there is a matter having an effect on the Company materially, the Committee must report to the Board of Directors for consideration urgently.
5. Communicate with the Audit Committee regarding significant risk.
6. Perform any act assigned by the Board of Directors.

The CEO Performance Review Committee

According to the resolution of the Board of Director's Meeting No. 6/2009, held on September 21, 2009, the Board of Directors passed the resolution to approve the appointment of CEO Performance Review Committee for imposing policies and processes for the review of the performance of the CEO. As on December 31, 2009 the CEO Performance Review Committee consisted of the following 3 members as follows:

- | | |
|-------------------------------|----------------------------------------------|
| 1. Dr. Thaweesak Koanantakool | Chairman of CEO Performance Review Committee |
| 2. Mr. Noppanat Hutacharoen | CEO Performance Review Committee Member |
| 3. Ms. Tanwadee Wongterarit | CEO Performance Review Committee Member |

Authority and duties of the CEO Performance Review Committee

The CEO Performance Review Committee has the following authority and duties:

1. To impose policies and processes for the review of the performance of the CEO and recommend to the Board of Directors for consideration.
2. To inform policies and processes approved by the Board of Directors to CEO.
3. To conduct the CEO evaluation review every six months and report to the Board of Directors on the results of the evaluation review.
4. To inform the results of the CEO evaluation review approved by the Board of Directors to CEO.

Independent Directors

A director who acts as an Independent Director has the responsibility of preventing a conflict of interest between the listed company and the Executives or the major shareholders or other companies which has the Executives, major shareholders or other companies which has the same group of the Executives or major shareholders and are independent from the Company's major shareholders and the group of major shareholders including protect fairly every shareholder's benefit. They are:

- | | |
|----------------------------------|----------------------|
| 1. Mr. Aran Permpiboon | Independent Director |
| 2. Prof. Dr. Achara Chandrachai | Independent Director |
| 3. Ms. Narumol Wangsatorntanakun | Independent Director |
| 4. Mr. Chavalit Uttasart | Independent Director |

Company secretary

The Board of Directors has appointed Mr. Phathom Anaman as company secretary who has the duty to organize, prepare agendas for, take minutes of board meetings and annual general meetings (AGMs) as well as take care of company's operation to be complied with the laws and the company regulations.

Attendance of the Board of Directors' Meeting for the year 2009

The Board of Directors fixes the date to hold the Meeting in advance, and hold Extraordinary Meeting as necessary as well as prescribing the agenda of the meeting in advance. There is an Agenda for following up with operation results regularly. The Chairman of the Board of Directors, President and Senior Executive Vice President, jointly make selection of the agenda of the Board of Directors Meeting so that important agenda are raised in the meeting. Moreover, each director is free to propose the matters to be added to the Agenda of the meeting. Secretary to the Board of Directors makes invitation letters to the Meeting accompanied with Agenda and supporting documents 7 days in advance of the Meeting, to allow adequate time for the Board of Directors to study the data well before participating in the Meeting.

In each of the Board of Directors Meetings, the Chairman allocates sufficient time, arranging Minutes of Meeting to be taken in writing, and maintaining Minutes of Meeting certified by the Chairman, ready for inspection of the directors of the Company or related person in case they may wish to do so.

In 2009, the Board of Directors held a total of 8 meetings, the Executive Committee held a total of 9 meetings, the Audit Committee held a total of 10 meetings, the Nomination and Remuneration Committee held a total of 2 meetings, the Risk Management Committee held a total of 4 meetings and the CEO Performance Review Committee held a total of 1 meeting as follows:

Board of directors'	Board of directors' Meeting	Executive Committee's Meeting	Audit Committee's Meeting	Nomination & Remuneration Committee's Meeting	Risk Management Committee's Meeting	CEO Performance Review Committee's Meeting
	Attendance (8Times)	Attendance (9Times)	Attendance (10Times)	Attendance (2Times)	Attendance (4Times)	Attendance (1Times)
1. Prof. Dr. Pairash Thajchayapong	8/8	9/9	-	-	-	-
2. Mr. Aran Permpiboon	8/8	-	10/10	2/2	-	-
3. Dr. Thaweesak Koanantakool	5/8	9/9	-	-	4/4	1/1
4. Prof. Dr. Achara Chandrachai	8/8	-	10/10	-	-	-
5. Mr. Sahas Treetipbut	7/8	8/9	-	2/2	-	-
6. Mr. Patrakorn Aksornvoranart	7/8	-	-	-	4/4	-
7. Mr. Asa Sattayut	7/8	-	-	-	-	-
8. Mr. Noppanat Hutacharoen (1)	4/6	-	-	-	-	1/1
9. Ms. Tanwadee Wongterarit (1)	5/6	-	-	-	-	1/1
10. Mr. Aniruth Hiranraks (1)	6/6	-	-	-	-	-
11. Ms. Narumol Wangsatorntanakun (2)	4/6	-	-	-	3/3	-
12. Mr. Chavalit Uttasart (3)	3/4	-	4/5	-	-	-
13. Mr. Dheeramet Pokmanee	8/8	9/9	-	-	-	-
14. Mrs. Morragot Kulatumyotin	8/8	8/9	-	-	4/4	-
15. Mr. Trin Tantsetthi (4)	1/2	-	-	-	-	-
16. Mr. Wichien Naksinua (5)	1/2	-	-	-	-	-
17. Mr. Sawait Santanond (6)	2/3	-	4/4	1/1	-	-

Remark

- (1) Appointed to be a director of the Company on April 24, 2009.
- (2) Appointed to be a director of the Company on February 26, 2009.
- (3) Appointed to be a director of the Company on June 25, 2009.
- (4) Resigned from the position of director on February 26, 2009
- (5) Retired from the position of director
- (6) Resigned from the position of director on May 13, 2009

President & CEO

In 2009, the Board of Directors realized the importance of recruitment of President & CEO of the Company and appointed some additional directors to recruit CEO particularly under the name of the ad hoc CEO Recruitment Committee. Under the final recommendation of the ad hoc CEO Recruitment Committee, the Board of Director's Meeting No. 5/2009, held on August 11, 2009, made a final resolution to appoint Mr. Dheeramet Pokmanee acting President & CEO to serve a position of President & CEO of the Company, effective from August 11, 2009.

Authority and duties of President

At the 1/2001 Board of Directors' Meeting on September 14, 2001, the Board, with the consent of the Audit Committee, resolved to authorize the President to act on behalf of and in the name of the Company, i.e. legal act, contract, agreement, documents and evidence in which the Company made with the individuals or juristic persons with determination of amount for material procurement, etc. Such authorization will not allow the proxy to approve the transaction as the proxy or person may have conflict, interest or conflict of interest in other manner with the Company.

Core Management Committee

As on December 31, 2009 the Company's Core Management Committee consisted of the following 5 members as follows:

- | | |
|-------------------------------|----------------------------------------------------------------------|
| 1. Mr. Dheeramet Pokmanee | President & CEO as the Chairman |
| 2. Mrs. Morragot Kulatumyotin | Senior Executive Vice President & COO |
| 3. Mr. Buncha Srisamanuwat | Executive Vice President – Engineering & Services |
| 4. Mr. Suvech Ongla-or | Executive Vice President – Finance |
| 5. Mrs. Linitda Sooksomstarn | Executive Vice President – Information
& Organization Development |

Core Management Committee has the following duties:

- 1) To consider, screen and submit the following to the Board for consideration:
 - Policy, action plan, strategies and budget
 - Matters to be complied with the Company's regulations
 - Matters material to the Company
 - Matters deemed by Management to be submitted for approval case by case
- 1) To consider and approve investment and set the budget in the amount of up to Bt. 10 million
- 2) To consider and approve the Company's structure at the level below the top executives
- 3) To consider and approve the salary structure and other benefits of the employees below the top executives.
- 4) To review operation of businesses, both being ordinary transactions and extraordinary transactions, of each business line on a periodical basis.

Top Executives

As on December 31, 2009 Top Executives consisted of the following 5 members as follows:

- | | |
|-------------------------------|----------------------------------------------------------------------|
| 1. Mr. Dheeramet Pokmanee | President & CEO |
| 2. Mrs. Morragot Kulatumyotin | Senior Executive Vice President & COO |
| 3. Mr. Buncha Srisamanuwat | Executive Vice President – Engineering & Services |
| 4. Mr. Suvech Ongla-or | Executive Vice President – Finance |
| 5. Mrs. Linitda Sooksomstarn | Executive Vice President – Information
& Organization Development |

Nomination and Remuneration's procedures of the Board of Directors and the Executives

Selection of persons for appointment as Board of Directors and Executives operates the following steps :

Component and Appointment of the Board of Directors : According to Memorandum of Association, the Board of Directors consists of at least 11 persons and not more than 15 persons. More than half of the Directors must have domicile in Thailand.

Nomination and Remuneration Committee, who shall consider and propose names of persons selected as Directors to the Board of Directors or to the Shareholders Meeting for consideration to appoint them as Directors. According to Memorandum of Association, the Shareholders Meeting appoints Directors with criteria and method as follows :

- A shareholder has one vote for one share it holds.
- Each shareholder using all the votes he has in Clause 1) may elect one person or many to become the Director(s). In case of election, dividing many votes for one and less for another is not permissible.
- Persons with the votes respectively high shall be elected Directors, if persons having the same number of votes for one last vacancy, they shall take the drawing to leave only one to take that vacancy.

In case the directorship falls vacant ahead of period of completion of office, Board of Directors may select anyone qualified who has no forbidden character by law to fill the void with not less than 3/4 votes of the remaining directors in the next Board of Directors Meeting, except the period left is less than 2 months. Director so elected shall remain in the office for the period left unused by the predecessor.

The Shareholders Meeting may vote for any Director to leave his position ahead of the office term, with not less than 3/4 votes of the shareholders attending the Meeting and have the right to vote, who represent number of shares not less than half of shares held by the shareholders attending the Meeting and have the right to vote.

Component and Appointment of the Executive Committee The Board of Directors appoints the Executive Committee by selection from the Company's Directors.

Component and Appointment of the Audit Committee The Board of Directors appoints the Audit Committee by selection from the Company's Directors, each member is qualified according to the promulgations of the Stock Exchange of Thailand.

Component and Appointment of the Nomination and Remuneration Committee The Board of Directors appoints the Nomination and Remuneration Committee by selection from the Company's Directors.

Component and Appointment of the Risk Management Committee The Board of Directors appoints the Risk Management Committee by selection from the Company's Directors.

Component and Appointment of the CEO Performance Review Committee The Board of Directors appoints the CEO Performance Review Committee by selection from the Company's Directors.

Directors represent main shareholders as at December 31, 2009 The company has directors who represent main shareholders, 2 directors are representatives from National Science and Technology Development Agency, 2 directors are representatives from TOT Public Company Limited and 2 directors are representatives from CAT Telecom Public Company Limited.

Brief Profile of Directors

1. Prof. Dr. Pairash Thajchayapong

Position	Chairman of the Board and Chairman of Executive Committee
Shareholding	-
Family relationship	-
Education	Ph. D. Electronics and Computer Engineering, University of Cambridge, United Kingdom Director Accreditation Program and Director Certification Program, by Thai Institute of Directors (IOD)
Professional experience	2008 – present 2005 – present 2004 - 2005 1998 – 2004
	Chairman of the Board Netbay Company Limited Senior Adviser National Science and Technology Development Agency Permanent Secretary of Ministry of Science and Technology, Office of the Permanent Secretary for Ministry of Science and Technology President, National Science and Technology Development Agency

2. Mr. Aran Permpiboon

Position	Independent Director, Chairman of Nomination and Remuneration Committee and Audit Committee Member
Shareholding	-
Family relationship	-
Education	Master of Public Administration, National Institution of Development Administration (NIDA) Director Certification Program, by Thai Institute of Directors (IOD)
Professional experience	2003 – 2004 2002 – 2003
	Acting President TOT Public Company Limited Senior Executive Vice President TOT Corporation Public Company Limited

3. Dr. Thaweesak Koanantakool

Position	Director, Chairman of Risk Management Committee, Vice Chairman of Executive Committee and Chairman of CEO Performance Review Committee
Shareholding	-
Family Relationship	-
Education	Ph. D. Digital Communication, Imperial College of Science and Technology, University of London, United Kingdom Director Certification Program, by Thai Institute of Directors (IOD)
Professional experience	2006 – present 1998 – 2006
	Deputy Director, National Science and Technology Development Agency Director, National Electronics and Computer Technology Center

4. Prof. Emeritus Dr. Achara Chandrachai

Position	Independent Director and Chairman of Audit Committee
Shareholding	-
Family relationship	-
Education	Ph.D. Quantitative Business Analysis, Arizona State University, United States of America Director Certification Program by Thai Institute of Directors (IOD)
Professional experience	2008 – present 2003 – 2007 1993 – 2003
	Deputy Director of Academic Service Center Chulalongkorn University Head of Department of Commerce, Faculty of Commerce and Accountancy Chulalongkorn University Associate Dean for Research Affairs, Faculty of Commerce and Accountancy Chulalongkorn University

5. Mr. Sahas Treetipbut

Position		Director, Nomination and Remuneration Committee Member and Executive Committee Member
Shareholding		0.07%
Family relationship		-
Education		Master of Computer and Information Science, Syracuse University, United States of America
Professional experience	1995 – 2008	Director Certification Program, by Thai Institute of Directors (IOD) Senior Executive Vice President and Managing Director - Product Development and Marketing, Krung Thai Bank Public Company Limited

6. Mr. Patrakorn Aksornvoranart

Position		Director and Risk Management Committee Member
Shareholding		-
Family relationship		-
Education		Bachelor Degree, Faculty of Accountancy, Thammasart University Director Certification Program by Thai Institute of Directors (IOD)
Professional experience	1998 – present 1996 – 1997	Independent Adviser Accounting Manager Cosmo Netmart Co., Ltd.

7. Mr. Asa Sattayut

Position		Director
Shareholding		-
Family relationship		-
Education		Master of Business Administration (International Business and Management), Asian Institute of Technology
Professional experience	2007 – present	Senior Executive Vice President – Metropolitan Sale and Customer Service, TOT Public Company Limited

8. Mr. Noppanat Hutacharoen

Position		Director and CEO Performance Review Committee Member
Shareholding		-
Family relationship		-
Education		Master of Science (Executive Development Program), National Institution of Development Administration (NIDA) Director Certification Program, by Thai Institute of Directors (IOD)
Professional experience	2007 – present 2004 – 2007 2004	Senior Executive Vice President TOT Public Company Limited Executive Vice President – Sale and Customer Service region 4 TOT Public Company Limited Vice President – International Relation

9. Ms. Tanwadee Wongterarit

Position		Director and CEO Performance Review Committee Member
Shareholding		-
Family relationship		-
Education		Master of Science in Electrical Engineering University of Miami, United States of America
		Director Accreditation Program, by Thai Institute of Directors (IOD)
Professional experience	Oct. 2009 – present	Senior Executive Vice President (Voice Business) CAT Telecom Public Company Limited
	2008 – Sep. 2009	Senior Executive Vice President (Wireless Business) CAT Telecom Public Company Limited
	2007	Senior Executive Vice President (CDMA Business) CAT Telecom Public Company Limited

10. Mr. Aniruth Hiranraks

Position		Director
Shareholding		-
Family relationship		-
Education		Master of Engineering (Electrical – Communications) Cornell University USA.
		Director Accreditation Program, by Thai Institute of Directors (IOD)
Professional experience	Oct. 2009 – present	Manager Dept.10 – International Network CAT Telecom Public Company Limited
	Jun. 2008 – Oct. 2009	Manager Dept.10 – Network Engineering CAT Telecom Public Company Limited
	Oct. 2007 – Jun.2008	Manager Dept.10 – Planning & Engineering
	Jun. 2006 – Oct. 2007	Assistant Manager Dept. 9 – Planning & Engineering and acting Planing & Engineering Manager – International Network CAT Telecom Public Company Limited

11. Ms. Narumol Wangsatorntanakun

Position		Independent Director and Risk Management Committee Member
Shareholding		0.02%
Family relationship		-
Education		B.Sc. in International Economics (Economics) Chulalongkorn University M.A. in International Economics (Economics) Marquette University, Milwaukee, Wisconsin, U.S.A M.S. in Electrical Engineering, Major in Data Communication University of Wisconsin, Milwaukee, Wisconsin, U.S.A.
		Director Accreditation Program and Audit Committee Program, by Thai Institute of Directors (IOD)
Professional experience	2002 – present	Chief Information Officer Thai Smart Card Co., Ltd.
	2003 – present	Independent Director and Audit Committee Member ACAP Advisory Public Co.,Ltd.

