



ANNUAL REPORT

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Vision

MFEC Public Company Limited

To become Thailand's best IT workplace

with passion to create technologies and innovate solutions
that uplift your digital life

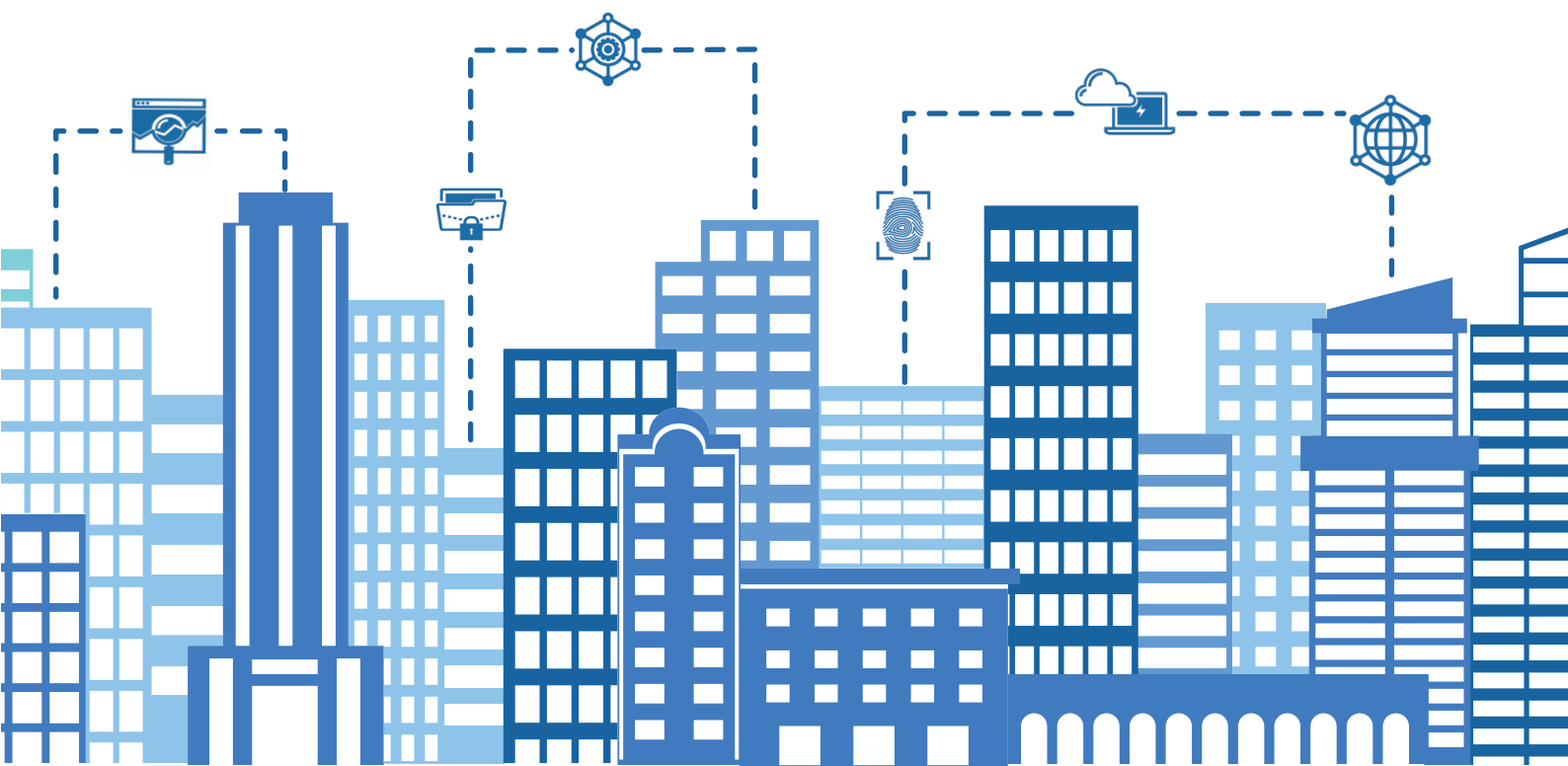
Mission

To drive innovations that enhance people's digital life

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The company is committed to operate business transparently and fairly under the corporate governance framework, while adhering to the corporate governance principles, ethics, and Code of Business conduct, responsibility to the society, environment and all stakeholders for consistent competitive advantages and sustainable growth. The company has transformed its business models following the IT trend, bringing about Social Media, Cloud Computing, Big Data, Mobility and Security in line with Digital Business Transformation to cope with rapidly-changed situations. MFEC strongly intends to “**produce people**” by developing internal and external human resources in the ICT field for the market.

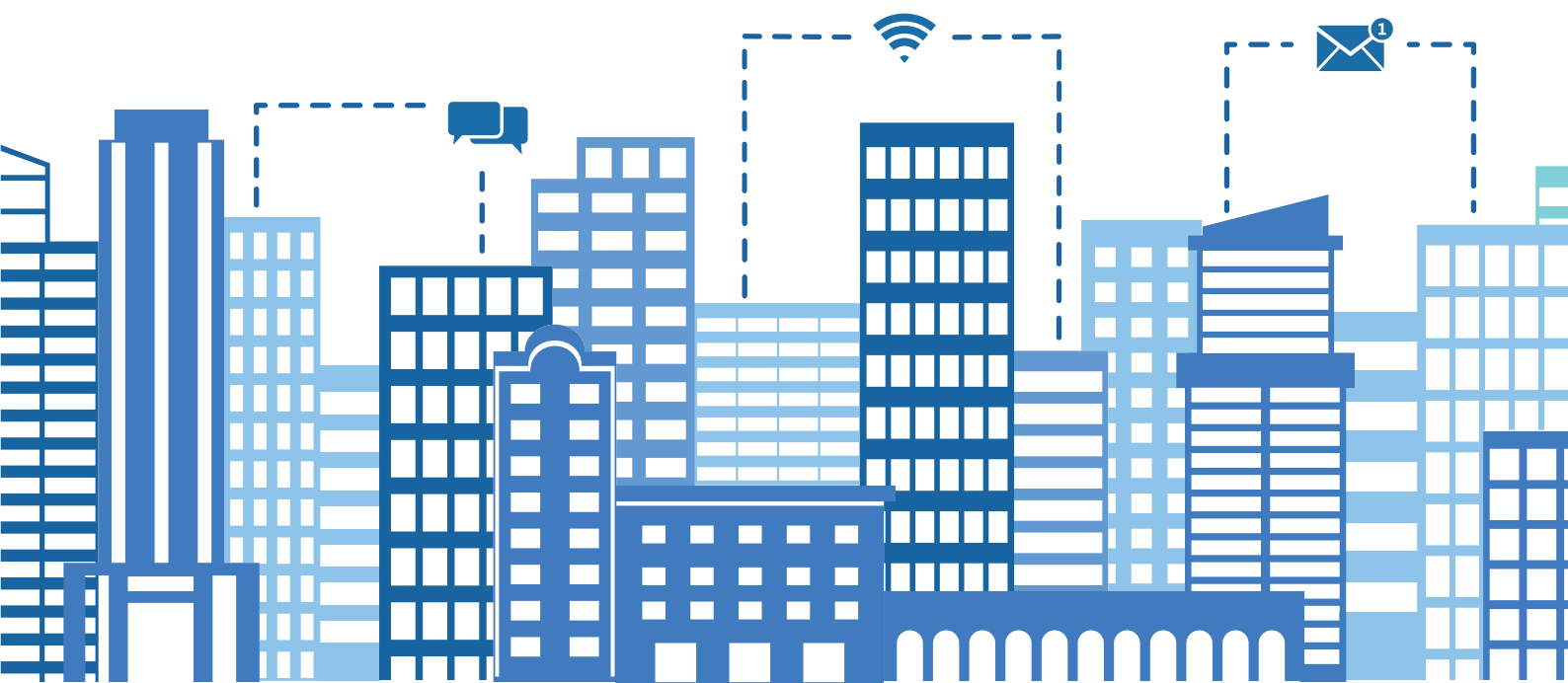
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Board of Directors Report

In remembrance of His Majesty the late King Bhumibol Adulyadej on the second anniversary of his passing and of all kings of Thailand, MFEC Public Company Limited and its companies would like to satisfy the intention of His Majesty the King Maha Vajiralongkorn Bodindradebayavarangkun stating “People must have happiness and Thai society must admire good people” with our loyalty, adherence to good deeds, love of the nation and benefits given to the country.

MFEC Group’s Board of Directors, executives, employees and subsidiaries have been deeply committed to operate businesses for quality product and excellent services with efficiency and international standards. Simultaneously, the employees’ capability development has been emphasized, while learning process aside from theoretical studies have been given to university students as a means to produce human resources under its theme “Produce Quality People.” These moves aimed to lay out the country’s economic and social foundation for the organization’s stable and sustainable expansion, in accordance with the government policy and strategic development plan for Industry 4.0. The economic structure will be shifted to the “value-based economy” and follow the organization’s mission “We will be a driver to better your digital life.” The employees have been pushed for and promoted learning and skill development as well as enhancement of educational foundation for the future of Thailand.

MFEC Group is aware and pays attention on fair and transparent business operations, based on the good corporate governance, with the principles of corporate governance, social responsibility and good performance, aiming to grow and develop the organization with sustainability. In 2018, given consistent changes in information technology, innovation, consumer behavior in the digital age. Digital shift makes broader economic and social impacts, forcing digital organizations to employ technologies to boost efficiency for cost reduction. Organizational cooperative reform must be achieved to enhance productivity and bring new waves for digital operations. Boards of directors of MFEC Public Company Limited and its companies are well aware of such change, revising their visions, missions and business strategies to satisfy consumers’ need. In order to cope with the change, joint investment with experienced parties has been made with technology transformation for market expansion, while organizational restructuring has been done for possible mergers of businesses in the group. Risk management has been planned and internal control has been improved for business plans. The principles of corporate governance according to the Good Corporate Governance Policy have been adopted and responsibility for the community, environment, society and all supporting groups has been taken fairly.

