

FAC/23-055

November 1, 2023

Subject: Clarification of Financial Information for the 2<sup>nd</sup> Quarter of 2023  
To: The Director and Manager  
The Stock Exchange of Thailand

In response to the Stock Exchange of Thailand's ("SET") letter seeking clarification on the financial statements for the 2nd quarter of 2023, Qualitech Public Company Limited (the "Company") acknowledges the auditor's observation concerning the recognition of losses resulting from the impairment of investment in Property Aim Solutions Company Limited ("PAS"), an associate of the Company, in the amount of 121 million baht due to PAS facing financial liquidity challenges, leading to the suspension of operations and resignations of all PAS board members due to management conflicts. Currently, PAS has ceased its business operations. According to the letter requesting clarification of information in the financial statements for the 2nd quarter of 2023, document number BorJor 255/2566, requesting clarification of additional information through the information dissemination system of the Stock Exchange of Thailand within November 2, 2023.

The Stock Exchange of Thailand requests the Company to clarify additional information as follows:

1. Information Utilized by the Company's Board for Decision-making Beyond Fair Value Assessments

The company would like to provide clarification as follows.

The Company intends to expand or invest in businesses with favorable returns to facilitate its growth. To support this initiative, the Company has consistently set aside funds for investment. These funds have been deposited with banks and invested in securities issued by various commercial banks. Historically, the company has garnered minimal returns, primarily in the form of interest. The Company's Board of Directors therefore agreed that it is advisable to channel these funds into enterprises that yield returns surpassing those from interest. The management has conducted an in-depth analysis of investment data across various sectors, with a particular emphasis on business categories resilient to the effects of the COVID situation. The investigation revealed that the real estate management sector stands out as an intriguing prospect due to its favorable returns. The Audit Committee Meeting No. 3/2022 on July 29, 2022

and the Company's Board of Directors Meeting No. 6/2022 on August 1, 2022, the resolutions were passed to approve the acquisition of ordinary shares in Property Aim Solutions Company Limited ("PAS") which is a registered Thai company engaged in comprehensive real estate management, totaling 14,700 shares, or 49.00 percent of the total number of shares of PAS with a total trading value of 144,550,000 baht. (As informed in a letter to the Stock Exchange on August 2, 2022) The objective of this acquisition is to foster the Company's growth, diversify risks in its operations, and anticipate long-term returns for shareholders. In the consideration of this share acquisition, the Company engaged specialists in various fields to assess the business value and evaluate potential risks. This included hiring financial consultants approved by the Securities and Exchange Commission ("SEC"), who scrutinized data across different aspects for investment considerations and analyzed the current value of PAS, including hiring an auditing company approved by the SEC to review PAS's financial statements for informed decision-making, and hiring a legal consulting firm to examine the legal status to provide legal opinions related to the acquisition of PAS and assess the risks of entering into the transaction, particularly in relation to personnel. The Company has sought the expertise of legal counsel In response to the personnel-related risk of PAS, the Company engaged a legal advisor to draft a contractual agreement for the employment of key executives over a period of 5 years. The contract includes a provision prohibiting these executives from engaging in competitive activities with PAS. Additionally, the Company is committed to assigning executives with expertise in real estate management to supervise and assume directorial roles within PAS. After a comprehensive evaluation of PAS's business value such as the balance sheet, income statement, cash flow statement, and current ratio (D/E, Debt to EBITDA). The Company therefore concluded that investing in PAS's ordinary shares could yield favorable returns. The Company further determined that after the share acquisition, it would maintain sufficient funds for its business operations without relying on any additional credit. Hence, the Company decided to utilize the funds previously invested in securities amounting to 144.55 million baht to purchase ordinary shares in PAS. Following this transaction, the Company did not encounter any liquidity issues.

2. Subsequent to the transaction of acquiring ordinary shares in PAS, the Board of Directors has consistently monitored the operational performance and financial status of PAS.

The company would like to provide clarification as follows.

Following the completion of the ordinary shares' transaction with PAS, the Company has appointed two representatives to serve as directors of PAS. Discussions have taken place with the former executives regarding operational changes, including the expansion of personnel and investment in software systems for management purposes. These efforts aim to prepare for the

registration of PAS in the stock market and align with the investment objectives in PAS, fostering sustainable returns for the company in the long term. The Company acknowledges the potential challenges in collaboration that representatives and former executives might face, and it is expected that collaborative endeavors will undergo adjustments over time. Nevertheless, the Company does not foresee any conflicts that may impede joint management, becoming a primary cause for issues affecting PAS and impacting its business operations in this instance.

Throughout the investment period, the Company's board of directors has closely monitored the progress of PAS. Regular meetings have been conducted to stay informed about the challenges faced by PAS and to provide recommendations for addressing various issues. However, due to persistent internal management conflicts, the anticipated smooth operation of PAS has been impeded. This has adversely affected the overall management functions and the actual operational outcomes of PAS which deviated from initial expectations and had an impact on liquidity issue and employee-related problems. The details are as follows:

- 2.1 The Company's Board of Directors Meeting No. 7/2022 on August 13, 2022, a resolution was made to acknowledge the progress in the execution of the share purchase agreement, the shareholder agreement, the payment for shares, and a report detailing the actions taken in accordance with the regulatory conditions before and after the transaction was provided.
- 2.2 The Company's Board of Directors Meeting No. 1/2023 on February 3, 2023, a resolution was made to acknowledge PAS's plan for the year 2023 which aligns with the Company's investment objectives.
- 2.3 The Company's Board of Directors Meeting No. 2/2023 on February 18, 2023, involved discussions about engaging a financial advisor to study the prospect of acquiring additional PAS shares. The challenges arose from PAS's status as an associate company, hindering the company's ability to manage PAS efficiently. The operational outcomes of PAS in 2022 have not met the anticipated expectations. Despite the appointment of two directors to PAS, their control authority remained limited. To facilitate the ongoing development of PAS, it was deemed necessary to revise the management structure for enhanced control.
- 2.4 The Company's Board of Directors Meeting No. 3/2023 on February 25, 2023, concluded with a resolution to recognize the operational outcomes of PAS in 2022. The findings revealed that PAS's performance fell short of expectations, leading the Company to acknowledge a loss resulting from the impairment of the investment in PAS, amounting to 18.08 million baht. The Board of Directors has

recommended closely monitoring the operational results and has entrusted representatives to engage in discussions with the existing management focusing on strategies and management plans to ensure that the operational outcomes align with the established objectives. Additionally, regular progress reports will be provided to keep the Company's Board of Directors informed at intervals.

2.5 The Company's Board of Directors Meeting No. 4/2023 on May 6, 2023, a resolution was made to acknowledge operational issues in PAS reported by the representatives on the PAS Board of Directors. It was found that PAS encountered liquidity issues, resulting in an inability to remunerate employees fully. One of the contributing factors is the delayed receipt of payments from customers. This situation posed a risk of employees lodging complaints with the Department of Social Welfare and Labor Protection. Furthermore, conflicts among PAS executives were identified, complicating the management process, and there was an indication that the company might face difficulties in sustaining its operations. The Board of Directors recommends taking immediate actions to address the liquidity issues to prevent potential workforce-related problems. It is advised that representatives engage in discussions with the existing management to collaboratively find solutions and eliminate the conflicts that have arisen. This approach aims to swiftly resolve the liquidity challenges and foster a cooperative working environment and mitigating the issues that have emerged.

2.6 The Company's Board of Directors Meeting No. 5/2023 on May 13, 2023, a resolution was made to acknowledge the operational results for the 1st quarter of 2023. It was found that PAS incurred losses in its operations. The Company had to recognize its share of the losses from the investment in PAS, amounting to 1.44 million baht. Furthermore, the Audit Committee reported that financial and legal consultants involved in the PAS share purchase were invited to provide additional details on May 18, 2023. additional details on May 18, 2023.

2.7 The Company's Board of Directors Meeting No. 6/2023 on June 3, 2023, a resolution was made to acknowledge the progress regarding issues in PAS. It was found that PAS encountered liquidity issues, resulting in an inability to remunerate employees fully. Subsequently, employees lodged complaints with the Department of Labor Protection and Welfare and refrained from working for customers. This situation could potentially lead to customer complaints or legal actions against PAS. Moreover, all three directors of PAS have tendered their resignations, resulting in the absence of directors and executives in PAS.

2.8 The Company's Board of Directors Meeting No. 7/2023 on July 7, 2023, a resolution was made to acknowledge the ongoing operational challenges in PAS. It was noted that all three directors had

resigned, resulting in no ongoing operations in PAS and a considerable number of employees filing complaints with the Department of Social Welfare and Labor Protection. The meeting deliberated on the absence of directors in PAS following the resignation of all directors. Consequently, the Company decided to utilize its entitlement to convene a meeting with PAS shareholders to address concerns and explore potential solutions. The challenges faced by PAS originate at the administrative level, encompassing a persistent shortage in the management team, operational staff, and cash flow for business operations. Additionally, there is a possibility for various disputes to arise in the future. Rectifying these issues will necessitate the company to make investments or incur additional expenses. Therefore, the Company's Board of Directors determined that the Company would refrain from engaging in business rehabilitation or taking any action in PAS. As a resolution, the approval was granted for the provision for impairment of all remaining investments, totaling 126.46 million baht, culminating in 144.55 million baht within the 2nd quarter of 2023.

Following the Company's Board of Directors' awareness of internal management issues within PAS, proactive measures were taken to address these concerns. Past initiatives involved the appointment of new directors from the Company to assume PAS management responsibilities in lieu of the former executives. Furthermore, there have been discussions with the former executives to investigate the potential of collaboratively infusing capital to enhance PAS's liquidity and facilitate continued business operations. However, the presence of diverse internal issues in PAS, such as liquidity challenges, internal conflicts among executives, and employee-related concerns, resulted in unsuccessful resolution attempts. During the Company's Board of Directors Meeting No. 8/2023 on August 11, 2023, a deliberation took place to reevaluate the management situation in PAS. Despite the Company's efforts to engage PAS shareholders in discussions aimed at finding solutions to the identified problems which requires cooperation from the Board of Directors in PAS to invite a meeting of PAS shareholders, however, the company did not receive cooperation from the directors of PAS in inviting a meeting of shareholders. Consequently, the Company was unable to proceed with any corrective actions. The Company's Board of Directors has resolved to authorize the sale of the entire 14,700 ordinary shares of PAS at a total price of 1 baht. This empowerment is extended to the management to negotiate and execute any pertinent agreements necessary for the successful completion of the share purchase agreement.

The Company wishes to clarify that the legal issues involving PAS, as an associate of the Company, do not have an impact on the financial standing of the Company. Nonetheless, The Company solely acknowledges the loss incurred due to the impairment of the investment in PAS. This particular loss has been duly accounted for in the financial statements for the 2nd quarter of 2023.

Please be informed accordingly.

Yours sincerely,

(Miss Kunlanit Sarapab)

Director