12. Mr. Chavalit Uttasart

Position		Independent Director, Audit Committee Member and Nomination and Remuneration Committee Member
Shareholding		-
Family relationship		-
Education		Barrister-at-law The Honorable Society of Gray's Inn, London, England Barrister-at-law The Institute of Legal Education, Thai Bar Association LL.B. Honors Chulalongkorn University Director Accreditation Program and by Thai Institute of Directors (IOD)
Professional experience	2005 – present	Managing Partner Siam City Law Offices Limited
	2005 – present	Managing Partner Chavalit & Associates Limited

13. Mr. Dheeramet Pokmanee

Position		Director and Executive Committee member
Shareholding		-
Family relationship		-
Qualifications		Bachelor of Economics, Thammasat University Director Accreditation Program and Audit Committee Program, by Thai Institute of Directors (IOD)
Professional experience	Aug. 2008 – present	President & CEO Internet Thailand Public Company Limited
	1999 – 2003	Director of Information Center, Comptroller General's Department, Ministry of Finance

14. Mrs. Morragot Kulatumyotin

Position		Director, Risk Management Committee Member and Executive Committee Member
Shareholding		0.16%
Family relationship		-
Qualifications		Master of Science in Computer Science, University of Missouri Columbia, United States of America Master of Business Administration, Thammasat University Director Accreditation Program , Company Secretary Program and Effective Minutes Taking by Thai Institute of Directors (IOD)
Professional experience	1999 – present	Senior Executive Vice President & COO Internet Thailand Public Company Limited
	2008 – present	Chairman of the Board Mandala Communication Company Limited
	2004 – present	Director, Netbay Company Limited

Remark : 1. Shareholding percentage is based on the total paid-up capital as of January 29, 2010.

Brief Profile of Management

1. Mr. Dheeramet Pokmanee

Position		President & CEO
Shareholding		-
Family relationship		-
Qualifications		Bachelor of Economics, Thammasat University Director Accreditation Program and Audit Committee Program, by Thai Institute of Directors (IOD)
Professional experience	Oct '08 – present 1999 – 2003	President & CEO Internet Thailand Public Company Limited Director of Information Center, Comptroller General's Department, Ministry of Finance

2. Mrs. Morragot Kulatumyotin

Position		Senior Executive Vice President & COO
Shareholding		0.16%
Family relationship		-
Qualifications		Master of Science in Computer Science, University of Missouri Columbia, United States of America Master of Business Administration, Thammasart University Director Accreditation Program , Company Secretary Program and Effective Minutes Taking by Thai Institute of Directors (IOD)
Professional experience	1999 – present 2008 – present 2004 - present 1997 - 1999	Senior Executive Vice President & COO Internet Thailand Public Company Limited Chairman of the Board Mandala Communication Company Limited Director, Netbay Company Limited General Manager Internet Thailand Company Limited

3. Mr. Buncha Srisamanuwat

Position		Executive Vice President – Engineering and Services
Shareholding		-
Family relationship		-
Qualifications		Master of Industrial Management Engineering, King Mongkut's University of Technology North Bangkok
Professional experience	2007 – present 2001 – 2007 2005 – present 1998 – 2001	Executive Vice President – Engineering and Service Internet Thailand Public Company Limited Executive Vice President – Engineering Group, Internet Thailand Public Company Limited Director and Managing Director, Mandala Communication Company Limited Vice President – Network Operations Center, Internet Thailand Company Limited

4. Mr. Suvech Ongla-or

Position		Executive Vice President – Finance
Shareholding		0.11%
Family relationship		-
Qualifications		Master of Accountancy (Executive), Chulalongkorn University Chief Financial Officer Certification Program by Institute of Certified Accountants and Auditors of Thailand
Professional experience	2001 – present	Executive Vice President – Finance Internet Thailand Public Company Limited
	2005 – present	Director Mandala Communication Company Limited
	2004 – present	Director, Netbay Company Limited
	1998 – 2001	Vice President – Finance and Accounting Division, Internet Thailand Company Limited

5. Mrs. Linitda Sooksomstarn

Position		Executive Vice President – Information & Organization Development
Shareholding		0.04%
Family relationship		-
Qualifications		Master of Science in Computer Science, California State University, United States of America
Professional experience	2007 – present	Executive Vice President – Information & Organization Development Internet Thailand Public Company Limited
	2005 – present	Director Mandala Communication Company Limited
	2002 – 2004	Vice President – Access Business Strategic Unit, Internet Thailand Public Company Limited
	2001 – present	Vice President – Marketing Division, Internet Thailand Public Company Limited

* **Remark** : 1. Shareholding percentage is based on the total paid-up capital as of January 29, 2010.

Details of the positions of the management and the controlling persons of the Company

Details of the positions of the management and the controlling persons of Internet Thailand Public Company Limited, the associated company and the related company as of December 31, 2009

Name	Internet Thailand PLC.	Associated Company	Related Company
		Mandala Communication Co., Ltd.	Netbay Co., Ltd.
1. Prof. Dr. Pairash Thajchayapong	C		C
2. Mr. Aran Permpiboon	D		
3. Dr. Thaweesak Koanantakool	D		
4. Prof. Dr. Achara Chandrachai	D		
5. Mr. Sahas Treetipbut	D		
6. Mr. Patrakorn Aksornvoranart	D		
7. Mr. Asa Sattayut	D		
8. Mr. Noppanat Hutacharoen	D		
9. Ms. Tanwadee Wongterarit	D		
10. Mr. Aniruth Hiranraks	D		
11. Ms. Narumol Wangsatorntanakun	D		
12. Mr. Chavalit Uttasart	D		
13. Mr. Dheeramet Pokmanee	D, P		
14. Mrs. Morragot Kulatumyotin	D, M	C	D
15. Mr. Buncha Srisamanuwat	M	P, D	
16. Mr. Suvech Ongla-or	M	D	D
17. Mrs. Linitda Sooksomstarn	M	D	

Remarks : C = Chairman P = President
D = Director M = Management

Director & Executives' remunerations

Monetary remuneration

Total remuneration of the directors in 2009, the Annual General Meeting of Shareholders resolved that the directors' remuneration for 14 persons not over Baht 4.78 million, comprising the Board of Directors' meeting and Subcommittees allowances. In year 2009, the Company paid the remuneration to the directors in total amount of Baht 4.78 for meeting allowances of the Board of Directors, Subcommittees and other remuneration.

Total remuneration of executives in 2009, the remuneration of 5 executives was Baht 9.94 million comprising salary and gasoline allowances.

Directors' remuneration in 2009

Board of Directors' name/Position		Board of director's meeting allowance (Baht/year)	Subcommittee's meeting allowance (Baht/year)
1. Prof. Dr. Pairash Thajchayapong	Board Chairman / Chairman of Executive Committee	300,000.-	87,500.-
2. Mr. Aran Permpiboon *	Independent Director / Chairman of the Nomination and Remuneration Committee / Audit Committee Member	240,000.-	182,500.-
3. Dr. Thaweesak Koanantakool *	Director / Chairman of Risk Management Committee / Vice Chairman of Executive Committee / Chairman of CEO Performance Review Committee	240,000.-	161,250.-
4. Prof. Emeritus Dr. Achara Chandrachai	Independent Director / Chairman of Audit Committee	240,000.-	150,000.-
5. Mr. Sahas Treetipbut *	Director / Nomination and Remuneration Committee Member / Executive Committee Member	240,000.-	120,000.-
6. Mr. Patrakorn Aksornvoranart	Director and Risk Management Committee Member	240,000.-	40,000.-
7. Mr. Asa Sattayut	Director	240,000.-	-
8. Mr. Noppanat Hutacharoen	Director / CEO Performance Review Committee Member	158,000.-	10,000.-
9. Ms. Tanwadee Wongterarit *	Director / CEO Performance Review Committee Member	160,000.-	30,000.-
10. Mr. Aniruth Hiranraks	Director	160,000.-	-
11. Ms. Narumol Wangsatorntanakun	Independent Director / Risk Management Committee Member	200,000.-	30,000.-
12. Mr. Chavalit Uttasart *	Independent Director / Nomination and Remuneration Committee Member / Audit Committee Member	120,000.-	80,000.-
13. Mr. Dheeramet Pokmanee	Director / Executive Committee Member	262,500.-	70,000.-
14. Mrs. Morragot Kulatumyotin	Director / Risk Management Committee Member / Executive Committee Member	240,000.-	100,000.-

Remark: * those directors were appointed to be a member of the ad hoc CEO Recruitment Committee on June 25, 2009 and the committee's duties were terminated on August 11, 2009.

Resigning director in 2009

Board of Directors' name/Position		Board of director's meeting allowance (Baht/year)	Subcommittee's meeting allowance (Baht/year)
1. Mr. Trin Tantsetthi	Director (resigned on February 26, 2009)	40,000.-	-
2. Mr. Wichien Naksinual	Director (retired)	82,000.-	-
3. Mr. Sawait Santanond	Independent Director / Nomination and Remuneration Committee Member / Audit Committee Member (resigned on May 14, 2009)	100,000.-	120,000.-

Report on Good Corporate Governance Practices

The Board of Directors has recognized and placed a great emphasis on good corporate governance where they have operated with integrity, transparency and commitment to its core value in enhancing the organization to have efficient management system. Over the past years, the Board of Directors has committed to conform to the Code of Practices for Directors of Listed Companies under the Good Corporate Governance of the Stock Exchange of Thailand (SET).

To implement this policy, the Board of Directors has applied the management guideline of good corporate governance and set it in the vision, mission and policy of INET in order to be the main mechanism driving the involvement in implementation of such principles. Moreover, the Board shall monitor, oversee, revise and communicate the management policy from executives to employees of the organization, including being informed any problems occurring within the organization and evaluating the operation results of INET in order to achieve the goal.

In 2009, INET has operated under SET practice guideline which can be summarized as follows:

1. Right of shareholders

The Board of Directors has placed great emphasis on rights and equality of the shareholders by clearly stating in the Good Corporate Governance Policy on the equality of basic rights e.g. rights to receive sufficient information in a timely manner and appropriate form for decision making, rights to obtain the scrip and rights to transfer the securities.

1.1 Disclosure

The Board of Directors is aware of the disclosure of significant information whereby the information disclosed shall be accurate, complete, sufficient, updated, transparent, traceable and the most important is such information shall be equally available to all shareholders.

In 2009, INET has completely disclosed information according to SET regulation on Disclosure of Information of Listed Companies within a specific period. INET has submitted the document to Securities and Exchange Commission (SEC) and SET, including disseminating the periodic and non-periodic reports via the ELCID system of SET. Those periodic reports to be disclosed include the annual financial statement, quarterly financial statement, annual report, annual registration statement and etc. The non-periodic reports comprise of the date, time and venue of Annual General Meeting of Shareholders, including the meeting agendas, annual record date, book closing date for collecting shareholders' names according to Section 225 of the Securities and Exchange Act, dividend payment, dividend record date, dividend book closing date for collecting shareholders' names according to Section 225 of the Securities and Exchange Act, resolution passed at the Annual General Meeting of Shareholders, appointment of the Audit Committee and independent directors, and etc.

For the past year, INET has perfectly operated according to the regulation on disclosure of information and there has not been any punishment for cases of no submission or reporting information specified by the law with a delay by INET.

The Board of Directors and the management have greatly emphasized on any actions or operations that do not limit the opportunity of the shareholders in accessing INET's information. Moreover, INET has organized the communication channels for the shareholders, investors, interested parties and the public to easily access the information of INET. As such, INET has published their information both in English and in Thai languages on their website ([HYPERLINK "http://www.inet.co.th"](http://www.inet.co.th) www.inet.co.th) where the information has been grouped into categories which make it easy for searching and communicating with INET.

1.2 Shareholders' meeting

INET has stated that the shareholder's general meeting shall be held once a year within 4 months starting from the end of accounting period of INET and the shareholders' meeting shall be organized such that its process has supported the shareholders to have equal rights. The Board of Directors has paid great attention and respected the rights of shareholders by encouraging the shareholders to attend the shareholders' meeting. This is for the shareholders who are the entrepreneur to have opportunity to be informed of INET's operation results, to participate in making important decisions of INET and to examine the operations of the Board of Directors and the management. Therefore, INET has organized the shareholders' meeting to be in accordance with the law and guideline specified in the AGM Checklist of the Thai Investors Association, Thai Listed Companies Association and SEC. It is the duties and responsibilities of the Board of Directors and the management to operate with transparency, fairness and best interests to all shareholders and related parties.

In 2009, INET held 1 shareholders' meeting, "the 2009 Annual General Meeting of Shareholders", on Friday 24th April 2009 at 9.00 a.m. at INET Hall meeting room, IT Floor, Thai Summit Tower, 1768 New Petchburi Road, Bang Kapi Sub-district, Huai Khwang District, Bangkok whereby this location has a good public transportation system, making it more convenient for the shareholders to commute. INET has arranged all meeting facilities e.g. audio-visual media for presentation, computers and barcode system for meeting registration and vote counting. These have made the vote counting more convenient, quickly, accurate, transparent and traceable.

INET opened for registration from 7.00 a.m. onwards, 2 hours before the commencement of the meeting, and the shareholders who arrived after the commencement of the meeting can still register until the meeting has adjourned. At the beginning of the 2009 Annual General Meeting of Shareholders, there are 38 shareholders attending the meeting and after that more shareholders have shown up and registered. Until the end of the meeting, 52 shareholders have attended the meeting. INET has assigned the attorney of INET to check the identification document presenting before attending the meeting. This procedure is not complicated and is in accordance with information provided to shareholders with the invitation letter.

At the abovementioned meeting, there are 9 directors attending the meeting. The Chairman of the Board of Directors is absent at that meeting due to his business engagement overseas, therefore, he has appointed the Vice-chairman to act as Chairman of the meeting according to the Articles of Association. Besides that, the Chairmen of specific committees and the management of INET have attended the meeting, including the auditor and legal consultant in order to provide additional information, clarification, and answer the questions to the meeting in details.

1.2.1 Before the commencement of the meeting

INET has disclosed sufficient and timely information that is relevant for making decision at the shareholders' meeting in advance. After the Board of Directors has called for the 2009 Annual General Meeting of Shareholders (AGM), INET shall inform the shareholders the date, time, venue of the meeting, meeting agenda and relevant information, including opinions of the Board on each agenda which are proposed to the meeting via the ELCID system of SET before 9.00 a.m. of the next following day after the Board's resolution.

The invitation letter shall include details of meeting agendas and opinions of the Board, details of agenda for consideration and justification, positive and negative impacts of each agenda, proxy letter and list of independent directors in order for the shareholders to choose as their proxy to attend the meeting, including the venue map. These shall be sent to shareholders at least 14 days in advance and the meeting announcement shall be advertised in the Thai newspapers for at least 3 consecutive days and at least 3 days before the commencement of the meeting to call for the shareholders' meeting in advance.

Moreover, INET has given the shareholders the opportunity to study the meeting materials in advance where they have published the 2009 AGM invitation letter and its documents which are the same documents that INET has sent to the shareholders on INET's website at least 1 month in advance before the commencement of the meeting. Furthermore, INET has assigned the Thailand Securities Depository Co, Ltd., securities registrar of INET, to send the shareholders the invitation letter of 2009 AGM on 8th April 2009 which is in accordance with the law whereby it is stated that the listed company shall send the shareholders the invitation letter at least 14 days before the commencement of the meeting.

At the 2009 Annual General Meeting of Shareholders, INET has applied the practice guideline of SET in encouraging the listed companies to give the minority shareholders opportunity to propose the Board of Directors the meeting agendas and the appointment of qualified person to be the directors. INET has announced their meeting invitation to the shareholders via the ELCID system and company's website which states the clear details of rules, procedures and process for consideration and channel to propose the agenda whereby the shareholders have been given time to consider from 2nd February 2009 to 15th February 2009. It is found that the shareholders have not proposed any person to be the director and one shareholder has proposed agenda which has already been in the meeting agenda. Moreover, the Board of Directors has given the shareholders opportunity to ask questions or acquire additional information of those meeting agenda and or provide recommendations, which can benefit INET's operations, in advance before the commencement of the meeting so that INET can provide clarification or additional information at the meeting.

1.2.2 During the meeting

In the 2009 AGM, the Chairman of the meeting has introduced the meeting the directors, the management and auditors who have attended the meeting. After that, the Chairman has appointed the employee of INET to inform the meeting the voting procedures in order to be in accordance with SET code of practice for shareholders' meeting

of listed companies, including the voting method where INET shall have the ballots for each agenda which the shareholders attending the meeting shall receive during the registration. INET has used the computer and barcode system for counting the votes.

During the meeting, the Chairman of the meeting has proceeded the meeting according to agenda. After the information of the agenda has been informed, the Chairman of the meeting has given the shareholders who attend the meeting opportunity to give comment, suggestions and ask questions in each agenda, including appropriate time for discussion. After that, the management shall provide a clear and precise answer and pay great attention to every question. After that the shareholders shall vote on that agenda whereby the Chairman of the meeting shall inform the voting results of that agenda to the meeting by category of "approved", "disapproved" and "abstained" votes. During the voting on each agenda, INET has required the shareholders who attend the meeting to use the ballots and computer shall be used to process the voting results. For the agenda on the appointment of directors and determination of directors' remunerations, these agendas have been proposed to the meeting to be voted separately and the agenda on the appointment of directors shall be voted by individual. Each meeting shall take approximately 2 hours. As such, this 2009 AGM has set to start at 9.00 a.m. and end at 11.00 a.m.