In the overall, MFEC Board of Directors and committees achieved their tasks as set in the operational plans and promoted Pan Panya Foundation’s activities with IT support, encouraged use of digital contents and electronic media for development of education quality and capability. Therefore, learners brought out their creative ideas for innovation and extended them for occupations, creating jobs and generating income for Thai young people with knowledge in sustainable living.

Finally, I, on behalf of the Board of Directors, would like to thank all supporting groups extending from all customers, suppliers, shareholders, employees and executives who joined hand to drive the company to a success, while always supporting it. The Board of Directors are committed to oversee and supervise the businesses to expand continuously with sustainability, and participate in social improvement and human resources development as the power to drive the digital life, a foundation for robust growth and prosperity in the future.

(Mr. Sirisak Thirawattanangkul)

Chief Executive Officer

(Mr. Siritwat Vongjarukorn)

Chairman



Audit Committee Report

The Audit Committee comprises of three (3) independent directors who are senior experts with knowledge and experience in the fields of laws, accounting and finance, and organizational management. The scope of its duty and responsibility is assigned by Board of Directors, following Capital Market Supervisory Board and Stock Exchange of Thailand's announcements.

In 2018, the Audit Committee had six (6) meetings and reported its performance to the Board of Directors every quarter. Each Audit Director had the following meeting attendance:

	Attendance
Mr. Suchart Thammapiatgkul Chairman	6/6 times
Prof. Dr. Uthai Tanlamai Audit Director	6/6 times
Ass. Prof. Dr. Kamales Santivejkul Audit Director	6/6 times

All of three (3) Audit Directors were independent directors.

In regard to the annual performance, the Audit Committee had one (1) discussion with Executive Chairman, Auditor, Internal Auditor and one (1) meeting with the Risk Management and Corporate Governance Committee. In all meetings, the Audit Committee reported its opinions and provided its recommendations with independence in the following details:

Accountability, Accuracy and Completeness of Financial Reports

The Audit Committee audited annual and quarterly financial reports in 2018 with the management and auditor for approval, in respect with appropriate preparation of essential information in accordance with the general accepted accounting principles and accounting standard. Such information extended from changes of major accounting policies to reviews of connected transactions between the shareholders and the subsidiaries or other related companies. This was to ensure that such connected transactions between the shareholders and the subsidiaries or other related companies followed normal business conditions for the optimal benefits of the company without any advantages irregularly taken, and abided by the laws and requirements of the Stock Exchange of Thailand. The Audit Committee also discussed with the auditor to acknowledge problems from the audit, while considering and making comments to the auditor's audit plan and results prior to forwarding them to the Board of Directors for consideration.

The audit results stated that the 2017 financial reports and connected transactions between the shareholders and the subsidiaries or other related companies were accurately prepared and followed the legal requirements and accounting standard with accountability and sufficient information disclosure for financial-statement users.

Risk Management

Risk management system and process were managed to be standardized for efficiency and effectiveness, acknowledged risk management results in the previous year and provided recommendations for improvement.

The Audit Committee audited the risk management process within the organization as well as risk management policy plan and guidelines on a regular basis. It had an annual meeting with the Risk Management Committee to provide detailed audit results of the internal control system, provided recommendations for appropriate improvement, and acknowledged major risk issues for audit planning in a following year. In 2018, the Audit Committee conducted auditing in additional issues for the control of investment in large-sized project of the company and monitor the operations of affiliated companies as a means to have the efficient and effective control system and mitigate organizational risks.

Internal Audit and Internal Control System

Internal audit was supervised to be in compliance with the professional standard through assessment of risks and internal control system of Committee of Sponsoring Organizations of the Treadway Commission (COSO), while an annual audit plan – based on business risks, workforce and internal audit human resources development plans - was reviewed and approved. Audit results were also considered with recommendations to the internal audit office and management for work improvement.

The Audit Committee considered the audit results, according to the audit plan in major issues following the annual audit plan, gave observations and presented major issues to the Board of Directors as a means to urge the management to make work improvement in the issues founded by the internal auditor.

Compliance with Relevant Requirements and Laws

The Audit Committee reviewed and prompted the company to abide by the securities and exchange laws, the Stock Exchange of Thailand's requirements and related laws on a regular basis, presenting that the compliance with audited transactions required by the securities and exchange laws, the Stock Exchange of Thailand's requirements and related laws was adequate.

Compliance with Anti-Corruption Measures

The Internal Audit Office reviewed the compliance with the anti-corruption policy and reported risk assessment related to corruption in the company to the Audit Committee for acknowledgement of its adequacy in the prevention of corruption and anti-corruption as stated in the corporate policy.

In 2018, the company participated in Thailand's Private Sector Collective Action against Corruption (CAC). Management and staff of the anti-corruption team have prepared a Code of Conduct and published in E-book to employees and outsiders through our website. To raise awareness of anti-corruption guideline within the organization, to step into the planned membership of the organization.

Disclosure of Connected Transactions/Related Party Transactions

The Audit Committee considered, reviewed, approved and disclosed information and actions in the connected transactions, related transactions and related party transactions among the company, its subsidiaries and the shareholders at stakes which could lead to any conflicts of interest before forwarding them to the Board of Directors for approval. Most of the transactions in 2018 involved trade – the normal business. The company abided by the policy and disclosed the information as required by the Stock Exchange of Thailand as to ensure the company's reasonable compliance with normal business conditions, good corporate governance and its business philosophy.

Selection and Nomination of Auditor

The Audit Committee considered the previous-year performance of Dharmniti Auditing Company Limited, which did the audit works for the company and its subsidiaries, and found satisfactory results. After a meeting with the auditor, imperfection found in the internal control along with the guidance for the accounting standard was reported to the Audit Committee. Therefore, the committee agreed to present the Board of Directors to nominate Mr. Thanawut Piboonsawat, licensed auditor no. 6699 or Ms. Sulalit Ardsawang, licensed auditor no. 7517, or Mr. Peeradet Pongsathien, licensed auditor no. 4752 of Dharmniti Auditing Company Limited as the company's auditor. The audit fee including BOI promotional privileges was determined at 1,390,000 baht, up 9% from the rate in 2016 and the auditor did not provide any other services to the company and had no relationship and/or no stake with the company/its subsidiaries/its executives/its major shareholder or any other persons related to the said persons.


Good Corporate Governance

In respect with the review of good corporate governance, the Audit Committee suggested improvement of the corporate governance following the Corporate Governance Code for listed companies 2017 in order to increase its efficiency and comply with the Stock Exchange of Thailand's requirements. The Board of Directors was well aware of the good corporate governance and consistently followed progress of its development, social responsibility and anti-corruption. The board delegated the responsibility for oversight, supervision and annual assessment of the corporate governance policy to the Risk Management and Corporate Governance Committee. All details were disclosed in this year's Annual Report "Corporate Governance."

Opinions to Audit Committee's Performance following the Audit Committee Charter

Based on its self-appraisal in 2018, the Audit Committee performed its duties and took responsibility as designated in the Audit Committee Charter, employing its knowledge, capability, caution, prudence and independence. Besides, the committee made comments and provided proper recommendations for equal benefits of the stakeholders. In regard to the audit works of financial statements, internal control, compliance with related laws for the businesses, selection and nomination of the auditor, consideration of connected transactions or transactions that may lead to conflicts of interest, review of the Audit Committee Charter and preparation of the Audit Committee report, the appraisal was made that the Audit Committee performed all of its duties as designated in the charter.

According to the Audit Committee's opinion, the company accurately made financial reports following the general accepted accounting principles with adequate disclosure of connected transactions or transactions that may lead to conflicts of interest, sufficient risk management, appropriate and efficient internal audit and internal control, compliance with the Stock Exchange of Thailand's laws and requirements and related laws, and continuous improvement for good and sustainable corporate governance.



Mr. Suchart Thammapiatgul

Chairman, Audit Committee
18th December 2018



Risk Management and Corporate Governance Committee Report

Risk Management and Corporate Governance Committee consists of three (3) independent senior experts and one (1) executive director, performing duties identified in the scope and responsibility as delegated by the Board of Directors. Each director's term is two (2) years.

In 2018, the Risk Management and Corporate Governance Committee held seven (7) meetings and reported their risk management and corporate governance performance to the Board of Directors on a quarterly basis. Each Risk Management and Corporate Governance Director attended the meetings in the following details;

Attendance		
1.	Prof. Dr. Uthai Tanlamai Chairman/Independent Director	7/7 times
2.	Ass. Prof. Dr. Kamales Santivejkul Risk Management & Corporate Governance Director/Independent Director	7/7 times
3.	Mr. Thanakorn Charlee Risk Management & Corporate Governance Director/Executive Director	7/7 times
4.	Dr. Charn Tharawas Risk Management & Corporate Governance Director/Executive Director	3/7 times

Dr. Charn Tharawas was appointed by the Board of Directors' Meeting No. 4/2018 held on 14 August 2018.

The Risk Management and Corporate Governance Committee met with Audit Committee once a year in order to raise major risk issues and provide useful information for annual internal audit planning of Internal Audit Office. The Risk Management and Corporate Governance Committee expressed its opinions and recommendations on sufficiency and independence of the internal control system.

In the previous year, the Risk Management and Corporate Governance Committee reviewed the following major issues delegated by the Board;

Risk Management

1. Consider a framework of risk management and screen risks that prevented the organization and its companies to achieve their strategic goals carefully. Both external and internal risks were considered prudently, while early warning signs were applied and suggestions were given to prevent risks and keep a watch.