1.2.3 After the meeting

INET shall inform the resolution passed at the 2009 AGM and state the voting results of each agenda with "approved", "disapproved" and "abstained" votes, including the portion of each vote type via SET electronic system (ELCID system) after the meeting has adjourned by 9.00 a.m. of the next following day.

The minutes of the 2009 AGM shall be in writing and shall record the significant matter of each agenda proposed to the meeting, significant questions of the shareholders and the clarification of the Board of Directors and the management, recommendations and additional opinions of the meeting, including a clear and complete meeting resolution of each agenda with numbers of each vote type and portion of each vote type. INET shall send the minutes of the meeting signed by the Chairman of the meeting to SET, SEC and registrar (Department of Business Development) for evidence and reference, including publishing on INET's website within 14 days after the commencement of the shareholders meeting.

2. Equitable treatment of shareholders

The Board of Directors and the management have committed to conform to equitable treatment of shareholders regardless of being major shareholders, minority shareholders, Thai investors and foreign investors as clearly specified in the good corporate governance policy on the equality of basic rights. This is considered to be important and necessary for sustainable growth of its business. As such, INET has placed a great emphasis on rights and equality of the shareholders e.g. rights to receive sufficient information in a timely manner and appropriate form for decision making, rights to obtain the scrip and rights to transfer the securities.

As the owner of the business according to the portion of their shareholding, the shareholders are entitled to receive the dividends according to the operation results of INET. INET has paid dividends from the 2008 operation results on May 15, 2009 at the rate of 0.05 Baht per share.

In order for the shareholders to gain the equal basic rights in receiving the information of INET, INET has not only complied with the rules on disclosure of information of SET and SEC, but INET has also increased the channels to access the information of INET via INET's website whereby the information has been updated and published both in Thai and English languages.

Moreover, in order to maintain the rights of shareholders who cannot attend the 2009 Annual General Meeting of Shareholders, INET has sent the proxy letter where the shareholders can appoint other persons or independent directors as listed in the proxy letter specified by the Ministry of Commerce to be their proxy, attend the meeting and vote on their behaves without any conditions. The details and procedures shall be published on the website of INET 30 days in advance before the commencement of the meeting and the shareholders can inquire information via the telephone or other channels.

By giving the minority shareholders the opportunity to propose the topic to the Board of Directors to be in the agenda of the shareholders' meeting and propose the persons to be directors in advance, this is considered to be one of the equitable treatments of shareholders.

The Board of Directors has greatly emphasized on the preventive measure for the case where the directors or the management may illegally use the inside information for their own or other interests. As such, the Board of Directors has set the guideline for confidentiality in writing where this has been complied by the management and employees since 2001.

3. Roles of stakeholders

INET has paid great attention to all stakeholders who are in and outside the company, including the society, shareholders, customers, partners, employees and responsibility towards environment. The Board of Directors has set the policy and code of conduct in 2001 in writing in order to be the practice guideline for stakeholders. These shall cover the policy of the Board of Directors, policy on human resource management and the employees' code of conduct, policy on conflict of interests, policy on internal control and procurement ethics, policy on accounting and financial transactions, policy on supporting the public activity, policy on confidentiality of INET, policy on buying and selling the securities and etc. whereby the directors, the management and all employees have been aware and strongly complied with.

3.1 Practice towards major stakeholders of the company

Shareholders

Under the code of conduct of INET, INET has paid great attention to the equitable treatment of shareholders, disclosure of quality information to the shareholders, encouraging the shareholders to attend the shareholders' meeting in order to participate in the significant decision making and be informed of the operations and activities of INET, including monitoring the operations of the Board of Directors and the management, setting the preventive measure for the use of inside information for the interests of the Board of Director and the management in order to protect the interests of the shareholders. Moreover, INET shall not perform or do anything that could violate or lessen the rights of the shareholders.

In 2009, there has been no complaint regarding the violation of the basic rights of the shareholders or any misconduct of the directors and the management due to the use of inside information.

Partners

INET has emphasized on the procurement process which is the important process in setting the cost and quality of the products. Therefore, the procedure has been set to be transparent, traceable and provide the best benefits. INET has also paid attention to its partners who have supported and become one of the driving factors in making INET's operations to efficiently achieve the success. INET has treated the partners with equality and fair competition and has great respect for one another.

Employees

INET has strictly implemented the employee's code of conduct announced by the Board of Directors. INET is aware that the employees are the valuable resources and the main driver of the success of INET's operations. As such, INET has emphasized on recruiting the persons with knowledge, expertise and experience where INET shall focus on continuously and regularly developing their capacities so that the persons are ready for the growth of INET. Moreover, INET shall ensure that the fringe benefits and remunerations are appropriate and can compare to those offered by the leading companies in the same business. Furthermore, INET shall ensure that it has offered the good and safe working environment.

In developing the knowledge, capacities and potential of the employees, INET has organized the internal training courses and also sent the employees for training and seminar.

Moreover, INET has developed a clear career path in order to encourage the employees the opportunity to grow according to their potentials.

In supporting and encouraging the employees to participate in organizational development, INET has organized the election of the welfare committee so that this committee can represent the employees according to the law. Moreover, INET has developed the internal communication system to communicate the policy and other news and information e.g. intranet system, internal meeting of INET for the management to meet the employees.

For the past year, there has been no dispute between the employees and INET and INET has received the best workplace award for labor relation and labor welfare for the year 2009 whereby they have been awarded for 2 consecutive years.

Society

With the code of conduct of INET, the Board of Directors has developed the policy to support the public activities whereby INET shall support the development of technology and internet to the less fortunate and less well-off community, including supporting the activities that benefit the public.

In 2009, INET had organized educational activities for the Thai society by applying the information technology and communication to develop and encourage the learning of the Thai children e.g. organizing INET Young Webmaster Camp project which INET has jointly organized with the Thai Webmaster Association. This is their 7th year organizing this activity. This project is the stage for the Thai children across Thailand to show their full creative potential and enhance their experiences outside their classroom in becoming a good professional webmaster with good ethics.

This shall be the important foundation in developing the society and country to grow as the developed countries. Currently, there are more than 560 students who have already attended the training.

Moreover, INET has supported the new faces of the IT reporters to the IT news business by organizing the 7th workshop "Digital pigeon reporter" of the IT reporter club of the Thai Journalist Association. This is to prepare the children in the areas of knowledge, positive thinking, personality development and experiences so that they could apply those knowledge and skills further to their benefit.

Environment

With the social responsibility, INET has allocated the IT persons and IT resources in developing OpenCARE (Open Exchange for Collaborative Activities in Response to Emergencies) which is the online network covering from internet, telephone circuit and telecommunication radio so that it does not cause any gap in connecting or accessing the information whereby this shall be a structure of network connecting the early warning of the disaster from other units, from the country level to the people.

In 2009, there has been no complaint regarding the impacts of INET's operations towards the society.

3.2 Communication channel to the stakeholders

The stakeholders can directly communicate to INET via several channels e.g. company's website, company secretary, public relation unit and investor relations unit or can communicate through other channels that the stakeholders find it appropriate. Moreover, the stakeholders can report or file a complaint regarding the illegal action or misconduct to the independent directors or the Audit Committee in order for them to order the investigation and report to the Board of Directors.

In conclusion, INET had strictly operated according to the rules and regulations specified in the business code of conduct, good corporate governance policy and other policies relating to the stakeholders. Over the past year, INET has had no disputes with the stakeholders.

4. Disclosure and transparency

4.1 Quality of the disclosed information

The Board of Directors, the management, and all employees have been well aware that any information relating to INET has an impact to the decision making of the shareholders and investors, interests of the shareholders and stakeholders and the buying and selling of INET's securities. Every department has been aware and emphasized on governing the disclosure of INET's significant information with accuracy, rapidness, transparency and equal access by every group. This has showed their responsibilities of duties, transparency of operations and other activities. The information to be disclosed shall be correct, accurate, clear, supported by a clear conclusion, sufficient for making the investment decision, traceable and certified according to SET regulation in order for the information to be widely and equally accessed.

4.2 Disclosure channels

The Board of Directors and the management have committed to conform to the regulation on disclosure of information for listed companies of SEC and SET. This includes the regulation on disclosure of periodic and non-periodic reports whereby these document can be sent to SEC and SET via the ELCID system of SET which is the main disclosure channel.

Moreover, INET has highly emphasized on disclosing the correct, complete, timely and transparent information. As such, INET has increased the disclosure channels so that the information can be widely and easily accessed e.g. via company's website (www.inet.co.th/invest), annual registration statement (Form 56-1) and annual report (Form 56-2).

4.3 Investor relations

The investor relations has been set up to be a center to disseminate information, news and is responsible for communication in order to enhance the good relationship between INET and shareholders, investors, securities analyst and relevant units to be fair and equal. Moreover, the investor relations shall govern the process of financial report e.g. reporting the operation results, financial statement and information of INET to SET, including conducting the management discussion and analysis report (MD&A). To contact the investor relations unit, please contact via telephone no. 0 2257 7000, fax no. 0 2257 7222, company's website at www.inet.co.th/invest, and e-mail address ir@inet.co.th.

5. Responsibilities of the Board of Directors

5.1 Structure of the Board of Directors

INET has set the management structure to be in accordance with the regulation and guideline suggested by the law and supervisory agency. This management structure has also complied with the Articles of Association which is a result of the resolution passed at the Annual General Meeting of Shareholders and complied with the company

regulation on Board of Directors which has been specified by the Board of Directors.

Currently, the Board of Directors comprises of 14 directors whereby this has an appropriate number consistent to business type of the company. INET has directors with various knowledge and expertise (engineering, economics, accounting, business administration and law), experiences, skills which have benefited the operations of the Board of Directors. This includes setting the direction and policy governing the management and operations of the management. The directors have a term of 3 years in office according to the Public Limited Companies Act.

Moreover, all directors have no criminal records regarding the fraud and have no historical records of engaging in any transactions that may cause conflict of interests with INET.

For the past year, INET has 2 directors who have held the executive positions i.e. the Managing Director and Deputy Managing Director. The Chairman of the Board of Directors is the director who has not held any executive position and is not the same person as the Managing Director who has held the highest executive position of INET. Although the Chairman of the Board of Directors represents the major shareholders i.e. National Science and Technology Development Agency (NSTDA), the Chairman shall perform its duties with independency whereby such person shall not be dominated or guided during the discussion. The Chairman of the Board of Directors has encouraged all directors to fully participate in the discussion and present their opinions by providing sufficient and appropriate time for discussion in order to have a consensus conclusion in all matters proposing to the Board meeting.

The number of directors (excluding the independent directors) in the Board of Directors has been according to the proportion of investments of each shareholder group i.e. directors representing major shareholders. As such, 2 directors are from the National Science and Technology Development Agency (NSTDA) with shareholding of 17%, 2 directors are from TOT PCL. with shareholding of 16% and 2 directors are from CAT Telecom PCL. with shareholding of 16%.

Moreover, none of the directors of INET have held position in the listed companies more than 5 companies whereby this has been in accordance with the recommendation of SET in considering the efficiency and dedication of directors to their duties. Moreover, this is to encourage the Managing Director who has the highest executive position of INET to perform his duties with utmost and has opportunity to exchange experience, including building relationship and forming alliance network with other agencies which shall benefit INET's operations.

Furthermore, INET has disclosed the information regarding the positions of the directors and the management by person at INET's website under the topic of Board of Directors and Executive Committee.

The Board of Directors has set the process for the nomination of the directors whereby this shall emphasize on transparency and true benefits of INET. The Nomination and Remuneration Committee shall consider and propose to the Board of Directors for appointment in case of appointing the directors who are not retired by rotation while in case of appointing the director who are retired by rotation the Nomination and Remuneration Committee shall propose to the Board of Directors in order to later propose to the Annual General Meeting of Shareholders for appointment.

Neutrality of non-executive directors

The Board of Directors comprises of 14 directors and can be summarized as follows:

Status	Executive Directors	Non-Executive Directors	Audit Committee
Directors who are the representatives of Shareholders	-	6	-
Directors who are not the representatives of Shareholders	2	3	3

Of 14 directors in the Board of Directors, 4 are independent directors. Therefore, the Board of Directors has assigned the Nomination and Remuneration Committee to appoint one more independent director to be in the Board so that the number of independent directors can be more than one-third of total directors and further propose to the 2010 Annual General Meeting of Shareholders for appointment. Moreover, the Audit Committee does not comprise of directors who are representatives of major shareholders and have hold executive position. Therefore, the stakeholders can ensure that the directors as representatives of shareholders can perform their duties with independency. This shall cause the checks and balance in management.

Moreover, the Board of Directors has responsibility to ensure that its operations are in accordance with laws, objectives and Articles of Association, including resolutions passed at the shareholders' meeting with integrity and cautiousness to maintain the interests of INET. The directors have a fixed term of their post according to the Articles of Association which states that in every annual general meeting one-third of directors shall be released from the post

whereby the directors with longest period shall be retiring.

The Board of Directors has considered and set the definition of "independent directors" to be in accordance with the minimum requirements of the definition of independent directors specified by SEC and SET which can be summarized as follows:

- Hold shares no more than 1% of total shares with voting rights whereby these include the shares of subsidiaries and associated companies, including shares held by the related parties e.g. spouse and immature children)
- Do not participate in managing and are not the employees, staffs, consultant who have received salary, or persons who have controlling powers of the company or who have received salary, or persons who have controlling powers of the company or subsidiaries or associated companies, or persons with conflict of interests. Such persons shall have no benefits or interests as mentioned above no less than 2 years.
- Have no business relationship, no direct or indirect benefits or interests in the areas of finance and managing the company, subsidiaries, associated companies or no relation with persons who may have conflict of interests which could cause the lack of independences.
- Are not close relatives of the management, major shareholders of the company, subsidiaries, associated companies or persons who may have conflict of interests and have not been appointed as the representatives for the interests of the directors or major shareholders.

5.2 Sub-committees

The Board of Directors has appointed the sub-committees as deemed appropriate in order to consider and provide recommendations for any problems so as to lessen the burden of the Board of Directors, including enhancing the efficiency of the Board's operations. There are 5 subcommittees and can be summarized as follows:

The Executive Committee has been appointed on 29th December 2008 in order to support the Board of Directors in developing the policy or strategies. Moreover, it shall govern the management and business policy in order to achieve the specified financial target and strategies whereby the roles and responsibilities of the Executive Committee are in accordance with details specified under the topic of Committees. In 2009, the Executive Committee has held 9 meetings.

The Audit Committee has been appointed on 14th September 2001 to assist governing the operations of INET. The roles and responsibilities of the Audit Committee are in accordance with details specified under the topic of Committees. In 2009, the Audit Committee has held 10 meetings

The Nomination and Remuneration Committee has been appointed on 30th April 2006 to select persons with qualification to nominate as directors and propose the remuneration policy whereby this shall be in accordance with details specified under the topic of Committees. In 2009, the Nomination and Remuneration Committee has held 2 meetings.

The Risk Management Committee has been appointed on 25th June 2007 to develop the policy framework, guideline and recommendation to the Board of Directors in managing the inherent risks occurring from internal and external factors so that the residual risks can be in an appropriate and acceptable level. The roles and responsibilities of the Risk Management Committee are in accordance with details specified under the topic of Committees. In 2009, the Risk Management Committee has held 4 meetings

The CEO Performance Review Committee of the Managing Director has been appointed on 21st September 2009 to develop the criteria and methods in evaluating the performance of the Managing Director and monitor the performance of Managing Director for every 6 months, including providing recommendation to the Board of Directors.

5.3 Roles and responsibilities of the committees

The Board of Directors comprises of persons with knowledge, expertise, skills and experience from various fields. This has caused the operations of the directors to be efficient. The Board of Directors has emphasized on developing the organization to its success by setting the appropriate strategy and policy in enhancing its competitive advantages and performing its operations to be in accordance with regulation and resolution passed at the shareholders' meeting with integrity and ethics under the code of conduct and management policy of INET. Moreover, the Board of Directors has participated in setting the vision, mission, strategy, goal and business plan of INET including effectively and efficiently governing, monitoring and evaluating the performance of the Executive Committee and the management to be in accordance with the goal and business plan. Furthermore, the Board of Directors shall ensure that it has conformed to rules and regulations of the supervisory agency and relevant government agencies, including resolution passed at the shareholders' meeting in order to enhance the best economic value of INET and shareholders stability and interests of all stakeholders.

The Board of Directors has been aware of their responsibilities towards the shareholders who are the owner of

INET and is responsible for appointing the directors. Therefore, the Board of Directors shall perform their duties and responsibilities in managing INET in the best interests of the shareholders. A fiduciary duty covers 4 important duties, namely, duty of care, duty of loyalty, duty of obedience and duty of disclosure.

Segregation of duties

In order for INET to perform its operations well, a clear segregation of duties and responsibilities of the Board of Directors has been set.