2. Screen and assess risks, and give opinions on risks that may affect targets of capital increase, acquisition of ordinary shares of companies in the group, mergers and disposition of some portion of the subsidiaries' shares to the partner companies for the benefits of management, business expansion and market extension as well as MFEC Group's growth. Examples were risk assessment of capital increases of Fanster Media Company Limited and Pra-in Fintech Company Limited, acquisition of ordinary shares of MIS Outsourcing Company Limited and a merger of the companies of Softsquare Group before forwarding the said transactions to the Board of Directors for approval and informing the investors for acknowledgement.

3. Acknowledge risk management report, prepared by Risk Management and Corporate Governance and managing director of each company in the group, in all dimensions for progress monitoring on the administration's risk management tasks to contain impacts at an acceptable level. This was to build up the shareholders' confidence on MFEC Group's continuous and effective risk management and MFEC Group's capability to achieve their goals.

4. Promote training on risks for group companies' executives, unit heads and operators to raise awareness, among MFEC Group's executives and employees, of the importance of risks and increase risk analytical skills.

5. Provide recommendations for the management of all companies in the MFEC Group to focus on risk prevention and prioritization which will solve and establish guidelines to reduce risks to the acceptable level, and consider future risks and risk prevention plan.

- **Corporate Governance**

1. Revise the Code of Conduct and e-book manual for dissemination to the employees and investors for acknowledgment. The Code of Conduct was presented to the Board of Directors' Meeting No. 1/2018 held on 14 February 2018 for consideration and approval, while the Code of Business Conduct Committee (management level) was established to make the employees to understand their roles and duties in business operations with ethics, accountability, transparency and compliance with the policy.

2. Make a proposal through the Audit Committee's Meeting No. 5/2018 to examine qualifications according to the principles of Anti-Corruption and forward the proposal to the Board of Directors' Meeting No. 6/2018 held on November 6 2018 for approval of the application for Certification of Anti-Corruption of Thailand's Private Sector Collective Action Against Corruption (CAC).

3. Provide recommendations on good corporate governance.

- Information Disclosure and Transparency. The company revised its website to allow access in all aspects of the company. Examples were Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) and Sustainability Report. Besides, quarterly performance reports and key information were disclosed with accountability, accurateness and completeness for the shareholders, investors and people through the Stock Exchange of Thailand's website and the company's website www.mfec.co.th.

- The Risk Management and Corporate Governance Committee governed to have preparation of the guidelines in the form of e-book, according to the anti-corruption policy, on accepting and offering gifts, meals or other hospitality as the standard for staff performance, aiming all staff at all levels to perform their tasks wholeheartedly with no expectation for benefits, and avoid any conflicts of interest that may arise.

Conclusively, in 2018, the Risk Management and Corporate Governance Committee performed its duties to govern and manage organizational risks of MFEC Group at the appropriate level to assist MFEC Board under the principles of good corporate governance. The committee performed its tasks as delegated in the charter with carefulness and prudence in order to enhance MFEC Group's efficient risk management, promote the organization to attain the overall business goals and build up confidence for all of MFEC Group's stakeholders.



Prof. Dr. Uthai Tanlamai
Chairman,
Risk Management & Corporate
Governance Committee
18th December 2018



Nomination and Remuneration Committee Report

Nomination and Remuneration Committee is comprised of four (4) members: Chairman – an independent, senior expert; and three (3) independent and executive directors, performing its duties in the scope of responsibility delegated by Board of Directors. Each Nomination and Remuneration Director has a term of two (2) years.

In 2018, the Nomination and Remuneration Committee had three (3) meetings. Each of its members had the following detailed meeting attendance.

Meeting Attendance

1. Mr. Anant Leetrakul, Chairman – Nomination and Remuneration Committee/Independent Director	3/3 times
2. Ass. Prof. Kamales Santivejkul, Nomination and Remuneration Director/Independent Director	3/3 times
3. Dr. Charn Tharawas, Nomination and Remuneration Director/Independent Director	3/3 times
4. Mr. Siriwat Vongjarukorn, Nomination and Remuneration Director/Executive Director	3/3 times

The Nomination and Remuneration Committee reported the nomination and remuneration results to the Board on an annual basis, prudently and reasonably performing its duties and considering major issues as delegated by the Board in the following details:

1. Guidance on performance appraisal of the Board, committees and Executive Chairman/President was considered to determine remuneration in 2018. Performance against the stated objectives, management capability, the number of meeting attendance, self-appraisal of MFEC Public Company Limited's Board, committees, Executive Chairman/President, and comparison for remuneration rates among industry peers were considered for the company's annual remuneration rates in 2018 before forwarding them to the Board and, then, the annual general meeting of the shareholders for consideration.

2. The minority shareholders were promoted and provided the opportunity to govern the business operations and give opinions involving them. Meeting agenda must be proposed and candidates for the position of directors to replace those who retired must be nominated for the year 2019 at least 90 days in advance (during 1st November 2018 - 31st January 2019) through the Stock Exchange of Thailand's channel and the company's website www.mfec.co.th.

3. Candidates were nominated and selected from diverse fields of occupation with proper qualifications according to the related laws and regulations such as the Public Limited Company Act, Securities and Exchange Act, MFEC's Articles of Association and its Corporate Governance Principle. Necessary skills, appropriate qualifications in line with the company's business strategies and knowledge for businesses (Board Skill Matrix) as supports for Board of Directors to achieve its objectives were taken into consideration. The minority shareholders were able to nominate appropriate candidates for the position of the directors. Meanwhile, none of the shareholders nominated the candidate during the nomination process of Annual General Meeting of the Shareholders in 2018. Therefore, the retired directors have been nominated to resume the position of the directors for another term.

4. Candidates with appropriate skills, knowledge, capability, experience and qualifications satisfying independence characteristics were nominated and selected to for the position of Risk Management and Corporate Governance Director in replacement of the previous Director who retired on 14th August 2018 (Each Risk Management and Corporate Governance Committee member's term lasts two (2) years.). The Nomination and Remuneration Committee took the elements and appropriateness into consideration to the renewal of the existing Risk Management and Corporate Governance Committee.

Conclusively, the Nomination and Remuneration Committee's 2018 performance was in line with its objectives and duties delegated by the Board of Directors. The remuneration details of the Board of Directors, committees and executives are presented in this Annual Report for transparency.

Mr. Anant Leetrakul
Chairman, Nomination and
Remuneration Committee
18th December 2018



Company Profile

MFEC Public Company Limited

Company name

MFEC Public Company Limited

Initial

MFEC

Business Type

IT Services and Systems Integration

Location

Head Office

699 Modernform Tower, Srinakarin Rd., SuanLuang,
Bangkok 10250
Tel. 0-2664-5999 Fax.0-2722-8388

Branch 1

333 Lao Peng Nguan Tower 21th Floor, Vibhavadi Rungsit Road,
Chompol, Chatuchack Bangkok 10900
Tel. 0-2821-7888 Fax. 0-2618-8188

Branch 2

349 SJ Infinite One Business Complex 11th Floor,
Vibhavadi-Rangsit Road, Chompol,
Chatuchak, Bangkok 10900
Tel. 0-2821-7800

Website

<http://www.mfec.co.th>

Investor Relations

<http://www.mfec.co.th/en/investor-relation/information-request/ir-contact/>

Company Secretary

E-mail: secretary@mfec.co.th

Registration No.

01075 4600015 6

Registered Capital

441,453,555 Baht

Paid-up Capital

441,453,555 Baht

Reference

Securities Registrar

Thailand Securities Depository Company Limited
62 The Stock Exchange of Thailand Building Ratchadapisek Rd.,
KlongToey, Bangkok 10110
Tel. 0-2229-2800 Fax. 0-2359-1262-3
Website <http://www.tsd.co.th>

Auditor

Mr.Thanawut Piboonsawat
Auditor No. 6699

Ms.Sulalit Ardsawang,
Auditor No. 7517

Mr. Peeradegch Pongsatiensak
Auditor No. 4752

Dharmniti Company Limited
178 Dharmniti Building 6th-7th Floor, Soi Permsap (Prachachuen 20),
Prachachuen Road, Bangsue District, Bangkok 10800
Tel. 0-2596-0500 Fax. 0-2596-0567
Website <http://www.dharmniti.co.th>

Solicitor

Dharmniti Law Office Company Limited

2/4 Nai Lert Tower, 4th Floor, Wireless Road, Lumpini,
Patumwan, Bangkok 10330
Tel. 0-2252-1260 Fax. 0-2252-1104

Grand Law Office

96/1 Moo 5, Highway no.345 Rd, Bangkoowat, Muang District,
Patumthani 12000
Tel. 0-2977-0339 Fax. 0-2977-0993

Yanisatharm Law Office

135/19 Amornpan 205 Tower II, 9th Floor Soi Natong,
Ratchadaphisek Rd., Dindaeng District,
Bangkok 10400, Thailand
Tel. 0-2693-8917-8 Fax. 0-2693-8919

Pannakan Law Office

117/32 Chokchai 4, 20 Soi, Chokchai 4 Road, Lat Phrao District,
Bangkok, 10230
Tel. 0-2931-5331 Fax. 0-2931-5331



Award of MFEC Group's Success during 2016-2018

The Year 2018

- “Cloud Platform Partner of The Year 2018” at Oracle FY19 Thailand Partner Forum, reflecting MFEC capability to cope with current technologies with Oracle Cloud Solution. MFEC was the first partner in Thailand to develop EXadata Cloud for Asean customer.
- “Gold Partner Award” at Veritas Partner Executive Award.
- “Certificate of Achievement Partner Plus Champs 2018” at Cisco – Commercial xcelerate Champ 2018.
- “FY2018 Unity Gold Partner” at F5 Networks Thailand.
- Silver award in the topic “Cisco Innovation Challenge” at Cisco Partner Summit 2018 with “mDefense” App Monitoring Solution.
- “Data & AI Partner of the year 2018” at Microsoft Thailand Inspire 2018.
- “Very Good” level of recognition for the Corporate Governance Report of Thai Listed Companies in 2018 by Thai Institute of Directors (IOD).
- “Very Good” level of recognition for Annual General Meeting (AGM) in 2018 by Thai Investors Association.
- “AWS Partner Network Advanced Consulting Partner 2018” at AWS Partner Connection.
- “Top Enterprise Partner” from Lenevo DCG Channel kick-off 2018.



The Year 2017

- “FY16 Service Partner of the Year” and “FY16 Marketing Excellence Partner of the Year” at Cisco Thailand and Indochina Partner Conference, Dusit Thani Hotel, Hua Hin on 9 January 2017.
- “2016 Biggest Deal” from Informatica Partner at The Westin Grand Hotel, Sukhumvit on 24 August 2017.
- AWS Partner Network Leadership Principle Recognition 2017 at S31 Hotel, Sukhumvit on 19 December 2017.
- “Outstanding Contribution Partner Award 2017” from Vintcom Technology PCL. at VINTCOM PARTNER FORUM 2017, Siam Society Hotel & Resort on 22 December 2017.
- “Very Good” level of recognition for the Corporate Governance Report of Thai Listed Companies in 2017 by Thai Institute of Directors (IOD).
- “Very Good” level of recognition for Annual General Meeting (AGM) in 2017 by Thai Investors Association.

The Year 2016

- 14th Outstanding Chula Engineer for Mr. Siriwat Vongjarukorn, Executive Chairman from Chulalongkorn University Engineering Alumni at Plaza Athenee Bangkok, A Royal Meridian Hotel on 20 January 2016.
- “EUC Partner of the Year 2015” from VMware at VMware Partner Kick Off 2016, The Westin Grand Hotel, Sukhumvit on 22 March 2016.
- “FY15 Service Provider Partner of the Year” from Cisco at Thailand & Indochina Partner Conference 2016 Phuket, Pullman Hotel, Phuket during 23-25 March 2016.
- “The Best Mobile Banking Project” from The Asian Banker at The Westin Grand Hotel, Sukhumvit on 14 July 2016.
- “Good” level of recognition for the Corporate Governance Report of Thai Listed Companies in 2016 by Thai Institute of Directors (IOD).
- “Very Good” level of recognition for Annual General Meeting (AGM) in 2016 by Thai Investors Association.



Policy and Overall of Business Operations

Strategy & Goal of MFEC's Business Operations

MFEC sets its target to become the IT company people most desire to work with to create technology and innovation which upgrade all people's quality of life. The company is committed to operate businesses transparently and fairly under the corporate governance framework, while adhering to the corporate governance principles, ethics and Code of Business conduct, responsibility to the society, environment and all stakeholders for consistent competitive advantages and sustainable growth. The company has transformed its business models following the IT trend, bringing about Social Media, Cloud Computing, Big Data, Mobility and Security in line with Digital Business Transformation to cope with rapidly-changed situations. MFEC strongly intends to "produce people" by developing internal and external human resources in the ICT field for the market.

In 2018, MFEC consistently conducted internal human resources development by promoting self-learning through MFEC Udemy Project and encouraging the employees as instructors in Techface, an internal knowledge sharing program, to transfer knowledge. The employees were also being given an opportunity to share knowledge through public articles, an additional medium, as a means to upgrade the organizational image in the dimension of MFEC employees' capability to serve customers IT services. The company continued to conduct activities to produce quality students and have them well-equipped with IT tasks by teaming up with public and private universities to drive MFEC mission stating "the company will be the driver to better the digital life with an emphasis to stimulate the country's human resources development and improve learning skills in upgrading quality of life for people across the country," which conforms with the government's digital development plan. This move aimed to established a foundation which led to Thailand's stable economic growth and social development. For examples, the project with Suan Sunandha Rajabhat University and MFEC Academy Project with Burapha University.

MFEC Group's 2018 Business Strategies

In 2018, MFEC continued its group restructuring. In addition, the company set new business management strategies to cope with the recovering domestic economy and growth in the country – tourism, export and public investment, as well as external growth and IT shift – the main factor and stimulus for rapidly changed consumer behavior. In particular, the disruptive technology has directly affected the existing technology used and the business management direction. Therefore, the company has transformed itself with more variety in the following business models.

- Joint Venture with Potential Partner: To combine outstanding points and strength of both parties (partner & MFEC) for new businesses.
- Revenue Sharing: To invest in potential businesses for recurring income.
- To merge of MFEC's subsidiaries: Merge similar businesses of the group for business strength, opportunities, more income, lower business risks, business advantages and higher financial efficiency.
- Restructure holding in companies in the group for the purpose of management of subsidiaries.
- Solution Provider: To present the best IT solutions to customers and focus on enterprise customers, the group for MFEC's main income.

Besides, the company continued its strategy "MFEC Success DNA" producing new-gen people being full of creativity to satisfy and benefit customers, having adaptive (flexible and ready to change for better things), agile (self-developed and ready to learn for higher efficiency) mindset, and working with passion. The organization was made as a network connecting the employees to exchange and develop skills for a success. Such strategy led to pride, systematic internal management as "Cross Matrix" supporting heads of business units to plan human resources and departmental tasks in response to the organization's main targets and strategy with efficiency. The front-office and back-office employees were also united.

MFEC Goals

Given its 2018 performance, the company had the following business goals;

1. Improvement of internal IT Infrastructure

The company continued to develop MPM (MFEC Portfolio Management) which inspected information and products as well as project contracts for accuracy and efficiency. In 2018, the company developed additional subsystems;

- IT Request: the employees does self service as a request for IT Support.
- PMA: It collects each project's plans for Preventive MA with warning to support engineer team for Preventive MA.
- Calculation for Operational Risk: It supports Risk Assessment.
- Timesheet Workload: It demonstrates timesheet graphs by timesheet type and project status to support BU heads.
- Storage of Strategic Risk, HR Risk & Financial Risk: It support Risk Assessment.
- LG request: It sends requests and follow LG, which will be combined with the existing Contract Request.

Furthermore, the company improved and changed IT Support systems for higher efficiency, work continuity and support of SJ Tower office as follows:

- New server for production.
- Infrastructure expansion for additional space of 12th Floor of SJ Tower.
- Shift from Oracle ERP to Navision for interpretation efficiency.
- Development of Fix asset online for asset management, administration and paper reduction.
- IoT for Monitoring of Server rooms.

2. Extend Customer Base to Broader Businesses

The company continued its main policy to enlarge its customer base in the broad and depth dimensions for all groups of customers – leading, larged-sized enterprises in all industries. The company had a strategy to retain its existing customers and expand new customers to achieve the marketing goal amidst high market competition. Business groups tended to have more demand for IT – an important tool to drive businesses in terms of cost reduction, higher productivity, more business opportunities for higher growth competitiveness in light of fiercer competition in the age of regionalization. The company paid attention to research and development to boost competitiveness, connect with IT and cope with changes following the Global Mega Trends. The move particularly aimed at the telecom and finance sectors – MFEC's main customers whose higher IT demand continued.

The public sector, state enterprises and energy group poured a large amount of IT investment combined from the government projects which had the IT support policy. The government's digital economy policy in 2016 intended to continue IT development. So far, e-Commerce development is hoped to upgrade and generate income for business operators in the next five (5) years in more efficient and faster response to need of service users or customers, while benefiting and strengthening all groups of business operators to compete with other countries, cope with Asean to drive the country's economy and connect information and communication technology (ICT) with both public and private sectors.

The company intends to design solutions to match its customers' demand and benefits with a variety of quality products and services, good service mind and punctual project delivery. Having international talents with knowledge and understanding in customers' businesses also strengthened the company to become the country's software & IT services leader, while helping business operators to compete with others in the world stage and promoting plans to step into the regional and global markets more swiftly. The company employs its marketing strength with its marketing team and quality services to support market expansion.

3. Enlarge Size of IT Professional Services

The company continued to fully go ahead with its "One-Stop Services" and planned to drive businesses with its six (6) solutions;

- Digital Enterprise Solution: digital solution for large-sized enterprises.
- Digital Information Services: integrated information administration ranging from design, plan, collection, interpretation to data analytics for forecast of the future.
- Cloud Service Solution: design service for Cloud system for organizational users.
- Application: development of applications to match customers' demand and businesses in the part of support and recruitment of quality people for services.
- Cyber Security Service: internal information security system to fight cyber threat.
- Digital Transformation: platform service for startups – co-investment, revenue sharing business models, using modern technologies in target groups' need and focusing on time-to-market technology.

All solutions are designed to work together to lead to the leading position in technology, being able to deal with current situations, servicing customers and reducing costs of innovation through development of products and services. MFEC sets its target to have “Solution on Top” in cross selling and up selling for customers. If an organization can retain its customer base, there will be an opportunity to make more profit. Particularly, technology plays a role in organizational growth and strategic efficiency for higher competitiveness, based on two (2) directions: IT for lower expense; and IT for new services.

The company has paid attentions to its people and IT experience for over 20 years. In order to keep pace with rapidly changing technology, the company sets up platforms for learning, knowledge sharing, and stages for projects as well as being allies with other sectors including education and private sectors for real in-depth knowledge base emphasizing on rapidity customers applies new technology for their organizations.

The company develops quality IT people according to the Industry Linkage Policy continuously. The manufacturing and education sectors are linked to produce IT people qualified for the manufacturing. In-depth training is launched with work pieces from the manufacturing for participants’ direct experience. In 2018, the company developed 1,165 IT people via 324 training courses. As planned in its long-term target, MFEC Group aims to become the leader to stimulate Thailand’s human resources development, create high value added jobs in local areas and distribute local income. This move is a part to promote Thailand to the creative service economy and strengthen Thai software market. As a result, the company’s sale and gross profit margin will rise with more workforce, broad market penetration into Thailand and bigger sizes of projects.