The Chairman of the Board who represents major shareholders with shareholding of 17% of total shares shall not be the same person as the Managing Director. This is to segregate the duties in developing the supervisory policy and day-to-day operations. As such, the stakeholders can be certain that the directors can perform their duties as representatives of shareholders with independency whereby this shall cause the checks and balance in management.

The Chairman of the Board of Directors is a leader and a person in charge of superintending the Board meeting to be efficient and effective by supporting and encouraging all directors to participate in the meeting e.g. asking significant questions, discussing, recommending and supporting the operations of the management through Managing Director regularly whereby this shall not interfere with the day-to-day operations of the management which is the responsibility of the management with Managing Director as their leader. The Board of Directors has assigned the Managing Director or the authorized person to sign on behalf of INET according to authorization. The Managing Director has assigned the management to operate efficiently according to their roles and responsibilities which have been clearly stated. Therefore, it is obvious that the roles and responsibilities of the Board and the management have been clearly segregated.

Managing Director

The Managing Director is the person with the highest level in the executive position of INET. The responsibilities include managing INET's operations to have highest efficiency and effectiveness under the management policy of INET and governing the entire internal operations of INET e.g. hiring, recruiting, appointing, promoting, revising the salary rate and setting the disciplinary action in case the employees have not complied with the rules, regulation and discipline of INET. Moreover, the Managing Director shall establish an order and notification regarding the management procedure which are not against the rules and regulation of INET and shall authorize and approve the procurement of no more than Baht 10 million per transaction, including approving the management in other areas so that INET can smoothly operate whereby this shall not violate rules, regulations and management policy of INET.

Code of conduct

INET has committed to do the right things whereby this has served as the guideline in conducting business for directors and all employees. INET has a policy to develop the guideline on business ethics or code of conduct whereby this shall be complied by the directors, the management and all employees with integrity, honesty and fairness when they perform their duties under INET's mission and provide treatments to INET, all groups of stakeholders, public and society. The supervisory policy has been published on the intranet system whereby the management and all employees can easily access at all times.

Conflict of interests

The Board of Directors has set a clear guideline on transactions with conflict of interests. This includes the processes to approve the connected transactions, process to develop policy and procedure in preventing the Board of Directors, the management and any relevant parties to use the inside information for their own interests, and procedure to govern the transactions that may lead to conflict of interests. The Board of Directors has been informed about the connected transactions as the Audit Committee shall constantly present the Board the conflict of interest transactions and connected transactions whereby these transactions have been carefully considered by the Board every time and in accordance with SET rules. The price and conditions shall be set based on engaging the transactions on arm's length basis. The significant related transactions shall be disclosed with details of value of transaction, party to this agreement and justification/necessity in an annual report and the annual registration statement (Form 56-1).

At the meeting of the Board of Directors, if there is any conflict of interest on the part of directors in any agenda, the Chairman of the Board shall request cooperation from the directors in complying with the policy. As such, the directors shall declare their interests in that agenda to the Meeting where such directors shall be prohibited to vote or give any comments in that agenda.

In managing the use of inside information, INET has stated that the Board of Directors and the management of INET (including spouse and immature children) shall report the changes in securities holding to SEC as specified in Section 59 of the Securities and Exchange Act B.E. 2535 (1992) within 3 days starting from the date where the securities holding has been changed and set the regulation on maintaining the confidentiality and/or inside information of

INET. If the Board of Directors or the management have exploited the inside information for their own interests, they shall be punished as specified in the Securities and Exchange Act B.E. 2535 (1992).

Internal control system

INET has placed a great emphasis on the internal control system both at the management level and operational level. The Audit Committee is responsible for examining to ensure that the core function and significant financial activities have been operated with efficiency and in accordance with the guideline, including examining the compliance with the laws and compliance control. In order for the internal audit department to be able to work independently and maintain a good balance, the Board of Directors has structured the internal audit department to directly report their audit reports to the Audit Committee and shall be evaluated by the Audit Committee. In 2006, INET has set their internal management to be in accordance with the good corporate governance. As such, INET has developed the performance evaluation system to be conformed to INET's strategy by using the balanced scorecard and established the enterprise risk management system. This is to enhance their competitive advantage in long term and build confidants towards the customers and shareholders.

Managing the use of inside information

INET has established the regulation in maintaining the confidentiality and /or inside information of INET which can be summarized as follows:

1. The Board of Directors, the management, staffs and employees shall maintain the confidentiality and/or inside information of INET.
2. The Board of Directors, the management, staffs and employees shall not directly or indirectly disclose or exploit the secret and/or inside information of INET for their own interests or for the interests of other persons either with or without receiving some return.
3. The Board of Directors, the management, staffs and employees shall not buy or sell securities by using confidentiality and/or inside information of INET and/or entering into other legal acts due to the use of confidentiality and/or inside information of INET which may directly or indirectly cause the damages to INET.

Moreover, INET has stated that the Board of Directors and the management shall report the changes in their securities holding to SEC and SET as specified in Section 59 of the Securities and Exchange Act B.E. 2535 (1992) and if the inside information has been used for their own interest, they shall be punished as specified in the Securities and Exchange Act B.E. 2535 (1992).

Financial report

The Board of Directors is responsible for INET's financial report and financial information stated in the annual report. Such financial statements have been conducted according to the generally accepted Thai accounting principles with appropriate and consistent accounting policy. Moreover, the careful judgment and best estimation have been used when conducting the financial statements and sufficient material information has been disclosed in the notes to financial statement with effective internal control system to ensure that the accounting records are correct, complete and sufficient for maintaining the assets and to identify the weakness in order to prevent the fraud or significant unusual operations.

Internal control

At the Board Meeting No.8/2552 on 18th December 2009 with the attendance of the Audit Committee, the Board has assessed the adequacy of INET's internal control systems in 5 areas, namely, organization and environment, risk management, operational controls of the management, communication and information technology systems and monitoring system. The Board of Directors has agreed with the Audit Committee that INET has adequate internal control system which is in accordance with the assessment conducted by SEC and SET.

Risk Management

The Risk Management Committee assigned by the Board of Directors has the responsibilities in closely monitoring the risk assessment and reporting the risk management. The working group has been appointed in writing and roles and responsibilities are also in writing where these have been published on INET's intranet website to use as a practice guideline.

5.4 The meeting of the Board of Directors

INET has greatly emphasized on the independence of the Board of Directors in making decision for the best interest of INET and shareholders. The directors shall perform their duties with integrity and greatly emphasize on INET's interests. The directors shall always be aware that they are representatives of the shareholders with responsibilities to lead, observe, provide recommendation and support the operations of the management closely. INET has stated that the Board Meeting shall be held monthly or at least once in 3 months and the extraordinary meeting shall be

held as deemed necessary. The clear meeting agendas shall be set in advance and include the agenda to consider the operation results. The meeting invitation letter with the meeting agendas and meeting document shall be sent at least 7 days in advance before the commencement of the meeting every time in order for the Board of Directors to have sufficient time to carefully study the material before the meeting. In each meeting, the meeting shall take approximately 2 hours. In 2009, the Board of Directors has held 8 meetings (for more details, please see the topic of the Board of Directors for the 2009 Board Meeting).

It is the duty for all directors to attend every meeting except if the directors have necessary reason to be absent. In every Board Meeting, the executives of all departments shall be invited to attend the meeting and the management relating to that matter shall also be invited in order to provide a clarification or additional information as such person has direct involvement in this matter. This is to support the decision making of the Board of Directors and to be informed about the Board operations.

5.5 Remuneration of the directors

The Board of Directors has set a clear and transparent policy and criteria on remuneration payment of directors whereby the remuneration approved by the shareholders meeting are considered to be in the same level as those paid in the industry and high enough to maintain the qualified directors. The directors who have been appointed to act as the Audit Committee, the Nomination and Remunerations Committee and the Risk Management Committee shall receive additional remuneration according to additional workload. The Nomination and Remuneration Committee shall consider and propose the appropriate amount of remuneration to the Board of Directors to later propose to the ordinary annual general meeting of shareholders to consider and approve.

In 2009, INET has paid remuneration to the directors and the management. For more details, please see the topic of remuneration of directors and the management.

5.6 Development of directors and the management

The Board of Directors has policy to prepare the newly appointed directors. This shall include providing the brief to the new directors, including the important document of INET which comprises of structure of the Board of Directors, important rules, regulation, policy and code of conduct, including code of practice for directors according to SET and SEC regulations. This is in order for the new directors to be able to completely perform their duties. Moreover, the presentation of the overview of INET and its subsidiaries shall be prepared.

The Board of Directors has the policy to enhance the knowledge of the directors. This is for a continuous development and to enhance the knowledge, understanding of their roles, duties and responsibilities. Moreover, the Board of Directors has enhanced the skills of the directors in performing their duties efficiently by attending the seminars held by relevant agencies e.g. Thai Institute of Directors and SET, etc.

Moreover, INET has sent their employees for training courses of secretary and other relevant courses organized by other institutes and agencies of the public and private sectors. This is to enhance the knowledge, understanding of their responsibilities in order to support the operations of the Board of Directors and the sub-committees to perform efficiently.

Related party transactions

1) Transactions which INET accepted and provided services

Person/juristic person with joint benefits	Relationship	Type of mutual transaction	Value of mutual transaction (thousand Baht)	Opinion on connected transaction
			Year 2009	
1. A related party ^{1/}	Major shareholders	Cost of international and domestic leased line	106,393	Market price
		Revenues from Internet service and hire of work contract	102,586	Market price
2. Netbay Co., Ltd.	Associated Company	Revenues from Internet service	1,517	Market price

Note : 1/ The National Science and Technology Development Agency ("NSTDA"), CAT Telecom Public Company Limited ("CAT Telecom") and TOT Public Company Limited ("TOT") hold 17%, 16% and 16% of the Company's equity interest, respectively, and have representatives on the Company's Board of Directors. They are therefore considered related parties.

2) Accounts receivable and accounts payable as at 31 December 2009

A related party ^{1/}

(Unit : thousand Baht)

- Trade accounts receivable	10,923
- Unbilled service income	141,620
- Trade accounts payable	6,377

Netbay Co., Ltd.

(Unit : thousand Baht)

- Trade accounts receivable	21
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3) Necessity and reasonableness of transactions

Such mutual transactions are in accordance with business operation practices in general in providing the Internet access to the public. INET has taken into account the necessity and appropriateness for the maximum benefits of the Company and its shareholders. In this regard, INET has received and paid remuneration at fair market price as shown in the above table.

4) Measures or procedure for the approval of mutual transactions

As regards the procedure for the approval of mutual transactions, INET has conformed to the law regarding securities and securities exchange, and the regulations, announcements, orders or rules of the Stock Exchange of Thailand that persons with a vested interest in any transaction are not entitled to vote for the approval of that transaction. Such measures have been set forth in INET's regulations.

5) Policy or tendency for mutual transactions in the future

In the future, such mutual transactions will still arise continuously. INET has appointed the Audit Committee to be responsible to ensure that the disclosure of the Company's information in the case of connected transactions or transactions with possible conflicts of interest is correct and complete. Moreover, INET has set up measures and procedure for the approval of mutual transactions in the future via compliance with the following methods:

- To follow normal business practice in general
- To have mutual transactions approved by the Company's Board of Directors (as deemed necessary)
- To disclose connected transactions as per the rules and regulations of the Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET)
- To disclose accounting standards stipulated by the Institute of Certified Accountants and Auditors of Thailand.

6) Investors protection standards

- Definite provisions have been set forth in the Company's regulations that the directors with vested interest in any case are not entitled to vote for that case.
- INET shall disclose the type and value of mutual transactions together with the reasons for choosing to make such transactions to the Company's shareholders meeting in the annual report.

Audit Committee's Report

Currently, the Audit Committee of the Internet Thailand PCL. (INET) comprises of independent directors who have the qualification as specified in the Code of Best Practice and Guidelines for the Audit Committee of The Stock Exchange of Thailand (SET), namely, Professor Emeritus Achara Chandrachai, Ph.D, Chairman, Mr. Aran Permpiboon and Mr. Chavalit Uttasart, directors.

In 2009, the Audit Committee had organized 10 meetings which was the meeting between the management, the auditors and the internal audit in order to discuss and consider other matters. Their main duties could be summarized as follows:

Reviewed the quarterly and annual financial statements: The Audit Committee reviewed the quarterly and annual financial statements with the management and the auditors in the areas of the accounting policy used, significant changes during the year, accuracy and reliability of the financial and accounting reports, and adequate and timely disclosure, including its compliance with the accounting standard, Generally Accepted Accounting Principles, and any relevant rules and regulations before giving opinions on the abovementioned financial statements.

Reviewed the internal control system of the company: The Audit Committee examined and reviewed the internal control system with the auditors and the internal audit and had stated that the company had adequate and appropriate internal control system with no significant problems or errors. The internal control system had been revised to accommodate the changing circumstances in order for the company's operations to achieve the objective and be accordance with the relevant laws, rules and regulation.

Reviewed the risk management system: The Audit Committee had discussed with the Risk Management Committee in order to ensure that the company had risk management policy and framework, including having the appropriate and clear acceptable risk level. Moreover, the management and the employees had been informed about this so that they could implement the risk management process

Reviewed the related transactions: The Audit Committee had reviewed the related transactions between the company and companies within the group and the transactions between the business groups to ensure that the company had operated according to the normal condition and had disclosed sufficient information.

Proposed the appointment of the auditor for the year 2010: After evaluated the performance of the auditor where their performance was in satisfactory level, the Audit Committee had considered and proposed the Ernst & Young Office Ltd., to be the auditor of the Internet Thailand PCL. for the year 2010 to the Board of Directors to consider and seek for approval at the 2010 Annual General Meeting of Shareholders.



(Professor Emeritus Achara Chandrachai, Ph.D)
Chairman of the Audit Committee

Management's Discussion and Analysis

Explanations and analysis of operating results are demonstrated to support the consolidated and separated financial statements and notes to financial statements of the Company. For 2009's operating results, the Company consolidates the financial statements of Mandala Communication Co., Ltd., a subsidiary, into the Company's consolidated financial statements. Therefore, any reference to financial status and operating results of each year stated in this explanation and analysis refers to the financial status and operating results of the Company and its subsidiary ("the Company") ending on December 31 of that year in which its significant information is summarized as follows:

Business Overview

Under the Company's core business operations that emphasize providing effective and efficient services to serve every need of its customers, in 2009, the Company introduced its new services on integrated information and communication technology (Business Solutions) known as "cloud computing," which is an integrated threat prevention and networked data and computer security management under the service title "Inet – Endpoint Security Solutions", and an additional service that is provided to facilitate teleconferencing or communication among different agencies in a form of web-based and real-time online conference that is called "Inet-web Xference".

In addition, in 2009, the Company has improved the capacity of its services by increasing the International Internet Gateway (IIG) from 350 Mbps to 400 Mbps to support the customers to use their international internet gateway effectively and without interruption even in unpredictable and emergency circumstances as well as to support the Company's readiness to introduce new services to serve the needs of all businesses, particularly organizations that required more than one method of stable and uninterrupted networks. The Company also increased the speed of its MetroLAN in buildings that installed MetroLAN from 1 Gbps to 10 Gbps to support customers for accessing the service effectively. With the Company's commitment to develop and increase its capacity to respond to all needs of the customers, this has resulted in the Company being granted ISO 9001 certifications consecutively for 8 years. In particular, in 2009, the Company was certified with ISO 9001:2008 for its quality all-time-connected corporate services and INET Data Center (IDC).

With change arising within the organization, in 2009, the Company continually improved its implementation of the Information Security Management System (ISMS) to reduce potential risks that might affect the Company's business as well as to effectively manage the ISMS to serve the customers and assure them that the Company is secure from all information threats. Furthermore, on management work, the Company has improved its organizational structure to be more ready to enhance its management performance as well as arranging a Balanced Scorecard system and Enterprise Risk Management that link the Company's core strategic plans to its employees, from administrative to operating levels, to ensure that the Company has a good internal control system and always complies with its internal control. To this end, the collaboration and coordination between the internal audit control unit and other departments have to exist in order to share their knowledge and information concerning potential risks that might affect company operations as well as to continually enhance the policies and risk management framework to be more practicable across the organization.

INET has supported the OpenCARE Foundation (Open Exchange for Collaborative Activities in Response to Emergencies) which is online network covering internet, telephone circuit including radio wave in order not to make emptiness in the connection or access to the data, to have duty as network supporting access to information for warning of the calamity from different agencies from national to people level. This concept has been inspired by tsunami calamity in 2004.

For environmental activities, the Company has paid great attention to the environment by initiating the project "Green Office," encouraging its employees to be aware of energy saving to reduce global warming and demonstrating campaigns through various medias to arouse companies, businesses, government agencies and the private sector to pay attention and be aware of the environment. Also, in 2009, the Company participated in the project "Drugs Free Workplace" in coordination with the Social Security Office to free workplaces from drugs.