4. Expand Scope of Businesses to Development and Ownership of Intellectual Properties

Intellectual property is the company’s main investment strategy to improve products and services continuously as assets which will generate high rates of income and returns in the long term. Intellectual property will also boost the company’s bargaining power and competitiveness.

During 2017-2018, the Research & Development Department has executed four (4) tasks: Web Technology; Deep Learning Technology; 3D Technology; and Mobile Application.

- Research in Web Technology is still important, thanks to its regular changes which lead to innovations and their impacts to directions and work procedures on hardware. Therefore, the Web based Development Platform has continued for new and advanced Web Technology so that such platform is always up to date and works better.

- Research in Deep Learning Technology has played higher role with a focus on Object Detection using: 1) Famous open-source tool as direction for specific models; 2) Labeled Data to teach such model; and 3) Tuning via methods for the model’s higher accuracy and efficiency.

- Research in 3D Technology concentrates on Virtual Reality (VR)/3D Walkthrough. The study still lies on applying from the tool - Open-Source Web Framework whose technology capacity has been analyzed and assessed for research and development of useful VR application.

- Research in Mobile Application has grown in accordance with Mobile Device, focusing on Open-Source technology for Cross-Platform Application with efficiency.

Such research aims to enhance MFEC capability to the technology leader and its service and support for maximum customer satisfaction.

Structure of MFEC Group

MFEC Public Company Limited and its subsidiaries provide IT professional services and system integration for both public and private sectors. The company focuses on large-sized enterprises which lead each industry highly demanding IT services. Scope of services extend from advice to solve problems or satisfy customers' need, development and integration of computer systems and IT network with hardware, software, extension and network equipment, system integration and tests, training for users to maintenance services. The company has the following, three main businesses.

Scope of services extend from advice to solve problems or satisfy customers' need, development and integration of computer systems and IT network with hardware, software, extension and network equipment, system integration and tests, training for users to maintenance services. The company has the following, three (3) main businesses;

1. IT Professional Services
2. System Integration
3. Professional Services

In order to strengthen the organization and comply with the government's direction which supports and promotes the digital economy among new-gen people and others, develop and create technological innovation for business extension via digital technology for products and services based on a combination of innovation and business, MFEC executives during 2017-2018 have had the following policies;

- Encourage the creative employees with work and management capabilities to grow business units together with the organization expansion by holding shares, registering business units as new subsidiaries and allow the employees to take part in businesses as owners and shareholders.
- Expand investment with groups of allies for new channels of income to enlarge the organization's income base to other industries.
- Intend to "Produce People" by developing both internal and external persons in the fields which match the ICT industry's need.
- Merge similar businesses in the group for business strength, greater opportunity, higher income, lower risks, business advantages and higher financial efficiency.

During 2016-2018, the company invested in the following, new companies;

o December 2016: New startup was registered as Playtorium Solutions Co., Ltd. aiming to provide IT professional services and system integration. The company held 70% of the new company's registered capital (5,000,000 baht).

o June 2017: New joint venture, Fanster Media Co., Ltd., was established by the company and Aloha Inter Co., Ltd., providing information services from famous people through mobile/tablet applications, advertisement, PR and marketing services. The company owned 30% of the joint venture's registered capital (40,000,000 baht).

o August 2017: New company – Data Cafe Co., Ltd. was established with an aim to provide consulting services, research and analysis of all types of business for the purpose of market expansion and business extension, training and accreditation for people in IT and other technology-or-computer-related fields. MFEC held 59.9% of the registered capital (20,000,000 baht).

o November 2017: MFEC and Siam Sport Syndicate PCL. joined to establish a new company – Digital Savvy Co., Ltd. with an aim to provide services in ticketing system for tickets or tickets for all plays and organize events. MFEC held 36% of the registered capital (30,000,000 baht).

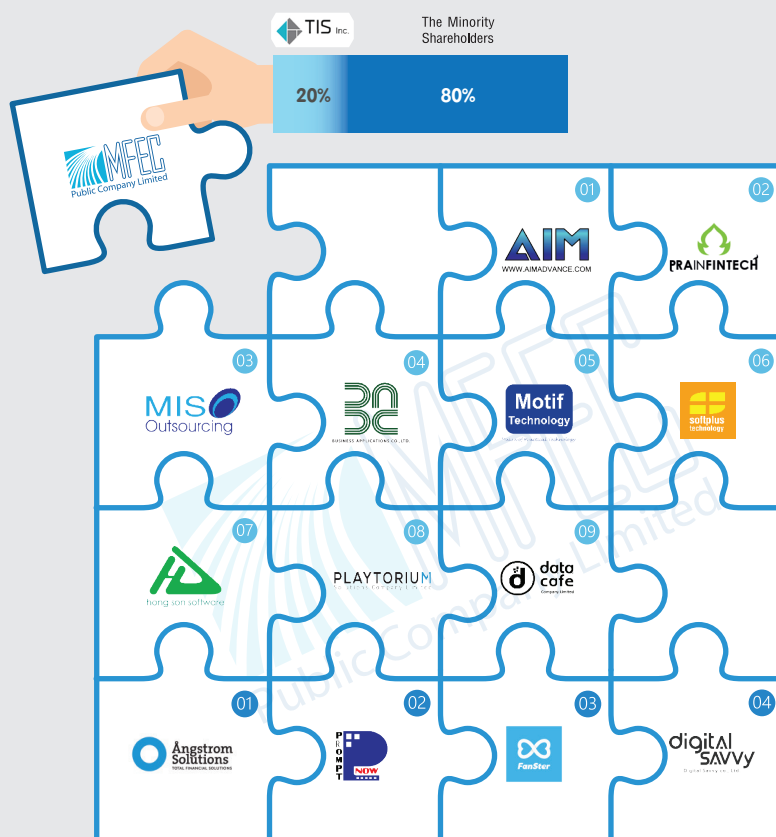
o July 2018: MFEC acquired common shares in M.I.S. Outsourcing Co., Ltd. (MISO) and held 75% of the registered capital (5,000,000 baht) with an aim to manage the subsidiaries.

o September – October 2018: Increased the registered capital of Praln FinTech Co., Ltd. to drive its business to grow as set in the direction and target for new business – electronic payment. MFEC held 70% of Praln FinTech's registered capital (42,850,000 baht). MFEC sold some common shares of its subsidiary Praln FinTech Co., Ltd. to a company of JMART Group - J Venture Co., Ltd. After the transaction, MFEC's holding declined to 71.62% of the registered capital (37,000,000 baht).

o October – December 2018: MFEC's holdings in two (2) companies of Soft Square Group: Soft Square 1999 Co., Ltd.; and Khon Kaen Softtech Co., Ltd. were sold. Four (4) companies of Soft Square Group were merged. They were: 1) Soft Plus Technology Co., Ltd.; 2) Soft Professional Co., Ltd.; 3) K Soft Consulting Co., Ltd.; and 4) Sam Mok Software Co., Ltd., which MFEC held 100% of the registered capital (18,000,000 baht). The merger aimed to strengthen business, raise opportunity, increase income, reduce business risks, build up business advantages and enhance financial efficiency.

As a result of investment in new companies as mentioned above, MFEC Public Company Limited and its subsidiaries, as of 31 December 2018, consisted of four (4) associate companies and nine (9) subsidiaries;

MFEC Public Company Limited Structure and subsidiaries



Structure of MFEC and its Subsidiaries, as of 30th December 2018

Shareholders

MFEC Public Company Limited

Subsidiary Company 01

Advance Intelligence Modernity Co., Ltd. (AIM) 98.2%

Subsidiary Company 02

Praln FinTech Co., Ltd. (Praln) 71.62%

Subsidiary Company 03

MIS Outsourcing Co., Ltd. (MISO) 75%

Subsidiary Company 04

Business Application Co., Ltd. (BAC) 99.99%

Subsidiary Company 5

Motif Technology PCL. (Motif) 99.99%

Subsidiary Company 06

Soft Plus Technology Company Limited 99.99%

Subsidiary Company 07

Hong Son Software Co., Ltd. (HS) 99.99%

Subsidiary Company 08

Playtorium Solutions Co., Ltd. (PTS) 70%

Subsidiary Company 09

Data Cafe Co., Ltd. (DC) 59.9%

Associated Company 01

Angstrom Solution Co., Ltd. (Angstrom) 40%

Associated Company 02

Promptnow Co., Ltd. (PN) 20%

Associated Company 03

Fanster Media Co., Ltd. (FM) 30%

Associated Company 04

Digital Savvy Co., Ltd. (DS) 36%

Note : 1) No person that may have a conflict holds shares of this related company in excess of 10 percent.

2) Subsidiary Company 06, at AGM Meeting No. 3/2018 on 13th December 2018, had a resolution to register changing the name to "M Syne Innovation Co." which operated changing registration and was effective since 2nd January 2019.

Presently, MFEC Public Company Limited has nine (9) subsidiaries and four (4) associate companies with products and services in the following details.

Products/Services by MFEC Group

Associate Company	Main Product/Service	Customer Type
1. Angstrom Solution Co.,Ltd. (Angstrom)	<ul style="list-style-type: none"> • Securities trading 	<ul style="list-style-type: none"> • Finance/Securities companies
2. Promptnow Co., Ltd. (PN)	<ul style="list-style-type: none"> • Mobile Financial Service • Gamification • Managed Service 	<ul style="list-style-type: none"> • Financial institutions • Telecom
3. Fanster Media Co., Ltd. (FM)	<ul style="list-style-type: none"> • Information service on mobile/tablet applications • Advertisement/PR/Marketing 	<ul style="list-style-type: none"> • Entertainment • Retail
4. Digital Savvy Co., Ltd. (DS)	<ul style="list-style-type: none"> • Ticketing system for all play types 	<ul style="list-style-type: none"> • Entertainment • Sports
Subsidiary	Main Product/Service	Customer Type
1. Advance Intelligence Modernity Co., Ltd. (AIM)	<ul style="list-style-type: none"> • Mobile Products • Software as a Service • Online shop E-Commerce • Digital Content 	<ul style="list-style-type: none"> • Telecom • Insurance • Retail • Financial institutions • Consumers
2. Prain FinTech Co., Ltd. (PF) Former: Modernform Integration Services Co., Ltd. (MIS)	<ul style="list-style-type: none"> • Modern Pay (Mobile Payment Gateway) • Service management <ul style="list-style-type: none"> - Managed services - Project based (PC/NB/PRN) 	<ul style="list-style-type: none"> • E-Commerce • Business groups with demand for Alternative Payment Channell • Middle market • Insurance • Manufacturing/petrochemical • Service/transportation • Retail
3. MIS Outsourcing Co., Ltd. (MISO)	<ul style="list-style-type: none"> • Audit, warranty management, and maintenance of IT infrastructure • IT project management and equipment management • Outsourcing IT outsiders • Professional services and system integration for Cloud and office work • IT professional services and system integration involving IT infrastructure <ul style="list-style-type: none"> - hardware & software 	<ul style="list-style-type: none"> • Tourism • Financial institutions • Transportation • Manufacturing • Retail • Food • State agencies/State enterprises

Subsidiary	Main Product/Service	Customer Type
4. Business Application Co.,Ltd. (BAC)	<ul style="list-style-type: none"> • Business Analytics <ul style="list-style-type: none"> - Cognos BI - Cognos TM1 - SPSS Software - Tableau - Datawatch 	<ul style="list-style-type: none"> • State agencies/Private enterprises in all industries
5. Motif Technology PCL. (Motif)	<ul style="list-style-type: none"> • Computer professional services and system integration • Software development <ul style="list-style-type: none"> - Sales Platform (for financial institutions/ insurance/ life insurance, enterprise) • Customer Activities System (iCAS) • Tele Sales (iTeleSales) • Sales Lead Management (iSLM) • Customer Services (iCRM) • Campaign Management (iCampaign) • Digital MKT (iDigital MKT) <ul style="list-style-type: none"> - Software for Insurance • Claim (iClaim) • New Business (iNB) • Policy Owner Services (iPOS) • Distribution Management System (DMS) <ul style="list-style-type: none"> • Agent Management (iAM) • Agent Ledger (iAL) • Agent Portal (iAgent) • Agent Compensation (iCompensation) - Software for Banking - Collection (iCollection) - Legal Tracking System (iLegal) - Non Performance Asset (iNPA) - Appraisal Collateral (iAppraisal) - Custodian (iCustodian) 	<ul style="list-style-type: none"> • Financial institutions • Insurance/Life insurance • State enterprises/State agencies • Enterprises (Boon Rawd, King Power)
6. Soft Plus Technology Co., Ltd. (SPT)	<ul style="list-style-type: none"> • Advisory service for work process • Customized Software • System maintenance and support 	<ul style="list-style-type: none"> • Retail • Telecom • Financial institutions
7. Hong Son Software Co.,Ltd. (HS)	<ul style="list-style-type: none"> • Advisory service for work process • Customized Software • System maintenance & support 	<ul style="list-style-type: none"> • Energy • Financial institutions • Auction

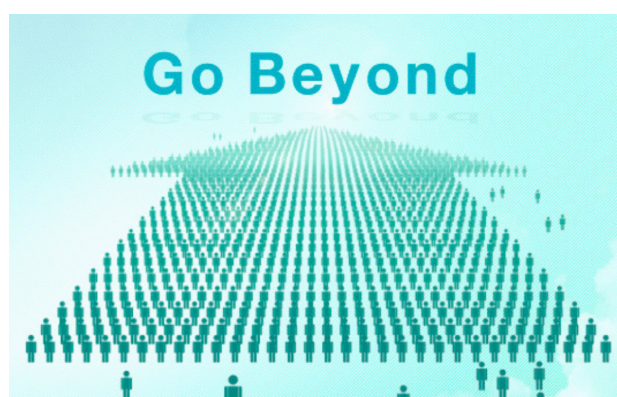
Subsidiary	Main Product/Service	Customer Type
8. Playtorium Solutions Co.,Ltd. (PTS)	<ul style="list-style-type: none"> • IT professional services and system integration in new technology groups and startups • Recruitment service 	<ul style="list-style-type: none"> • Financial institutions • Insurance/Life insurance • Telecom • SMEs/Startups
9.Data Cafe Co., Ltd. (DC)	<ul style="list-style-type: none"> • Business advisory and analytics • Accreditation for IT people 	<ul style="list-style-type: none"> • Telecom • Financial institutions • Enterprises • Energy

Business Relationship with Major Shareholder

MFEC and its group are neither subsidiaries nor parts of the major shareholder's business group. In addition, the company's main business does not have significant relationship or significantly relate to the major shareholder's business group. MFEC has only marketing strategic cooperation with the major shareholder in expanding business opportunities to both internal and external targeted customers for the company's business growth.

Only former subsidiary, Promptnow Co., Ltd. connects with the major shareholder TIS Inc. after MFEC sold its common shares (some) in Promptnow and waived its rights for Promptnow's capital increase shares to TIS Inc. on 1 May 2016. This move aimed to expand the Japanese customer base in Thailand and customer base overseas. Given TIS Inc. as a financial technology service leader, Promptnow will become a specialist in providing specific services. After the transaction, TIS Inc. holds a 40% stake in Promptnow and MFEC owns a 20% stake.

TIS Inc., as of 31 December 2018, held 20% of MFEC's paid-up capital. On 1 June 2016, TIS Inc. and its companies merged within the group and renamed itself as TIS Inc. (TIS) for better management and more business strength. Its structure changed with planned investment in ASEAN. In 2018, TIS Group consisted of 43 subsidiaries and 9 associate companies in the following details;



TIS INTEC Group Companies

Domestic TIS INTEC Group Companies

Japanese Only

- INTEC Inc.
- AGREX INC.
- QUALICA Inc.
- AJS Inc.
- DATATRON CO.,LTD.
- Hokkoku INTEC Service Inc.
- iBPS,LTD.
- IUK Inc.
- AC MEDICAL INC.
- INTEC Solution Power Inc.
- Cloud Scope Technologies, Inc.
- KOUSHI INTEC Inc.
- KOUSHIN INC.
- SKY INTEC INC.
- SorunPure Inc.
- Chuo System Corporation
- MicroMates Corp.
- NEOAXIS Co.,Ltd.
- Nexway Co.,Ltd.
- Registration Network, Ltd.
- TIS Hokkaido Inc.
- TIS Nagano inc.
- TIS Solution Link Inc.
- TIS System Service Inc.
- TIS Tohoku Inc.
- TIS Total Service Inc.
- TIS West Japan Inc.

● Consolidated Subsidiaries

● Non-Consolidated Subsidiaries

43

Company

9

Company

On 1st July 2018

Overseas TIS INTEC Group Companies

China

- INTEC Information Technology (Shanghai) Co.,Ltd.
- INTEC Information Technology (Wuhan) Co.,Ltd.
- QUALICA (SHANGHAI) Inc.
- TISI (Shanghai) Co.,Ltd.
- Tianjin TIS Hi-tech Information System Service Co., Ltd.
- Tianjin TIS Software Co., Ltd.

Singapore

- QUALICA ASIA PACIFIC PTE.Ltd.
- TISI (Singapore) Pte. Ltd.

Thailand

- Baseline Technology Consultants Co., Ltd.
- CODE IT Consulting Co., Ltd.
- ECM Consulting Co., Ltd.
- I-AGREX (Thailand) Co., Ltd.
- I AM Consulting Co., Ltd.
- i Coach Co., Ltd.
- iHR Consulting Co., Ltd.
- iTS—Tradeship Co., Ltd.
- PromptNow Co., Ltd.
- TISI (Thailand) Co., Ltd.

Vietnam

- AGREX (Vietnam) Co., Ltd.
- INTEC Vietnam Co., Ltd.

United States

- INTEC Innovative Technologies USA, Inc.
- TIS R&D Center, Inc.

Myanmar

- Promptnow



Business Characteristics



Global economic outlook in 2018-2019

Economy is forecast to continue expansion

The global economic growth is estimated at (%)

4



Thailand is expected to see its economic growth of

Slightly slowed down



Technology trend

THAILAND

4.0

Market & Competition

Industry & Competition, Overall Market Situation & Trend

During 2018-2019, the global economy has continued “its recovery” with a growth rate of 4%. The United States expanded without inflationary pressure, while Japan may increase its trade tax in late 2019. China continued its expansion but tends to slow down following its economic reform. Asian economy is expected to grow higher than estimated, driven by continued expansion of private consumption and export. The global economy went through its high, given the monetary stimulus, and the global financial markets have adjusted themselves. The Federal Reserve has hiked the fed funds rates. Thailand is expected to expand 3.8% in 2019 on export of products and services, and public investment. Thai export and tourism are mostly centralized in some provinces or some industries, while the overall consumption has not yet recovered sharply particularly in farmers due to: 1) not-recovered-yet prices of agricultural products despite of higher production and, as a result, higher farm income. But profit has not increased; 2) debt repayment as a result of the previous economic slowdown takes time to ease.