Overall Operating Results

Net income of the Company in 2009 stood at Baht 12 million, increased by Baht 42 million compared with 2008, and net earnings per share was at Baht 0.05, and earnings before interest, taxes, depreciation and amortization (EBITDA) were in the amount of Baht 39 million, increased by Baht 44 million compared with 2008. The main reason for the Company's improvement in operating results from the previous year was the growth in revenues from providing Business Solutions, in which many services have been continually developed, as well the Company's effective cost management in its operations in Access Business and Business Solutions.

In 2009, Netbay Co., Ltd., an associated company (40% of its shares held by the Company) announced it would pay the 2008 dividend to its shareholders at the rate of Baht 40 per share. The part of the dividend received by the Company was in the amount of Baht 16 million. This amount was stated in "Other income" in the Company's separated financial statements. Moreover in 2009, Netbay Co., Ltd. increased its registered capital from Baht 10 million to Baht 50 million by issuing 4 million new ordinary shares with a par value of Baht 10 each to be allocated to its existing shareholders.

The Company recognizes its share of profit from Netbay Co., Ltd. in the amount of Baht 11 million, since the end of 2004 until present, the Company recognizes its share of profit from Netbay Co., Ltd totaled to Baht 32 million or 160% of the Baht 20 million investment amount.

From the above operating results, at the end of 2009, the Company's liquidity was as high as 3.67 times. This is the result of the Company's emphasis on effective cost and expense management as well as its focus on accelerating to call for debt collections from its trade accounts receivable, financial lease receivables and unbilled service income receivable. As at December 2009, the Company's cash, cash equivalents and short-term investments stood at the total amount of Baht 401 million, increased by Baht 148 million or by 59 %, compared with 2008.

Revenues from Services and Sales

Revenues from services for the year 2009 totaled Baht 561 million, decreased by 2% compared with the year 2008. Although the revenues were decreased in the part of Access Business, the revenues from Business Solutions were increased in many services such as e-Business & Media Solutions, ICT Services, Managed Security Solutions and INET Data Center.

Furthermore, revenues from sales in 2009 amounted to Baht 8 million, increased by Baht 3 million compared with 2008.

The ratio between the revenues from the operations of Access Business and Business Solutions was 44 : 56 (in 2008 it was 47 : 53).

Cost of Services and Sales

In 2009, the Company's cost of services and sales totaled Baht 384 million, decreased by 21% compared with 2008. This was mainly a result of cost management in the operations of Access Business and Business Solutions that was reduced by 11% and 29% respectively.

Selling and Administrative Expenses

The Company's selling and administrative expenses in 2009 increased by Baht 30 million or increased by 19%, compared with 2008. The reason for increase in expenses was that an arising of allowance for a doubtful account of other receivable that generated from the transfer of software under development valued at Baht 25 million, since the supplier was unable to deliver work to the Company in accordance with the conditions of the agreement.

Share of Profit from an Associated Company

In 2009, the Company recognized its share of profit from Netbay Co., Ltd, an associated company (40% of its shares held by the Company), in the amount of Baht 11 million.

In 2009, the Company recognized its dividend received from the associated company as stated in "Other income" in the separated financial statements in the amount of Baht 16 million.

Net Income

In 2009, the Company's net income amounted to Baht 12 million, increased from 2008 by 142% or accounted to Baht 0.05 on earning per share. This resulted from its earnings before interest, taxes, depreciation and amortization (EBITDA) that totaled Baht 39 million.

Other significant Events

1. From the Board of Directors meeting no. 2/2010 on February 26, 2010, it resolved to approve the 2009 dividend payment for its shareholders at the rate of Baht 0.05 per share or in the amount of approximately Baht 13 million. This was calculated from its 250,020,799 issued and paid-up ordinary shares. The payment of this is awaiting further approval by the resolution of the Annual General Shareholders' Meeting of the Company's shareholders held on April 23, 2010.
2. From the resolution of the Annual General Meeting No.1 of the shareholders for the year 2009 held on February 13, 2009 and the resolution of the Extraordinary General Meeting No.1 of the shareholders for the year 2009 held on February 20, 2009 of Netbay Co., Ltd., an associate, it is approved to pay dividend for the year 2008 to the subsidiary's unit holders at Baht 40 per share. By the resolution of the same Extraordinary General Meeting of the shareholders, approved the increase of the associate's registered share capital from Baht 10 million to Baht 50 million, through the issuance of additional 4 million ordinary shares of par value of Baht 10 each, to existing shareholder.

Financial Status

1. Assets

Composition of Assets

As at the end of 2009, assets of the Company stood totaled at Baht 785 million, decreased by Baht 56 million or by 7% compared with 2008, with the change in the following items:

Cash and cash equivalents combined with short-term investments were totaled at Baht 401 million, increased by Baht 148 million or by 59% compared with 2008. This increase resulted from accelerating the call for debt collections from both trade accounts receivable, financial lease receivables, and unbilled service income receivable.

Investment in an associated company remained at Baht 32 million, or increased by 54 % compared with 2008. This increase arose from the additional investment of Baht 16 million, including the share of profit of Baht 11 million from an associated company. Moreover, the investment was less by dividend received for Baht 16 million from Netbay Co., Ltd.

Net leasehold improvements and equipment, net intangible assets decreased their value by Baht 17 million. This was because a transfer of software program under development of Baht 25 million, amortized depreciation and amortization that were totaled to Baht 24 million. In 2009, the Company purchased equipment and intangible assets at the amount of Baht 32 million and Baht 1 million respectively.

Quality of Assets

Accounts Receivable

As at December 31, 2009, net trade accounts receivable were at Baht 54 million , or decreased by 51% compared with 2008. This resulted from accelerating the call for debt collections. At the end of 2009, 65% of trade accounts receivable not overdue.

Apart from unbilled service income receivable, the Company has accelerated the call for payment of works under contracts that have been already delivered. This results in the Company having more cash and short-term investments totaled at Baht 148 million.

The Company has a collection policy to offer its customers 2 types of credit:

- Individuals and private sectors are granted credit for 45 days.
- Government agencies and state enterprises are granted credit for 90 days.

Net trade accounts receivable accounted for 7% of total assets, and the collection period for the trade accounts receivable was 57 days. This is better than the year 2008, in which the average collection period was 82 days. The table below demonstrates trade accounts receivable categorized by their age. As at December 31, 2009, current trade accounts receivable and trade account receivables outstanding for not over 3 months under the credit-granted policy amounted to Baht 48 million or accounted to 81% of total trade accounts receivable, which was inline with the Company's credit-granted policy and not causing any debt collection problem.

Trade account receivable comparison

Aging of accounts receivable	December 31, 2009		December 31, 2008	
	Million Baht	%	Million Baht	%
Current	39.12	64.96	63.05	52.84
Overdue less than 3 months	9.37	15.56	36.68	30.74
3 - 6 months	0.83	1.39	7.25	6.08
6 - 12 months	1.92	3.19	3.20	2.68
Over 12 months	8.98	14.90	9.14	7.66
Total trade accounts receivable	60.22	100.00	119.32	100.00
Less allowance for doubtful accounts	(5.81)	(9.65)	(8.75)	(7.34)
Receivables - Net	54.41	90.35	110.57	92.66

The Company has a policy to set allowance for doubtful accounts as follows:

- Individuals and private organizations
 - Doubtful accounts receivable (181-360 days overdue), allowance set of 50% of total outstanding.
 - Bad debts (more than 360 days overdue), allowance set of 100% of total outstanding.
- Government agencies or state enterprises accounts receivable, allowance considered based on case by case basis as seen appropriate.

In this respect, the Company set allowance for doubtful accounts for trade accounts receivable as at December 31, 2009 stood at Baht 5.81 million. This was in accordance with the Company's policy on setting of allowance for doubtful accounts that is believed to be sufficient.

2. Liquidity

Cash Flow

At the end of 2009, liquidity of the Company was as high as 3.67 times. This resulted from the company focusing on effective cost and expense management as well as emphasizing on accelerating the call for debt collection in cash from trade accounts receivable, financial lease receivables and unbilled service income receivable. Cash flow in the Company's activities was as follows:

Cash flow from operating activities of the Company had cash from business operations amounted to Baht 193 million. This came from cash collection from trade accounts receivable, financial lease receivables and unbilled service income receivable totaled at Baht 189 million and cash received from interest receivables in the amount of Baht 5 million.

Cash flow from investment activities of the Company was paid in cash amounted to Baht 3 million. This amount was a part of dividend received in cash from Netbay Co., Ltd. in the amount of Baht 16 million. This whole amount was then paid by the Company for additional investment in the associated company. Excluding cash in banks and short-term investments amounted to Baht 30 million into account, the Company made payment for main investment activities to purchase equipment and intangible assets totaled to Baht 33 million.

Cash flow from financing activities was the dividend payment for the year 2008 in the amount of Baht 13 million.

As summarized, at the end of 2009, the Company's cash and short-term investments totaled Baht 401 million, increased by Baht 148 million or by 59% compared with 2008.

Additionally, the Company has been granted bank overdrafts from a number of commercial banks in the total amount of Baht 15 million. This amount is reserved for use in necessity or emergency situation. At present, those bank overdrafts have yet to be withdrawn for use.

Liquidity ratios are summarized as follows:

	2009	2008
Current Ratio (times)	3.67	3.00
Quick Ratio (times)	3.43	2.79
Cash and short-term investments (million baht)	401	253

3. Capital Expenditures

In 2009, the Company purchased equipment and intangible assets for use in its business operations totaling Baht 32 million and Baht 1 million respectively.

4. Sources of Funds

Appropriateness of Capital Structure

At the end of 2009, registered capital of the Company remained at Baht 333 million, which was paid-up capital amounting to Baht 250 million. As at December 31, 2009, debt-to-equity ratio of the Company was on a low level or at 0.29 times, or considered to be a better ratio than the year 2008 which was at 0.38 times.

Shareholders' Equity

At the end of 2009, the Company's shareholders' equity was at Baht 611 million. This amount consisted of issued and paid-up shares in the amount of Baht 250 million, premium on ordinary shares amounted to Baht 272 million, legal reserve amounted to Baht 25 million and retained and unappropriated earnings remained at Baht 64 million or at Baht 2.44 per share on book value (as its par value is Baht 1 per share)

Liabilities

As the end of 2009, total liabilities of the Company totaled Baht 174 million, mostly current liabilities accounted for 99.82% of total liabilities which mostly were trade accounts payable and unbilled service costs which were decreased by 22% and 49% respectively.

Key Financial Ratio

Financial Ratio	2009	2008	2007
Liquidity Ratios			
Current Ratio (times)	3.67	3.00	3.64
Quick Ratio (times)	3.43	2.79	3.41
Activity Ratios			
Account Receivable Turnover (times)	6.42	4.46	4.66
Collection Period (days)	57	82	78
Fixed Asset Turnover (times)	7.44	6.27	6.15
Asset Turnover (times)	0.71	0.71	0.92
Financial Policy Ratios			
Debt-to-Equity Ratio (times)	0.29	0.38	0.29
Debt-to-Asset Ratio (times)	0.22	0.27	0.22
Dividend Payout Ratio (%) ^{1/}	102.38	N/A	N/A
Profitability Ratios			
Gross Profit Margin (%)	32.46	16.43	21.89
Net Profit Margin (%)	2.12	(4.98)	(0.23)
Operating Income Margin (%)	0.77	(8.69)	(1.54)
Return on Assets (%)	1.91	(4.77)	(0.34)
Return on Equity (%)	2.00	(4.68)	(0.28)
Per Share Informations			
Book value per share (Baht)	2.44	2.44	2.58
Earnings (Loss) per share (Baht) ^{2/}	0.05	(0.12)	(0.01)
Dividend per share (Baht) ^{1/, 2/}	0.05	0.05	0.02

Remarks : 1/ - 2009, the Board of Directors approved and deemed it appropriate to propose to the General shareholder's meeting to consider dividend payment for 2009 at the rate of Baht 0.05 per share. The dividend payment would be proposed to the Annual General Meeting of shareholder to consider for approval on April 23, 2010. Consolidated company's operation results were used in calculation of the dividend payment rate.

- 2008, the Company paid dividends from retained earning at the rate of Baht 0.05 per share by paying from retained earnings to shareholders on May 15, 2009.
- 2007, the Company paid dividends at the rate of Baht 0.02 per share by paying from retained earnings to shareholders on May 23, 2008.

2/ Calculated from weighted average number of ordinary shares issued and paid up during the period



Auditor's Remuneration

1. Audit fee

The Company paid audit fee to:

- The Company's auditor a total sum of 920,000 Baht in the past accounting year.
- The subsidiary company's auditor a total sum of 80,000 Baht in the past accounting year.

2. Non-audit fee

- None

Report of the Board of Directors' Responsibilities for financial statements

The Board of Directors of Internet Thailand Public Company Limited ("the Company") is responsible for the Company's financial statements and information of the company and the Subsidiary company that are reported in the Annual Report. The aforementioned financial statements have been prepared in accordance with Generally Accepted Accounting Principles, demonstrating the accurate and complete information regarding the financial status, operation results worked out with absolute prudence and adherence to the practice of adequately disclosing significant information as indicated in the notes to financial statements. All in all, both the shareholders and general investors would benefit from this remarkable transparency.

In addition, the Board of directors has appointed an Audit Committee to be responsible for the financial statement and adequately disclosure to be accordance with Accounting Principles appropriated with the business operation and provide the efficiently internal control systems. The comments of the Audit Committee on these issues are presented in the Audit Committee's Report available in the Annual Report.

The Board of directors believes that the Company's overall effective internal control systems can be trusted with justifiable financial statements of Internet Thailand Public Company Limited as of December 31, 2009. The Company's auditor conducted his audits in accordance with generally accepted auditing standard and expressed an opinion on the financial statement and the results of its operation in accordance with Generally Accepted Accounting Principles



(Prof. Dr. Pairash Thajchayapong)
Chairman of the Board



(Mr. Dheeramet Pokmanee)
President & CEO



Auditor's Report and Financial Statement

Auditor's Report

To the Shareholders of Internet Thailand Public Company Limited

I have audited the accompanying consolidated balance sheet of Internet Thailand Public Company Limited and its subsidiary as at 31 December 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Internet Thailand Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Internet Thailand Public Company Limited and its subsidiary of Internet Thailand Public Company Limited as at 31 December 2009 and 2008, and the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.



Ratana Jala

Certified Public Accountant (Thailand) No. 3734
Ernst & Young Office Limited

Bangkok: 26 February 2010

Balance Sheets

As at 31 December 2009 and 2008

(Unit:Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2009	2008	2009	2008
Assets					
Current assets					
Cash and cash equivalents	6	227,172,876	48,706,200	226,926,986	48,354,967
Short-term investments	7	173,561,576	204,078,350	173,561,576	204,078,350
Trade accounts receivable					
Related parties	8.2, 9	10,943,684	6,033,412	10,953,465	6,038,230
Unrelated parties	9	43,463,933	104,534,230	43,463,933	104,534,230
Unbilled service income receivable	8.2, 10	141,620,167	270,268,597	141,620,167	270,268,597
Loan to an unrelated party	11	-	-	-	-
Current portion of finance lease receivables	12	-	6,011,303	-	6,011,303
Inventories - net	13	910,907	6,259,398	910,907	6,259,398
Other current assets		41,715,613	43,156,583	41,380,713	42,977,585
Total current assets		639,388,756	689,048,073	638,817,747	688,522,660
Non-current assets					
Finance lease receivables - net of current portion	12	2,412,000	-	2,412,000	-
Investment in a subsidiary	14	-	-	4,999,960	4,999,930
Investment in an associate	15	31,520,523	20,522,489	19,999,900	3,999,940
Leasehold improvements and equipment - net	16	52,997,488	42,450,878	50,914,219	40,362,537
Intangible assets - net	17	15,978,918	43,118,011	15,972,199	43,108,727
Deferred income tax assets	18	25,338,135	27,714,514	25,338,135	27,714,514
Other non-current assets		17,685,870	18,025,393	17,685,870	18,025,393
Total non-current assets		145,932,934	151,831,285	137,322,283	138,211,041
Total assets		785,321,690	840,879,358	776,140,030	826,733,701



Mr. Noppanat Hutcharoen
(Director)



Prof. Dr. Pairash Thajchayapong
(Director)

The accompanying note are an integral part of the financial statements

Balance Sheets

As at 31 December 2009 and 2008

(Unit:Baht)