Private consumption tends to expand in the future. However, risks remain with: 1) high household debt; 2) prolonged low prices of some agricultural products; 3) impacts from the structural changes, including automation and workforce transfer from the manufacturing to the service sector where has lower comparative wages, in the Thai labor market on some workforce. Meanwhile, Thailand’s private investment tends to see higher-than-expected expansion, which could be driven by the infrastructure investment projects under the Eastern Economic Corridor (EEC) Development Plan – Asean’s leading economic zones. The EEC promotes ten (10) targeted industries as Thailand’s new engine of growth in three (3) eastern provinces – Chonburi, Rayong and Chachoengsao. These industries span from the next-generation automotive, intelligent electronics, tourism, advance agriculture & biotechnology, food processing, robotics, aviation & logistics, biofuel & biochemical, digital, to high wealth & medical. Furthermore, public-private partnership (PPP) aims to enhance the level of the country’s infrastructure investment, based on the whole of life cycle cost.

In the next 3-4 years, there will be business transformation at the organizational and national levels to upgrade the economy to “Thailand 4.0” as set in the government’s 20-year (2017-2036) strategic plan for industry development. Both physical and digital infrastructure will be developed for business operators. High speed broadband and international Internet bandwidth will be prepared and developed. Data centers will be established and public Cloud will be developed to cover data storage, interpretation and linkage and e-Government will be developed to service people. The government’s economic development model plays a role to drive the national reform to handle new opportunities and threats which have changed rapidly and severely in the 21st century. Digital Economy Promotion Agency (DEPA) pays attention to make people understand businesses, support the people capacity development for industries and bring about digital entrepreneurship. DEPA has the following, four (4) strategies to promote digital business operators;

- Measure to promote SMEs and OTOP operators to use CMS (Channel Management System), a platform to support SMEs, OTOP operators and community enterprises to develop sale capability by increasing online trade, distributing products to e-Markets and managing product information through Channel Management System (CSM).
- Measure to promote business operators to register licenses for intellectual property.
- Measures to promote business operators to gain access into sources of capital, build up cooperation with Thai Credit Guarantee Corporation for guarantee approval for digital startups and groups of technology innovation operators.
- Registration of software and digital content operators as a means to promote and develop them.

Therefore, the private-sector technological adjustment is vital in the digital age when digital such as Cloud, Big Data, Social Network, mobile equipment and other equipment will become influential in people’s daily life and businesses, including IoT. The transition to the digital becomes a challenge for Thai business operators. That is understanding to use the digital for products and services and accessing more into online consumers. These are the major issues that several organizations must adjust themselves to the changes.

Major Changes & Development in Three (3) Years

MFEC Public Company Limited (MFEC) launched IT professional service and system integration for both public and private-sector customers on 1997. The company was established as a joint venture between Modernform Integration Services Co., Ltd., joint venture of Modernform Group Public Company Limited, and an executive team with experience in IT and computer fields. In the first operating year, MFEC confronted Asian financial crisis directly affecting its profitability and business operations. About six (6) years after its establishment, Mr. Siriwat Vongjarukorn, Executive Chairman and President, brought MFEC to be listed on the Thai exchange. MFEC has been classified as the dividend stock for 10 years with an average dividend yield of 7.81%, the highest in the communication sector. The company set its policy to grow with its customers, intending to add value to itself and its stakeholders. In the past three (3) years, there are the following major changes;

In 2015 and 2016, the company developed and improve its business direction following market demand, technology trend and customer demand. Internal control system and organizational restructuring were done and new business strategies were formulated amid economic recessions in the country and overseas. IT shift also became the catalyst for rapidly-changed consumer behavior. Business Transformation mainly uses technology to upgrade and develop businesses. MFEC utilized its capability and expertise to help customers in other industries solve problems and gain competitiveness when the customers confronted economic challenges and changes. New business models were created in the form of joint investment with allies in other industries spanning from print media, television to entertainment groups. On another front, major organizational reforms went to environmental improvement of new office – the second office and development center, with a concept to reflect the organization full of creativity. Upgrading work was done under a concept “New Office – New Culture” in four (4) dimensions: 1. Collaboration; 2. Communication; 3. Concentration; and 4. Chill Out. The new office is situated at SJ Infinite1 Tower, 11th Floor. The executives had idea and the policy to support the creative employees with work and management capabilities to grow business units and register new subsidiaries. The company had the policy to expand investment for a new stream of income and enlarge the customer base to other industries so that it enhanced and strengthened its position as the IT leader.

Sources :

News on trends of the global-Thai economy, 2019, Mr. Pipat Luengnaruemitchai, analysis of the global-Thai economy: www.thaipublica.org/2018/pipat-economic-q2-2561 Prolonged trade war, 2019, foreign economy: <https://kaskomresearch.com/th/analysis/k-econ/economy/Pages/z2922.aspx> News on the digital development plan: <http://www.thaigov.go.th/index.php/th/news-ministry/2012-08-15-09-45-26/item/98425-98425> Article on measures to promote and support digital startups of Ministry of Digital Economy and Society Monetary policy report 2018: Bank of Thailand Private Investments in State Undertakings Act B.E.2556 (2013): State Enterprise Policy Office

In 2016 and 2017, the company invested in four (4) more companies: 1) Playtorium Solutions Co., Ltd. - 70% of its registered capital; 2) Fanster Media Co., Ltd. - 30% of its registered capital; 3) Data Cafe Co., Ltd. - 60% of its registered capital; and 4) Digital Savvy Co., Ltd. - 36% of its registered capital.

The year of 2018 was the transition year of MFEC Group amid technological changes. The company raised its capital in Fanster Media Co., Ltd. which increased its registered capital for expanding information service through applications, while issuing new shares for the executives and employees as incentives for development and business extension. Therefore, MFEC holds 29% of Fanster Media's registered capital.

The company sell its shares in two (2) companies of Soft Square Group: Soft Square 1999 Co., Ltd.; and Khon Kaen Softtech Co., Ltd. Similar businesses in the group were also merged: 1) Soft Professional Co., Ltd.; 2) Soft Plus Technology Co., Ltd.; 3) K Soft Consulting Co., Ltd.; 4) Sam Mok Software Co., Ltd. Internal businesses were also adjusted for business strength, higher opportunity, more income, lower business risks and

greater financial efficiency. Companies in the group were restructured. MFEC acquired 75% of M.I.S. Outsourcing Co., Ltd.'s registered capital from Praln FinTech Co., Ltd. for better management of the subsidiaries before liquidating some shares in Praln to J Ventures Co., Ltd., a company of JMART Group for business extension and strength. Presently, MFEC holds 71.62% of MISO's registered capital. MFEC also sold its shares in Advance Intelligence Modernity Co., Ltd. to all directors, given its loss-making performance. The share liquidation will give benefit to the company.

Due to these major changes on producing people, increasing business opportunities, internal and external reinvestment through more investment in Fanster, acquisition of common shares in MISO, liquidation and merger of companies in Softsquare Group, joint investment in Praln FinTech Co., Ltd. with JMART Group and share liquidation of AIM, the subsidiaries will broaden their business expansion and strengthen the leading IT position of MFEC Group.

Income Structure

During 2016-2018 as of 31 December 2018, the company and its subsidiaries' income structure was classified by type of products and services in the following table.

Product	2018		2017		2016	
	Mil. Bt	%	Mil. Bt	%	Mil. Bt	%
IT professional service ¹	953	28.10	649	21.52	580	17.20
System integration	1,357	40.02	1,441	47.78	1,742	51.66
Maintenance service	<u>1,029</u>	<u>30.35</u>	<u>871</u>	<u>28.88</u>	<u>899</u>	<u>26.66</u>
Income from sales and services	3,339	98.47	2,961	98.18	3,221	95.52
Other income ²	<u>52</u>	<u>1.53</u>	<u>55</u>	<u>1.82</u>	<u>151</u>	<u>4.48</u>
Total income	<u>3,391</u>	<u>100.00</u>	<u>3,016</u>	<u>100.00</u>	<u>3,372</u>	<u>100.00</u>

Remark:

/1 Income from IT professional service is income from only service fee excluding sale of hardware and software products related to each project. Such sale is included in System Integration.

/2 Other income consists of gain from sale of investment in subsidiaries, adjustment of fair value of investment, income from promotion from product sellers, interest receivable, gain from asset sale, gain from foreign exchange, and other miscellaneous income.

Out of total income, 40.02% came from system integration, 30.35% from maintenance service and 28.10% from IT professional service, based on No. 29: Financial Information by Business Type of Note to Financial Statements.

Characteristics of Products & Services

In 2018, MFEC Group continued its business transformation – the changes in some dimensions affecting business operations, in order to cope with market situations, IT shift and customers' demand. MFEC Public Company Limited adjusted its management model and new business operation under the transformation, while not competing in technology. The company competes in new business models and build-up of market demand. Another key issue lied in producing people and finding a success for the employees by co-investing with them for startups and pushing up new creativity for customers' businesses, response with the overall industry and technological changes. In 2017, MFEC set the policy for each business unit to develop integrated IT tasks under six (6) main business units. It aimed to design services which accorded and responded to customers' work specifications as a means to help customers to gain competitive advantages. Given working closely with customers for their business strategies, usage demand, existing computer equipment or system and network, analysis was done with presentation of reports and suggestions, detailed work procedures or plan and system development to achieve customers' purposes.

Six (6) main business units are described below;

1. Digital Enterprise Solutions



MFEC truly understands rapid changes of technology, business competition and transformation for competition. Therefore, the organization finds it necessary to adjust its business model and process to be more digitally.

Examples are business transition through mobile application or use of technology to bring new experience for customers. Organizations which will be able to deal with swift changes must have efficient, modern tools or solutions with teams' knowledge and experience to help improve competitiveness. Digital Enterprise Solutions team applies business concepts and classifies four (4) solutions for long-term digital business development;

1.) IT Digital Analytics

It brings solution to have infrastructure information spanning from Data Center or Cloud. Server, Network, Database information is analyzed and interpreted to increase IT management efficiency to keep pace with always-changed usage and analyze usage behavior for business in the future.