		Consolidated financial statements		Separate financial statements	
		Note	2009	2008	2009
Liabilities and shareholders' equity					
Current liabilities					
Trade accounts payable					
Related parties	8.2	6,377,039	9,680,927	7,652,290	9,868,501
Unrelated parties		91,028,747	114,865,725	90,165,960	114,834,152
Unbilled service costs		33,027,877	65,163,493	33,027,877	65,163,493
Accounts payable - others		16,976,220	11,242,477	16,952,576	11,236,000
Unearned service income		8,214,327	11,564,103	8,214,327	11,564,103
Accrued expenses		8,851,253	4,536,794	8,786,401	4,483,794
Other current liabilities		9,586,525	12,295,940	9,480,901	12,277,965
Total current liabilities		174,061,988	229,349,459	174,280,332	229,428,008
Non-current liabilities					
Other non-current liabilities		306,870	286,870	306,870	286,870
Total non-current liabilities		306,870	286,870	306,870	286,870
Total liabilities		174,368,858	229,636,329	174,587,202	229,714,878
Shareholders' equity					
Share capital					
Registered					
333,333,333 ordinary shares of Baht 1 each		333,333,333	333,333,333	333,333,333	333,333,333
Issued and fully paid-up					
250,020,799 ordinary shares of Baht 1 each		250,020,799	250,020,799	250,020,799	250,020,799
Share premium		272,133,956	272,133,956	272,133,956	272,133,956
Retained earnings					
Appropriated - statutory reserve	19	24,688,965	23,837,247	24,688,965	23,837,247
Unappropriated		64,109,026	65,250,912	54,709,108	51,026,821
Equity attributable to the parent's shareholders		610,952,746	611,242,914	601,552,828	597,018,823
Equity attributable to minority shareholders					
of a subsidiary		86	115	-	-
Total shareholders' equity		610,952,832	611,243,029	601,552,828	597,018,823
Total liabilities and shareholders' equity		785,321,690	840,879,358	776,140,030	826,733,701

The accompanying note are an integral part of the financial statements

Statements of Income

For the years ended 31 December 2009 and 2008

(Unit:Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Service income	8.1	561,265,767	575,475,576	561,035,059	575,476,376
Sales		7,786,168	5,124,052	7,786,168	5,124,052
Costs of services	8.1	(378,790,219)	(481,478,812)	(380,926,362)	(483,494,323)
Costs of sales		(5,553,510)	(3,755,969)	(5,678,427)	(3,755,969)
Gross profit		184,708,206	95,364,847	182,216,438	93,350,136
Other income		6,077,738	10,158,569	22,198,972	14,578,149
Profit before operating expenses		190,785,944	105,523,416	204,415,410	107,928,285
Selling expenses		(92,315,570)	(62,921,782)	(90,152,564)	(61,022,872)
Administrative expenses		(89,282,667)	(89,095,931)	(89,129,637)	(89,095,931)
Directors and management remuneration	8.1	(4,785,000)	(3,962,500)	(4,785,000)	(3,962,500)
Income (loss) before share of profit from an associate		4,402,707	(50,456,797)	20,348,209	(46,153,018)
Share of profit from an associate	15.2	11,121,330	10,569,439	-	-
Income (loss) before finance cost and corporate income tax		15,524,037	(39,887,358)	20,348,209	(46,153,018)
Finance cost		(41)	(1,129)	(41)	(1,129)
Income (loss) before income tax		15,523,996	(39,888,487)	20,348,168	(46,154,147)
Corporate income tax	21	(3,313,803)	10,490,505	(3,313,803)	10,490,505
Net income (loss)		12,210,193	(29,397,982)	17,034,365	(35,663,642)
Net income (loss) attributable to:					
Equity holders of the parent		12,210,192	(29,397,984)	17,034,365	(35,663,642)
Minority shareholders of a subsidiary		1	2	-	-
		12,210,193	(29,397,982)	17,034,365	(35,663,642)
Earnings per share	22				
Basic earnings per share					
Net income (loss) attributable to equity holders of the parent		0.05	(0.12)	0.07	(0.14)

The accompanying note are an integral part of the financial statements

Statements of Change in Shareholders' Equity

For the years ended 31 December 2009 and 2008

(Unit:Baht)

Consolidated financial statements								
	Note	Equity attributable to the parent's shareholders				Total equity attributable to the parent's shareholders		
		Issued and paid-up share capital	Share premium	Retained earnings		Total equity attributable to the parent's shareholders	Equity attributable to minority shareholders of a subsidiary	Total
				Statutory reserve	Unappropriated			
Balance as at 31 December 2007		250,020,799	272,133,956	23,837,247	99,649,040	645,641,042	113	645,641,155
Net loss		-	-	-	(29,397,984)	(29,397,984)	2	(29,397,982)
Dividend paid	24	-	-	-	(5,000,144)	(5,000,144)	-	(5,000,144)
Balance as at 31 December 2008		250,020,799	272,133,956	23,837,247	65,250,912	611,242,914	115	611,243,029
Balance as at 31 December 2008		250,020,799	272,133,956	23,837,247	65,250,912	611,242,914	115	611,243,029
Net income		-	-	-	12,210,192	12,210,192	1	12,210,193
Dividend paid	24	-	-	-	(12,500,360)	(12,500,360)	-	(12,500,360)
Unappropriated retained earnings transferred to statutory reserve		-	-	851,718	(851,718)	-	-	-
Minority interest - equity attributable to minority shareholders of subsidiaries		-	-	-	-	-	(30)	(30)
Balance as at 31 December 2009		250,020,799	272,133,956	24,688,965	64,109,026	610,952,746	86	610,952,832

(Unit:Baht)

		Separate financial statements				
		Issued and paid-up share capital	Share premium	Statutory reserve	Retained earnings - unappropriated	Total
	Note					
Balance as at 31 December 2007		250,020,799	272,133,956	23,837,247	91,690,607	637,682,609
Net loss		-	-	-	(35,663,642)	(35,663,642)
Dividend paid	24	-	-	-	(5,000,144)	(5,000,144)
Balance as at 31 December 2008		250,020,799	272,133,956	23,837,247	51,026,821	597,018,823
Balance as at 31 December 2008		250,020,799	272,133,956	23,837,247	51,026,821	597,018,823
Net income	-	-	-	-	17,034,365	17,034,365
Dividend paid	24	-	-	-	(12,500,360)	(12,500,360)
Unappropriated retained earnings transferred to statutory reserve		-	-	851,718	(851,718)	-
Balance as at 31 December 2009		250,020,799	272,133,956	24,688,965	54,709,108	601,552,828

The accompanying note are an integral part of the financial statements

Statements of Cash Flows

For the years ended 31 December 2009 and 2008

(Unit:Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2009	2008	2009	2008
Cash flows from operating activities					
Net income (loss) before tax		15,523,996	(39,888,487)	20,348,168	(46,154,147)
Adjustments to reconcile net income (loss) before tax to net cash provided by (paid from) operating activities					
Share of profit from an associate	15.2	(11,121,330)	(10,569,439)	-	
Dividend income from an associate	15.2	-	-	(16,123,256)	(4,412,788)
Depreciation and amortisation	16, 17	23,604,631	35,272,623	23,045,757	34,719,029
Amortisation of prepaid insurance expense		2,168,112	2,416,007	2,168,112	2,416,007
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts)	9	24,868,884	(3,916,738)	24,868,884	(3,916,738)
Provision for diminution in value of inventories	13	764,881	399,700	764,881	399,700
(Gains) loss on disposals of equipment		954,476	(307,850)	942,435	(307,850)
Amortisation of deferred interest income to be revenue	12	(53,168)	(543,783)	(53,168)	(543,783)
Amortisation of deferred interest expenses to be expenses	19	-	1,129	-	1,129
Amortisation of unearned related service income to be revenue	12	-	(68,080)	-	(68,080)
Interest income		(5,204,779)	(7,515,436)	(5,202,762)	(7,507,716)
Income from operating activities before changes in operating assets and liabilities					
		51,505,703	(24,720,354)	50,759,051	(25,375,237)
(Increase) decrease in operating assets					
Trade accounts receivable		56,291,141	32,753,866	56,286,178	32,749,048
Unbilled service income receivable		128,648,430	(15,942,926)	128,648,430	(15,942,926)
Finance lease receivables	12	3,652,471	7,180,347	3,652,471	7,180,347
Inventories		4,583,610	8,697,469	4,583,610	8,697,469
Other current assets		2,746,369	(5,736,510)	2,773,391	(5,922,544)
Other non-current assets		339,523	4,507,792	339,523	4,507,792
Increase (decrease) in operating liabilities					
Trade accounts payable		(27,140,866)	22,464,584	(26,884,403)	22,587,063
Unbilled service costs		(32,135,616)	27,077,932	(32,135,616)	27,077,932
Accounts payable - others		5,733,743	848,614	5,716,576	847,094
Unearned service income		(3,349,776)	497,250	(3,349,776)	497,250
Accrued expenses		4,314,459	1,808,126	4,302,607	1,805,126
Other current liabilities		(2,689,415)	(6,589,413)	(2,777,064)	(6,598,152)
Cash from (used in) operating activities					
		192,499,776	52,846,777	191,914,978	52,110,262
Cash received on interest income		4,882,846	7,237,889	4,880,830	7,226,754
Cash paid for corporate income tax		(4,089,003)	(11,135,285)	(3,960,123)	(11,011,529)
Net cash from (used in) operating activities					
		193,293,619	48,949,381	192,835,685	48,325,487

The accompanying note are an integral part of the financial statements

Statements of Cash Flows (Cont'd)

For the years ended 31 December 2009 and 2008

(Unit:Baht)

	Consolidated financial statements			Separate financial statements	
	Note	2009	2008	2009	2008
Cash flows from investing activities					
Short-term investments	7	30,841,300	(188,369,512)	30,841,300	(188,369,512)
Increase in cash at banks and short-term investments subject to withdrawal restrictions	6, 7	(516,464)	(3,767,191)	(516,464)	(3,767,191)
Cash paid for investment in a subsidiary		-	-	(30)	-
Cash paid for investment in an associate	15.2	(15,999,960)	-	(15,999,960)	-
Purchase share of subsidiary from minority interest		(30)	-	-	-
Dividend received from an associate		16,123,256	4,412,788	16,123,256	4,412,788
Cash received on repayment of loan to a related party		-	-	-	1,765,976
Cash paid for purchases of equipment	16	(31,951,640)	(18,208,662)	(31,388,363)	(18,110,949)
Cash paid for intangible assets	17	(1,146,758)	(752,400)	(1,146,758)	(752,400)
Proceeds from disposals of equipment		131,775	199,144	131,775	97,218
Net cash used in investing activities		(2,518,521)	(206,485,833)	(1,955,244)	(204,724,070)
Cash flows from financing activities					
Repayments made on liabilities under finance lease agreements		-	(70,852)	-	(70,852)
Dividends paid	24	(12,500,360)	(5,000,144)	(12,500,360)	(5,000,144)
Net cash used in financing activities		(12,500,360)	(5,070,996)	(12,500,360)	(5,070,996)
Net increase (decrease) in cash and cash equivalents		178,274,738	(162,607,448)	178,380,081	(161,469,579)
Cash and cash equivalents at beginning of the years		45,177,558	207,785,006	44,826,325	206,295,904
Cash and cash equivalents at end of the years	6	223,452,296	45,177,558	223,206,406	44,826,325
Supplemental significant non-cash transaction:					
Decrease in liabilities under finance lease agreements as a result of returns of leased vehicles		-	963,000	-	963,000
Decrease in intangible assets by transferring to other receivable		25,000,000	-	25,000,000	

The accompanying note are an integral part of the financial statements

Note to Financial Statements

For the years ended 31 December 2009 and 2008

1. General information

Internet Thailand Public Company Limited ("the Company") is a publicly limited company incorporated under Thai laws and domiciled in Thailand. The Company listed on the Stock Exchange of Thailand on 14 November 2001 and has been engaging in the provision of telecommunication services including internet access services. The Company's registered office is located at No. 1768 Thai Summit Tower, 10th - 12th Floors, and the IT Floor, New Petchburi Road, Bangkapi Sub-district, Huay Khwang District, Bangkok.

2. Basis for preparation of the financial statements

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, except that International Accounting Standard (IAS) No. 12 "Income taxes" has been adopted since no related Thai Accounting Standard has yet been announced. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from such financial statements in Thai language.

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

2.2 Basis of consolidation financial statements

(a) The consolidated financial statements include the financial statements of Internet Thailand Public Company Limited and subsidiary as following details:

Company's name	Type of business	Country of incorporation	Percentage of shares held by the Company as at 31 December		Assets included as a percentage to the consolidated totals as at 31 December		Revenue included as a percentage to the consolidated totals for the years ended 31 December	
			2009	2008	2009	2008	2009	2008
Mandala Communications Co., Ltd.	Telecommunication Business and Related services	Thailand	99.99	99.99	0.50	0.34	0.85	0.43

(b) Subsidiary's financial statements are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

(c) The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent significant accounting policies.

(d) Material balances and transactions between the Company and its subsidiary have been eliminated from the consolidated financial statements.

(e) Minority interests represent the portion of net income or loss and net assets of the subsidiary that are not held by the Company and are presented separately in the consolidated statements of and within equity in the consolidated balance sheets.

2.3 The separate financial statements, which present investment in a subsidiary and an associate under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for the Preparation and Presentation of Financial Statements
(revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale and Discontinued
Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007) and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007) and Accounting Treatment Guidance for leasehold right will not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

4. Significant accounting policies

Significant accounting policies adopted by the Company and its subsidiary are summarised below.

4.1 Revenue and expense recognition

(a) Sales

Sales of goods are recognised as revenue when the Company and its subsidiary passed the significant risks and rewards of ownership of the goods to the buyer. Sales are presented at the invoiced value, excluding value added tax, of goods supplied after deducting discounts.

(b) Service income

Service income under operating contracts are recognised as revenue under the percentage of completion method. The expected loss on unprofitable contracts is recognised as soon as such loss can be foreseen.

Internet services income is recognised as revenue based on actual time usage.

Other services income is recognised as revenue when services have been rendered with reference to the stage of completion.

(c) Finance lease income

TAS 17 (revised 2007) requires finance lease income, which is stated net of initial direct costs, to be recognised as revenue using the effective interest rate method. This accounting standard become effective for all lease contracts having the contract commencement date beginning on or after 1 January 2008. Since the Company's existing contracts have all been entered into before 1 January 2008 and are short-term lease contracts, the Company has chosen to continue sum-of-the-years'-digits method previously adopted until those lease contracts terminate. There is no new lease contract in 2008 and 2009.

(d) Interest income and dividends on investments

Interest is recognised as interest accrues. Dividend income is recognised when the right to receive the dividends is established.

(e) Expenses

Expenses are recognised on an accrual basis.

4.2 Cash and cash equivalents

Cash and cash equivalents consisted of cash, cash at banks, and all highly liquid short-term investments with an original maturity of three months or less except for term deposits with banks that have an original maturity of three months or less, which the Company and its subsidiary intend to roll-over or reinvest when due.

4.3 Short-term investments

Short-term investment included promissory notes, term deposit with banks with maturity period of longer than 3 months but not longer than one year or term deposits with banks with an original maturity of three months or less, which the Company and its subsidiary intend to roll-over or reinvest when due.

4.4 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.5 Unbilled service income receivables

The Company records the excess of recognised service income and service income for which invoices have been issued under the caption of "unbilled service income receivables" which has been shown as current assets in the balance sheets.

4.6 Finance lease receivables

Finance lease receivables are stated at outstanding balances net off deferred interest income and unearned related service income and allowance for doubtful accounts (if any).

4.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method. The Company sets up provision for diminution in value of inventories when inventories were obsolete, slow-moving or deteriorated.

4.8 Investments in a subsidiary and an associate

Consolidated financial statements

Investment in an associate is accounted for under the equity method. Under the equity method, investment in an associate is initially recorded at the acquisition cost and is subsequently adjusted by its proportionate share of the associates operating results.

Separate financial statements

Investments in a subsidiary and an associate are account for under the cost method net off allowance for impairment (if any). Provision for loss on impairment is included in statement of income.

4.9 Leasehold improvements and equipment

Leasehold improvements and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any).

Depreciation of leasehold improvements and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives as follows:

Leasehold improvement	a lease period of 3 years
Network equipment	5 and 10 years
Computer equipment	5 years
Office equipment	5 years
Motor vehicles	5 years

Depreciation is included in statements of income.

4.10 Intangible assets and amortisation

The Company initially measures intangible assets at cost and subsequently stated at cost less accumulated amortisation and allowance for impairment (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful lives and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and method of such intangible assets are reviewed at least at each fiscal year-end. The amortisation amount is charged to the statements of income.

The Company's intangible assets with finite useful lives consist of software licenses and softwares under development, which have an estimated useful life of 10 years.

4.11 Long-term leases

Long-term leases which transfer substantially all the risks and rewards of ownership to the Company and its subsidiary as being lessees, are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are recorded as long-term liabilities, while the interest element is charged to the statements of income over the lease periods. The assets acquired under finance leases are depreciated over the shorter of the useful lives of the leased assets and the lease periods.

In the case where the Company and its subsidiary enter in to the lease contracts as the lessee and the lessor retain all the significant risk and rewards of ownership of these properties. These contracts are treated as operating leases. Lease payments under the operating lease contracts are charged to the statements of income over the lease periods.

4.12 Deferred income tax assets or liabilities/Income tax

The Company adopts accounting policy with regard to income tax whereby the Company records the tax effect of temporary differences at the balance sheet dates between the tax bases of assets and liabilities and their carrying amounts to the extent that an asset or liability is expected to be utilised or payable in the foreseeable future, by using the enacted tax rate at the balance sheet dates.

4.13 Impairment of assets

At each balance sheet date, the Company performs impairment reviews in respect of the leasehold improvements and equipment or intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised in statement of income when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining fair value less costs to sell, the Company assess the value, which reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable and willing unrelated parties, after deducting the costs of disposal. In determining 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.

4.14 Provision

Provision is recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.15 Foreign currency

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding on the balance sheet dates are translated into Baht at the exchange rates ruling on the balance sheet dates.

Gains and losses on exchange are included in statements of income.

4.16 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses on an accrual basis.

4.17 Related party transactions

Related parties comprise enterprises or individuals that control or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries in the same group. In addition, related parties include associates and individuals which directly or indirectly own a voting interest in the Company that gives them a significant influence over the Company, key management personnel, and directors and officers, together with close members of the families of such persons and companies which are controlled or influenced by them.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

5.1 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using generally accepted valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and long-term volatility of financial instruments.

5.2 Allowance for doubtful accounts

Allowances for doubtful accounts on trade account receivables are intended to adjust the value of receivables for probable credit losses. The management uses judgment to establish reserves for estimated losses on outstanding trade accounts receivable for each trade debtor based on overdue aging analysis of each debtor, historical experience on collection from debtors and the current economic condition. However, the use of different estimates and assumptions could affect the amounts of allowances for doubtful accounts and adjustments to the allowances may therefore be required in the future.

5.3 Impairment of investment in subsidiary

In considering impairment of investment in a subsidiary, the Company assesses the fair value of investment in its subsidiary by the present value of future cash flows generated by the subsidiary, discounted by a discount rate determined by the Company's management. The cash flow projections based on financial budgets covering a five-year period, which reflect the subsidiary's business plan. Key assumptions used for calculations are growth rates, expense to revenue ratios and a discount rate. Management determines such rates based on past performance and its expectations for market development. The discount rate used is pre-tax and reflects specific risks relating to the business. The value derived from the afore-mentioned method may vary due to changes in competitive forces, revenue structure, cost structure, discount rate, industrial conditions and economic conditions.

5.4 Equipment and depreciation

In calculating depreciation of equipment, the management uses judgment to estimate useful lives and salvage values of the Company's equipment and reviews estimated useful lives and salvage values if there are any changes.

5.5 Intangible assets

The initial recognition and measurement of intangible assets and subsequent impairment assessment require management to make subjective judgments concerning estimates of values of the acquired asset, including the use of discounted cash flow technique. In addition, the management estimates useful lives of the Company's intangible assets and reviews the estimated useful lives if there are any changes.

5.6 Finance leases/Operating leases

When entering into lease agreements, the management considers and assesses the extent of risks and rewards the owner of the leased asset is entitled to and conclude that has determined, if the lessor retains all the significant risk and rewards of ownership of the asset such lease contract is treated as an operating lease whereas the Company as being the lessee retains all the significant risk and rewards of ownership of the asset, such contract is treated as a finance lease.

5.7 Deferred income tax assets

The Company records deferred income tax assets, which require management's judgment and estimate in assessment of its ability to generate profit in the future and considers whether it is highly probable that the Company will generate sufficient taxable profits from its future operations adequately to utilise such recorded deferred income tax assets.

6. Cash and cash equivalents

As at 31 December 2009 and 2008, cash and cash equivalents, are as follows:

	(Unit:Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Cash	438,617	292,458	427,392	281,233
Cash at banks - at call	13,552,289	23,343,714	13,317,624	23,003,706
Highly liquid short-term investments	213,181,970	25,070,028	213,181,970	25,070,028
Total cash and cash equivalents	227,172,876	48,706,200	226,926,986	48,354,967
Less: Cash at banks - at call or short-term investment subject to withdrawal restrictions	(3,720,580)	(3,528,642)	(3,720,580)	(3,528,642)
Cash and cash equivalents - net	223,452,296	45,177,558	223,206,406	44,826,325

As at 31 December 2009 and 2008, cash at banks amounting to Baht 3.7 million and Baht 3.5 million, respectively, are pledged as collateral against operating contracts and letters of guarantee issued by banks on behalf of the Company as already described in Note 25.

7. Short-term investments

As at 31 December 2009 and 2008, short-term investments consisted of the following:

	(Unit:Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Term deposits with banks	98,502,138	173,280,734	98,502,138	173,280,734
Promissory notes	75,059,438	30,797,616	75,059,438	30,797,616
Total short-term investments	173,561,576	204,078,350	173,059,576	204,078,350
Less: Short-term investments subject to withdrawal restrictions	(15,471,939)	(15,147,413)	(15,471,939)	(15,147,413)
Short-term investments - net	158,089,637	188,930,937	158,089,637	188,930,937

As at 31 December 2009 and 2008, the Company's term deposits amounting to Baht 15.5 million and Baht 15.1 million, respectively, are pledged as collateral against letters of guarantee issued by banks on behalf of the Company as already described in Note 25.

8. Related party transactions

The National Science and Technology Development Agency ("NSTDA"), CAT Telecom Public Company Limited ("CAT Telecom") and TOT Public Company Limited ("TOT") hold 17%, 16% and 16% of the Company's equity interest, respectively, and have representatives on the Company's Board of Directors. They are therefore considered related parties.

Mandala Communications Co., Ltd. and Netbay Co., Ltd. are a subsidiary and an associate, respectively.

8.1 Transaction during the periods

During the years, the Company had significant business transactions with its related parties. Such transactions have been concluded on the commercial terms and bases agreed upon in the ordinary courses of businesses between the Company and those parties. Below is a summary of those transactions.

(Unit:Baht)

		Consolidated financial statements		Separate financial statements		Transfer Pricing policy
		For the years ended 31 December		For the years ended 31 December		
	Relationship	2009	2008	2009	2008	
<u>Service income</u>						
Mandala Communications Co., Ltd.	Subsidiary	-	-	-	800	Market price
Net Bay Co., Ltd.	Associate	1,516,798	1,527,168	1,516,798	1,527,168	Market price
A related party	The Company's shareholder	102,586,034	19,254,438	102,586,034	19,254,438	Construction contract: contract price, other, Market price
		104,102,832	20,781,606	104,102,832	20,782,406	
<u>Service expenses (Included in “Cost of services”)</u>						
Related parties	The Company's shareholder	106,392,950	152,528,392	106,392,950	152,528,392	Market price
<u>Equipments rental expenses (Included in “Cost of services”)</u>						
Mandala Communications Co., Ltd.	Subsidiary	-	-	4,108,824	2,537,637	Market price
<u>Fixed asset acquisition</u>						
Mandala Communications Co., Ltd.	Subsidiary	-	-	551,626	146,730	Market price

Directors and management's remuneration

In 2009, Company and its subsidiary paid salaries, bonuses, meeting allowances and gratuities to their directors and management totalling Baht 4.78 million (2008: Baht 3.96 million) (the Company only: Baht 4.78 million, 2008: Baht 3.96 million).

8.2 Outstanding balances at the end of the years

As at 31 December 2009 and 2008, the outstanding balances of the transactions between the Company and its related parties and persons can be summarised as follows:

		(Unit:Baht)			
		Consolidated financial statements		Separate financial statements	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008
Relationship					
Trade accounts receivable					
Mandala Communications Co., Ltd.	Subsidiary	-	-	97,781	4,818
Net Bay Co., Ltd.	Associate	20,561	-	20,561	-
A related party	The Company's shareholder	10,923,123	6,033,412	10,923,123	6,033,412
		10,843,684	6,033,412	10,843,465	6,038,230
Unbilled service income					
A related party	The Company's shareholder	141,620,167	244,805,326	141,620,167	244,805,326
Trade accounts payable					
Mandala Communications Co., Ltd.	Subsidiary	-	-	1,275,251	187,574
Related parties	The Company's shareholders	6,377,039	9,680,927	6,377,039	9,680,927
		6,377,039	9,680,927	7,652,290	9,868,501

9. Trade accounts receivable

As at 31 December 2009 and 2008, trade accounts receivable, classified by aging, were as follows:

		(Unit:Baht)					
		Consolidated financial statements					
		31 December 2009			31 December 2008		
		Related parties	Unrelated parties	Total	Related parties	Unrelated parties	Total
Current		2,925,082	36,195,943	39,121,025	1,437,001	61,603,687	63,040,688
Overdue							
less than 3 months		1,999,772	7,364,861	9,364,633	2,148,970	34,532,817	36,681,787
3 - 6 months		783,490	50,860	834,350	893,446	6,359,376	7,252,822
6 - 12 months		1,615,777	306,678	1,922,455	554,732	2,648,455	3,203,187
Over 12 months		3,619,563	5,355,563	8,975,126	999,263	8,142,851	9,142,114
Total trade accounts receivable		10,943,684	49,273,905	60,217,589	6,033,412	113,287,186	119,320,598
Less: Allowance for doubtful accounts		-	(5,809,972)	(5,809,972)	-	(8,752,956)	(8,752,956)
Trade accounts receivable - net		10,943,684	43,463,933	54,407,617	6,033,412	104,534,230	110,567,642

(Unit:Baht)

Separate financial statements						
31 December 2009			31 December 2008			
	Related parties	Unrelated parties	Total	Related parties	Unrelated parties	Total
Current	2,934,863	36,195,943	39,130,806	1,441,799	61,603,687	63,045,486
Overdue						
less than 3 months	1,999,772	7,364,861	9,364,633	2,148,990	34,532,817	36,681,807
3 - 6 months	783,490	50,860	834,350	893,446	6,359,376	7,252,822
6 - 12 months	1,615,777	306,678	1,922,455	554,732	2,648,455	3,203,187
Over 12 months	3,619,563	5,355,563	8,975,126	999,263	8,142,851	9,142,114
Total trade accounts receivable	10,953,465	49,273,905	60,227,370	6,038,230	113,287,186	119,325,416
Less: Allowance for doubtful accounts	-	(5,809,972)	(5,809,972)	-	(8,752,956)	(8,752,956)
Trade accounts receivable - net	10,953,465	43,463,933	54,417,398	6,038,230	104,534,230	110,572,460

10. Unbilled service income receivables

As at 31 December 2009 and 2008, the Company had unbilled service income receivables as follows:

(Unit:Baht)

Consolidated and separate financial statements		
	31 December 2009	31 December 2008
Total project value	258,559,314	346,368,859
Service income recognised under percentage of completion method	247,021,991	294,529,747
Less: Recognised service income for which invoices have been issued	(105,401,824)	(24,261,150)
Unbilled service income receivables	141,620,167	270,268,597

11. Loan to an unrelated party

Loan to an unrelated party is a Baht-denominated loan granted to a company and secured by a personal guarantee. The loan bore interest at the rate of 7% per annum and was due for repayment in May 2007. However, as at 31 December 2009 and 2008, the Company set allowance for doubtful accounts on the principal balance of Baht 18 million and the interest receivable of Baht 1.06 million because the borrower had defaulted on payment and the Company had sought collection until the agreement expired. Currently, the Court of First Instance already rendered its judgment. However, the Company disagreed with several issues in the judgment and lodged an appeal. The borrower countersued the Company and the case is being considered by the Court of First Instance.

The Company has other receivable arising from the transfer of software under development amounting to Baht 25 million, since the supplier was unable to deliver work to the Company in accordance with the conditions of the agreement. The Company has already set aside allowance for doubtful accounts for this amount in full.

12. Finance lease receivables

The Company procured and provided leasing of electronic data capture machines to certain financial institutions and computers under finance lease agreements with the terms of 3 years.

As at 31 December 2009 and 2008, the future minimum installments to be received under finance lease agreements were as follows:

	(Unit:Baht)	
	Consolidated and separate financial statements	
	31 December 2009	31 December 2008
Minimum installments to be received within 1 year	-	6,064,471
Minimum installments to be received longer than 1 year	2,412,000	-
Finance lease receivables	2,412,000	6,064,471
Less: Deferred interest income	-	(53,168)
Unearned related service income	-	-
Finance lease receivables - net	2,412,000	6,011,303
Installments due within 1 year	-	6,011,303
Installments due longer than 1 year	2,412,000	-
Finance lease receivables - net	2,412,000	6,011,303

Movements of finance lease receivables for the year ended 31 December 2009 were as follows:

	(Unit:Baht)			
	Consolidated and separate financial statements			
	For the year ended 31 December 2009			
	Finance lease receivables	Deferred interest income	Unearned Related service income	Finance lease receivables- net
Balance - beginning of the year	6,064,471	(53,168)	-	6,011,303
Increase during the year	-	-	-	-
Decrease during the year	(3,652,471)	53,168	-	(3,599,303)
Balance - end of the year	2,412,000	-	-	2,412,000

13. Inventories

As at 31 December 2009 and 2008, inventories consist of the following:

	(Unit:Baht)							
	Consolidated and separate financial statements							
	Allowance of diminution in value of inventory							
	Reduction cost to net							
	Cost		realisable value		Stock obsolescence		Inventories - net	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Finished goods	2,019,097	1,001,807	-	-	(1,164,581)	(399,700)	854,516	602,107
Office supplies	56,391	62,858	-	-	-	-	56,391	62,858
Work in process	-	5,594,433	-	-	-	-	-	5,594,433
Inventories - net	2,075,488	6,659,098	-	-	(1,164,581)	(399,700)	910,907	6,259,398

14. Investments in a subsidiary

As at 31 December 2009 and 2008, investment in a subsidiary as presented in the separate financial statements is as follows:

(Unit:Baht)

Company's name	Seperate financial statements							
	Allowance of diminution in value of inventory							
	Paid-up capital		Shareholding percentage		Cost		Dividend received during the years	
	31	31	31	31	31	31	31	31
	December 2009	December 2008	December 2009	December 2008	December 2009	December 2008	December 2009	December 2008
			(%)	(%)				
Mandala Communications Co., Ltd.	5,000,000	5,000,000	99.99	99.99	4,999,960	4,999,930	-	-
					4,999,960	4,999,930	-	-

15. Investments in an associate

15.1 Details of an associate:

As at 31 December 2009 and 2008, investment in an associate, which was presented in the consolidated and separate financial statements, consisted of details as follow:

(Unit:Baht)

Company's name	Nature of business	Consolidated financial statements				Separate financial statements			
		Carrying amounts based on equity method				Carrying amounts based on cost method			
		Paid-up capital							
		31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
		2009	2008	2009	2008	2009	2008	2009	2008
				(%)	(%)				
Net Bay Co., Ltd.	Provision and development of electronics system	50,000,000	10,000,000	39.99	39.99	31,520,523	20,522,489	19,999,900	3,999,940
						31,520,523	20,522,489	19,999,900	3,999,940

15.2 Share of income/loss and dividend received

During the years, the Company recognised its share of profit/loss from the investment in an associate in the consolidated financial statements and recognised dividend income in the separate financial statements as follows:

(Unit:Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit/loss from investment in an associate during the years		Dividend received during the years	
	2009	2008	2009	2008
Net Bay Co., Ltd.	11,121,330	10,569,439	16,123,256	4,412,788
	11,121,330	10,569,439	16,123,256	4,412,788

15.3 Summarised financial information of an associate

Financial information of an associate is summarised below.

Company's name	(Unit: Million Baht)									
	Paid-up capital		Total assets		Total liabilities		Total revenues for the		Net income for the	
	as at		as at		as at		years ended		years ended	
	31 December		31 December		31 December		31 December		31 December	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net Bay Co., Ltd.	50,000,000	10,000,000	118,458,550	91,574,121	39,655,226	40,265,780	118,882,086	119,373,741	27,803,324	28,256,255

16. Leasehold improvements and equipment

(Unit: Baht)

	Consolidated financial statements						
	Leasehold improvements	Network equipment	Computers	Office equipment	Motor vehicles	Assets under installation	Total
Cost							
31 December 2008	35,178,400	297,381,440	27,299,899	52,501,522	50,600	-	412,411,861
Acquisition	428,302	19,010,750	2,110,963	590,825	-	9,810,800	31,951,640
Disposals	(684,366)	(3,260,174)	(9,650,886)	(3,323,087)	-	-	(16,918,513)
Transfer in (out)	-	9,000,800	-	-	-	(9,000,800)	-
31 December 2009	34,922,336	322,132,816	19,759,975	49,769,260	50,600	810,000	427,444,988
Accumulated depreciation							
31 December 2008	33,720,780	259,468,325	25,237,837	51,483,450	50,591	-	369,960,983
Depreciation charged for the year	527,027	18,122,495	1,286,497	442,433	-	-	20,378,452
Accumulated depreciation on disposals	(306,275)	(2,947,824)	(9,466,282)	(3,171,554)	-	-	(15,891,935)
31 December 2009	33,941,532	274,642,996	17,058,052	48,754,329	50,591	-	374,447,500
Net book value							
31 December 2008	1,457,621	37,913,115	2,062,061	1,018,072	9	-	42,450,878
31 December 2009	980,804	47,489,820	2,701,923	1,014,931	9	810,000	52,997,488
Depreciation included in statements of income for years ended							
31 December 2008							32,158,539
31 December 2009							20,378,452

(Unit:Baht)

	Separate financial statements						
	Leasehold improvements	Network equipment	Computers	Office equipment	Motor vehicles	Assets under installation	Total
Cost							
31 December 2008	35,166,400	294,761,436	27,214,999	52,501,522	50,600	-	409,694,957
Acquisition	428,302	18,447,473	2,110,963	590,825	-	9,810,800	31,388,363
Disposals	(684,366)	(3,243,074)	(9,650,886)	(3,323,087)	-	-	(16,901,413)
Transfer in (out)	-	9,000,800	-	-	-	(9,000,800)	-
31 December 2009	34,910,336	318,966,635	19,675,076	49,769,260	50,600	810,000	424,181,907
Accumulated depreciation							
31 December 2008	33,708,780	258,872,302	25,217,297	51,483,450	50,591	-	369,332,420
Depreciation charged for the year	527,027	17,583,165	1,269,517	442,433	-	-	19,822,142
Accumulated depreciation on disposals	(306,275)	(2,942,764)	(9,466,281)	(3,171,554)	-	-	(15,886,874)
31 December 2009	33,929,532	273,512,703	17,020,533	48,754,329	50,591	-	373,267,688
Net book value							
31 December 2008	1,457,620	35,889,134	1,997,702	1,018,072	9	-	40,362,537
31 December 2009	980,804	45,453,932	2,654,543	1,014,931	9	810,000	50,914,219
Depreciation included in statements of income for years ended							
31 December 2008							31,609,799
31 December 2009							19,822,142

As at 31 December 2009, the Company and its subsidiary had the fully-depreciated equipment, which are still in use. Its original costs before deducting accumulated depreciation amounted to approximately Baht 329million (2008: Baht 263 million) (the Company only: Baht 329 million, 2008: Baht 263 million).

17. Intangible assets

(Unit:Baht)

	Consolidated financial statements			
	31 December 2008	Additions	Amortisation	31 December 2009
Software licenses	18,118,011	1,146,758	(3,285,851)	15,978,918
Softwares under development	25,000,000	-	(25,000,000)	-
	43,118,011	1,146,758	(28,285,851)	15,978,918
	Separate financial statements			
	31 December 2008	Additions	Amortisation	31 December 2009
Software licenses	18,108,727	1,146,758	(3,283,286)	15,972,199
Softwares under development	25,000,000	-	(25,000,000)	-
	43,108,727	1,146,758	(28,283,286)	15,972,199

18. Deferred income tax assets

The Company presents deferred income tax assets net of deferred income tax liabilities because they are income taxes, which relate to the same tax law and are collected by the same tax authority. Offset details and net outstanding balance, presented in the balance sheets as at 31 December 2009 and 2008, were as follows:

	(Unit:Baht)	
	Consolidated and separate financial statements	
	31 December 2009	31 December 2008
Deferred income tax assets	25,338,135	28,249,475
Deferred income tax liabilities	-	(534,961)
	<u>25,338,135</u>	<u>27,714,514</u>

Movements of deferred income tax assets and deferred income tax liabilities for the years ended 31 December 2009 and 2008 were as follows:

	(Unit:Baht)	
	Consolidated and separate financial statements	
	For the year ended 31 December	
	2009	2008
Deferred income tax assets		
Deferred income tax assets - beginning of the years	28,249,475	19,912,487
Add: Increase in deferred income tax assets resulting from temporary differences	(2,911,340)	8,336,988
Deferred income tax assets - end of the years	<u>25,338,135</u>	<u>28,249,475</u>
Deferred income tax liabilities		
Deferred income tax liabilities - beginning of the years	534,961	2,688,478
Less: Increase in deferred income tax liabilities resulting from temporary differences	(534,961)	(2,153,517)
Deferred income tax liabilities - end of the years	<u>-</u>	<u>534,961</u>

Deferred income tax assets and deferred income tax liabilities arose from the following temporary differences.

	(Unit:Baht)	
	Consolidated and separate financial statements	
	31 December 2009	31 December 2008
Allowance for doubtful accounts	49,869,494	27,812,479
Finance lease receivables	1,140,582	1,587,444
Liabilities under finance lease agreements	-	-
Provision for liabilities	42,819,722	44,519,722
Accrued gratuities	1,384,263	2,331,916
Provision for reduction cost of inventory	1,164,581	399,700
Tax losses carry forward	-	28,644,300
Total temporary differences transactions	<u>96,378,642</u>	<u>105,295,561</u>
Income tax rate	25% and 30%	25% and 30%
Deferred income tax assets	<u>25,338,135</u>	<u>27,714,514</u>

19. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

20. Expenses by nature

Expenses by nature for the years ended 31 December 2009 and 2008 consist of the following significant expenses.

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December	For the years ended 31 December	For the years ended 31 December	For the years ended 31 December
	2009	2008	2009	2008
Rental expenses	97,050,950	155,618,308	96,967,530	155,618,308
Employee benefits	104,919,072	99,946,274	103,110,969	98,488,002
Sub contract costs (Reversal)	(627,816)	73,295,778	(627,816)	73,295,778
Depreciation	20,378,452	32,160,828	19,822,142	31,609,799
Amortisation	3,285,851	3,111,795	3,283,286	3,109,230

21. Corporate income tax

Corporate income tax in the statements of income for the years ended 31 December 2009 and 2008 were as follows:

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December	For the years ended 31 December	For the years ended 31 December	For the years ended 31 December
	2009	2008	2009	2008
Income tax expenses for the years	937,424	-	937,424	-
Net increase in deferred income taxes during the years	2,376,379	(10,490,505)	2,376,379	(10,490,505)
Corporate income tax	3,313,803	(10,490,505)	3,313,803	(10,490,505)

The calculation of income tax in the statements of income is as follows:

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December	For the years ended 31 December	For the years ended 31 December	For the years ended 31 December
	2009	2008	2009	2008
Loss before income tax	15,523,996	(39,888,487)	20,348,168	(46,154,147)
Income tax calculated at the tax rate of 25 percent	5,087,042	(11,538,537)	5,087,042	(11,538,537)
Income tax calculated at the tax rate of 30 percent	-	-	-	-
Tax effect on non-tax deductible items	8,564,023	12,213,376	8,564,023	12,213,376
Tax effect on tax-exempt items	(5,552,566)	(7,835,914)	(5,552,566)	(7,835,914)
Tax effect on reducing income tax rate to 25%	-	1,284,207	-	1,284,207
Tax effect on loss brought forward	(7,161,075)	-	(7,161,075)	-
Net increase in deferred income taxes resulting from temporary differences	2,376,379	(4,613,637)	2,376,379	(4,613,637)
Income tax	3,313,803	(10,490,505)	3,313,803	(10,490,505)

22. Earnings per share

Earnings (loss) per share, as presented in the statements of income, is basic earnings (loss) per share, which is calculated by dividing net income (loss) attributable to equity holders of the parent by the weighted average number of ordinary shares of the parent in issue during the years.

23. Segment information

The Company and its subsidiary operate in two business segments, which are (a) provision of internet access services ("Access business"), and (b) integrated services in relation to information and communication technologies ("Business solutions").

Financial information presented by business segments of the Company and its subsidiary for the years ended

31 December 2009 and 2008 can be set out below.

(Unit:Baht)

	Consolidated financial statements					
	For the year ended 31 December 2009			For the year ended 31 December 2008		
	Accesss businesses	Business solutions	Total	Accesss businesses	Business solutions	Total
Service income and sales ⁽¹⁾	250,494,407	318,557,528	569,051,935	272,705,752	307,893,876	580,599,628
Cost of services and sales ⁽²⁾			(384,343,729)			(485,234,781)
Segment result			184,708,206			95,364,847
Other income			6,077,738			10,158,569
Unallocated selling expenses			(92,315,570)			(62,921,782)
Unallocated administrative expenses			(89,282,667)			(89,095,931)
Directors and management remuneration			(4,785,000)			(3,962,500)
Income (loss) before finance cost and income tax			4,402,707			(50,456,797)
Share of profit in an associate			11,121,330			10,569,439
Finance cost			(41)			(1,129)
Income (loss) before corporate income tax			15,523,996			(39,888,487)
Corporate income tax			(3,313,803)			10,490,505
Net income (loss)			12,210,193			(29,397,982)
Net income (loss) attributable to:						
Equity holders of the parent			12,210,192			(29,397,984)
Minority shareholders of a subsidiary			1			2
			12,210,193			(29,397,982)

(1) There are no sales or other transactions occurred between the business segments.

(2) Since both business segments are sharing the same revenue-generated assets and liabilities, the Company and its subsidiary did not allocate costs of providing services and assets and liabilities used between these two business segments.

(Unit:Baht)

	Separate financial statements					
	For the year ended 31 December 2009			For the year ended 31 December 2008		
	Accesss businesses	Business solutions	Total	Accesss businesses	Business solutions	Total
Service income and sales ⁽¹⁾	250,494,407	318,326,820	568,821,227	272,705,752	307,894,676	580,600,428
Cost of services and sales ⁽²⁾			(386,604,789)			(487,250,292)
Segment result			182,216,438			93,350,136
Other income			22,198,972			14,578,149
Unallocated selling expenses			(90,152,564)			(61,022,872)
Unallocated administrative expenses			(89,129,637)			(89,095,931)
Directors and management remuneration			(4,785,000)			(3,962,500)
Income (loss) before finance cost and corporate income tax			20,348,209			(46,153,018)
Finance cost			(41)			(1,129)
			20,348,168			(46,154,147)
Corporate Income tax			(3,313,803)			10,490,505
Net income (loss)			17,034,365			(35,663,642)

(1) There are no sales or other transactions occurred between the business segments.

(2) Since both business segments are sharing the same revenue-generated assets and liabilities, the Company did not allocate costs of providing services and assets and liabilities used between these two business segments.

24. Dividends paid

Dividends declared during the years ended 31 December 2009 and 2008 consisted of the followings:

Dividends	Approved by (Baht)	Total dividends paid (Baht)	Dividend per share (Baht)
Annual dividend for 2008	Annual General Meeting of the shareholders on 24 April 2009	12,500,360	0.05
Total dividends declared during the year 2009		12,500,360	
Annual dividend for 2007	Annual General Meeting of the shareholders on 28 April 2008	5,000,144	0.02
Total dividends declared during the year 2008		5,000,144	

25. Contingent liabilities

At 31 December 2009 and 2008, the Company had contingent liabilities in respect of bank guarantees amounting to Baht 35 million (2008: Baht 35 million), issued by banks on behalf of the Company in respect of operation in ordinary course of the Company's business.

26. Commitments

26.1 Capital commitments

As at 31 December 2009, the Company does not have capital commitments (2008: Baht 10.7 million).

26.2 Operating lease commitments

The Company has commitments with regard to operating lease agreement where the Company is the lessee with leasing terms of 1-3 years. As at 31 December 2009 and 2008, the Company had obligations to pay lease payments in the future as follows:

	(Unit:Baht)	
	Consolidated and separate financial statements	
<u>Payable within:</u>	2009	2008
Less than 1 year	72.7	60.9
1 to 3 years	8.8	26.0
	81.5	86.9

26.3 Long-term service commitments

On 10 March 2006, the Company entered into a fund management agreement with Krung Thai Asset Management Public Company Limited, who manages the Company's private fund. The contract is valid from 10 March 2006 until formal notification for cancelation is made. The Company is committed to pay a fund management fee at a rate of 0.20% of the net asset value of the private fund calculated daily on the working day (such fee excludes VAT).

27. Financial instruments

27.1 Financial risk management

The Company and its subsidiary's financial instruments principally comprise cash and cash equivalents, short-term investments, trade accounts receivable, loan to a related party, finance lease receivables, trade account payable and liabilities under finance lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiary are exposed to credit risk primarily with respect to trade accounts receivable, loans and finance lease receivables. The Company and its subsidiary do not have high concentration of credit risk since they have a variety and large customer base. Thus, the Company and its subsidiary do not expect to incur material losses from credit risk. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans and finance lease receivables as stated in the balance sheets.

Interest rate risk

The Company's and its subsidiary's exposure to interest rate risk relates primarily to their deposits with banks and short-term investments, details of which are presented in Notes 6 and 7. Most of them bear floating interest

rates or fixed interest rates with an original maturity period of not longer than 1 year. Due to their policy to deposit or invest in liquid instruments with an original maturity period of not longer than 1 year, interest rate risk is expected to be low.

Liquidity risk

Liquidity risk is the risk that the Company and its subsidiary will be unable to liquidate financial assets and/or procure sufficient funds to discharge obligations in a timely manner, resulting in a financial loss. Since the Company and its subsidiary have current assets in excess of current liabilities and the Company's and its subsidiary's policy is to deposit or invest in liquid instruments with an original maturity period of not longer than 1 year, thus the liquidity risk is expected to be low.

Foreign currency risk

The Company and its subsidiary have foreign currency-dominated assets and liabilities, giving rise to an exposure to changes in foreign exchange rates. However, the outstanding balance of foreign currency-dominated assets and liabilities are not material. The Company and its subsidiary do not enter in to forward exchange contract to minimise the foreign currency risk since the management considers that such foreign currency risk is expected to be low.

27.2 Fair values

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument. The Company and its subsidiary have estimated the fair value of financial instruments as follows:

(a) Financial assets

Determination of the fair value is dependent upon the characteristics of the financial instruments. The fair values of most financial assets, including cash and cash equivalents, short-term investments, trade accounts receivable, loan to a related party and finance lease receivables approximate their respective carrying values since the values of such financial instruments are predominantly subject to market interest rates and/or have maturity periods of less than 1 year.

As at 31 December 2009 and 2008, there were no material differences between the carrying value of financial assets of the Company and its subsidiary and their respective fair value.

(b) Financial liabilities

The fair values of financial liabilities, including trade accounts payable and liabilities under finance lease agreements are the amounts as stated in the balance sheets due to the same reasons as described for financial assets.

As at 31 December 2009 and 2008, there were no material differences between the carrying value of financial liabilities of the Company and its subsidiary and their respective fair value.

28. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According the balance sheets as at 31 December 2009 and 2008, the Group's total liabilities to equity ratio was 0.28:1 and 0.38:1, respectively, and the Company's was 0.29:1 and 0.38:1, respectively.

29. Subsequent event

By the resolution of the meeting of the Board of Directors No. 2/2553 held on 26 February 2010, it is approved payment of dividend for 2009 from retained earnings, of Baht 0.05 per share of a total of approximately Baht 12.5 million. The dividend calculation is based on the 250,020,799 issued and paid-up ordinary shares. The payment of which is awaiting further approval by the resolution of the Annual General Meeting of the Company's shareholders holding on 23 April 2010.

30. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2010.

General Information

- **Registered Office :** Internet Thailand Public Company Limited
1768 Thai Summit Tower, 10th -12th Floor and IT Floor
New Petchburi Road, Khwaeng Bang Kapi, Khet Huay Khwang, Bangkok 10320
 Phone : 0-2257-7000
 Fax : 0-2257-7222
 Homepage : www.inet.co.th
 Business : Internet services and Business Solutions provider
 ISIN No. : 0107544000094
 Registered capital : 333,333,333 Baht which divided into 333,333,333 ordinary shares, each of Baht 1 par value
 Registered and paid-up capital : 250,020,799 Baht
 No. of Paid-up Ordinary Shares : 250,020,799 shares
- **Subsidiary :** Mandala Communication Company Limited
1768 Thai Summit Tower, 11th Floor
New Petchburi Road, Khwaeng Bang Kapi, Khet Huay Khwang, Bangkok 10320
 Phone : 0-2257-7000
 Fax : 0-2257-7222
 Business : Telecommunication Business and related services
 Registered capital : 10,000,000 Baht which divided into 1,000,000 ordinary shares, each of Baht 10 par value
 Registered and paid-up capital : 5,000,000 Baht
 No. of Paid-up Ordinary Shares : 1,000,000 ordinary shares. The company holds in the proportion of 99.99%
- **Associated Company :** Netbay Company Limited
719/8-9 Rama six Road, Khwang Wangmai, Khet Pathumwan, Bangkok 10330
 Phone : 0-2612-3529
 Fax : 0-2612-3051
 Business : e-Logistic and electronics system provider and telecommunication and communication consultant
 Registered Capital : 50,000,000 Baht which divided into 5,000,000 ordinary shares, each of Baht 10 par value
 Registered and Paid-up capital : 50,000,000 Baht
 No. of Paid-up Ordinary Shares : 5,000,000 ordinary shares. The company holds in the proportion of 40%

- **Associated Company :** - None-
- **References**
 - (A) Registrar :** Thailand Securities Depository Company Limited
The Stock Exchange of Thailand Tower 4th, 6th –7th Floor
62 Ratchadaphisek Road, Khwaeng Klongtoey, Khet Klongtoey,
Bangkok 10110
Phone : 0-2359-1200
Fax : 0-2359-1259
 - (B) Auditor :** Ms. Ratana Jala, Certified Public Accountant
(Thailand) No. 3734
Ms. Kamontip Lertwitworatep, Certified Public Accountant
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