2.) IT Digital Experiences

To service customers digitally, it is necessary for an organization to have solution to inspect usage behavior and improve response to widen customers' experience. Such solution must suggest, analyze and present recommendations to the application development team and results to business administrators.

3.) IT Digital Automation

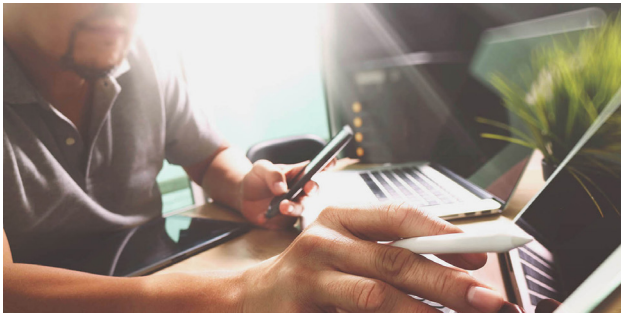
Information increases tremendously and technologies always change. These factors become great challenges for administration teams. Therefore, solution in automation arises to help manage work flow and IT system automatically for work productivity and acceptance of new applications.

4.) IT Digital Collaboration

One of the purposes for the digital transformation is to allow access into technology for users and share internal information or knowledge to connect the society of the employees. Therefore, the solution in Digital Collaboration must be easy and well connect with the world of Social Media.

Thanks to experience of Digital Enterprise Solutions Team in development and maintenance of solution that helps the organization in IT management, the company is confident that such solution will be able to help customers for IT management in the long term and help them cope with the fast-changing digital world.

2. Application



The solution in Application will be a part of system integration or solutions for customers by employing partners' technology or developing own technology. There are two (2) parts of business strategy: 1.) participation in supporting customers to operate businesses which face higher competition. Business is not only trading, but involves being a partner with customers. The best and proper solutions and business models will be offered to customers; 2.) recruitment and development of quality people to serve customers as good people will attract customers to always use our services, and cooperation with business partners to develop projects for customers.

The direction to manage Application business unit follows two (2) styles: 1.) Customers in three (3) groups – banking and finance, telecom, and customers like SiamSport who need reform in business model and have MFEC to be the advisor or join investment; and 2.) Technology such as Java, Net, etc. This aims to help smooth customers' tasks and promote knowledge for the employees. Solutions are grouped into two (2) platforms.

- Mobile Platform Solution: Examples are services for financial transactions of banks, movie schedule check, movie ticket reservation, flight check, transfer of information and news, traffic check, PolarSign Digital Signature, and applications which depend on mobile phones such as location-based service.

- Web Application: It is the development for the purpose of e-Commerce and supports through Intranet and Internet for Business to Business (B2B) and Business to Customer (B2C) as well as development of Cloud-based application.

There are two (2) types of sales: outsourcing and ready-to-made product. Platforms are developed and presented to customers, while being able to adjust following customers' need. The Application business unit sets its work plan to develop more ready-to-made products.

Currently, Application business unit has the strong API Gateway suppliers like CA Technology which applies technology Layer 7 or Redhat:3scale to help present applications. The trend of Fintech, Agriculture Tech and Urban Tech helps promote more access into API Gateway for safety of information access. Now, information and trend of the IT industry indicate that Cloud Computing has transformed the industry particularly the global market which could affect the Thai IT industry. The traditional IT market for IT Infrastructure has continuously declined, while the Cloud market will likely grow rapidly. The trend for use of Cloud Computing will be clearer in the future and may become the main platform everyone uses rather than the traditional on-premise IT. MFEC started Cloud as Infrastructure-as-a-Service and continues development further for customers' cost saving, innovation and fast market expansion.

3. Cloud Services



MFEC provides integrated Cloud services comprising of consulting, design, development and maintenance for customers. Besides, outsource service is available for them if they require maintenance service after their systems run.

As MFEC leads the system integration with a number of leading partners, the company, with its long experience, develops solutions using elements of Cloud Services for customers' optimal benefits. The Cloud Services Team thinks as a customer who wants which type of services and how to use such services. Examples are worthiness of investment, not-too-high budget, proper and good results, customer satisfaction, reduction of large and redundant purchase, more alternatives for functions, expenses at actual use, elimination of limitation in computer resource for more use and faster go-to-market.

There are two (2) Cloud Services teams.

1. Senior specialists who have knowledge, expertise and extensive experience design and give advice in the matters Cloud Solutions.
2. Officers who have knowledge and capability to proceed with and take care of solution operation and managed services are able to continue tasks and perfectly work with specialists to bring customers solutions.

Customers consist of the existing ones – large-sized enterprises, and new ones. Both groups may work with their own data centers but are interested to use Cloud Services which are available now. Customers can select to either use all of Cloud or join their existing data centers.

Cloud Services' business model lies in consultancy, design and system maintenance after sale services of each solution presented to customers. And the second part comes from integrating each element of Cloud for Cloud-based solutions which will replace the existing applications in data centers.

4. Digital Information Services



The IT technology for information administration starts from storage information into a database for the purpose of information search, record and update. Today, the world of technology has changed swiftly. The number of data in the digital age are tremendous (BigData, IoT), contain several, unlimited forms (Structure & Unstructured data) and come from several channels. These digital data play a greater role to develop and manage organizations. How much organizations utilize these data, how much advantages over competitors they have. These data also push for technology for data analytics, use of information from

the past to the present, analysis and forecast under conditions and related factors. The Digital Information Services Team applies business concepts and match solutions for digital business development with its partners and suppliers for stability and sustainability. Solutions are grouped into four (4) dimensions;

1. Database Solution Services; Solutions – either On Premise or Cloud are used to satisfy customers' need to develop systems or applications which store data in the forms of both RDBMS and NoSQL.

2. Big Data Solution Services; Information is brought from not only the RDBMS database, but also other parts of the organizations for gathering, analyzing and finding value received from other sources to gain business advantages. Suppliers gain organizational data they have never received before.

3. Analytic and Business Intelligent; Good analysis comes from sufficient information. Useful information is relevant information. Results will be certain and precise. Digital Information Service has a sufficient number of data scientists for data analysis in different levels such as data mining, machine learning, sentiment analytics, social listening, etc. Data will be decoded to find insight information or lead to predictive analytics and issue easy-to-understand reports for business advantages.

4. Application Infrastructure Services; Middleware solutions either On Premise or Cloud are used to satisfy customers' need to develop systems or applications. Services range from web application, message services, integration services to service-oriented architecture. Services are connected to handle need of applications.

"Information you have can be used for efficiency and value." MFEC Digital Information Service has experience and specific expertise and is confident and ready to service integrated information management including design, planning, storage, interpretation, analysis and reporting. Training and policy-level advice are also included to assure customers to use organizational information.

5. Cyber Security Services



Cyber Security Services Business Unit emphasizes on innovations for cyber security and cyber threats which always arise. MFEC Public Company Limited operates cyber security business for over 15 years. It has quality teams which take care of and prevent customers from cyber threats with professional and quality products.

This business unit's customers are classified into four (4) groups:

1. Communications & Telecommunications;
2. Banks & Financial Institutions;
3. Large-Sized Private Enterprises;
4. State Agencies & State Enterprises.

Each customer group has different need in cyber security. We have teams with expertise specifically for each customer group. Therefore, customers are confident to receive services that solve all problems found and can be used to extend their businesses with our solutions and services. Customers and partners are the most important. The company operates business based on service mind, while designing services in accordance with this basis into three (3) main parts:

- **Make friends with customers:** The company does not only provide services, but also trains its teams to give advice, works with customers before and after sales on belief that customers will do businesses with friendly parties. Therefore, the company emphasizes on working with customers with thorough understanding and friendly.

- **Make friends with suppliers:** Aside from customers, suppliers are the key to perfect services. Therefore, the company work heavily with suppliers to find quality products to satisfy customers' need. The company has specific teams for suppliers.

- **Always develop services and new solutions:** The cyber world always changes and old-styled services cannot meet customers' need anymore. Therefore, the company set its team to search for new types of services regularly.

Solutions of the Cyber Security Services Business Unit are grouped into the following categories:

1. Network Security This service involves advisory, system installation and maintenance about network security, ranging from Firewall, IPS, NAC to Wireless. The company works with several suppliers such as Checkpoint, Palo Alto Network, McAfee, ForeScout, Cisco, Juniper, etc.

2. Application Security Apart from Network Security, Application Security is one among solutions the company has developed for customers. Application Firewall, Database Firewall, Application Scanning and Source Code Scanning all are the solutions the team has expertise. It teams up with several partners including Imperva, F5, IBM and HP.

3. Content Security Presently, threats mainly go to information, ranging from data loss, information leak or content change. Therefore, Content Security is the sole solution to save customers from data threats. The company has a variety of solutions such as Data Loss Prevention, End Point Security, EDR (Endpoint Detection and Response), BYOD, etc.

4. Security Consulting Services The company has developed the Consulting Service for compliance in particular. The company provides advice in standards and guidelines such as ISO27001, PCI, OWASP, etc. besides, its advice extend from Data Loss prevention, Security Operation Center to Security Assessment.

5. Managed Security Services Outsourcing has been gaining popularity in Thailand due to higher specific demand. Several customers view outsourcing as a better way than self-human resources development. Therefore, the company has particularly developed Managed Security Service for Cyber Security Outsourcing.

6. Digital Transformation



This unit brings about new businesses with digital transformation for customers who want new sources of income or technology change affected businesses with need for digital transformation and technologies such as Payment, Social, Mobile, Big Data, etc.

Business goals are to generate new sources of income with the service model in the forms of co-investment and revenue sharing and to see customers as business partners. Therefore, services across businesses are more convenient and easier. Presently, the unit has two (2) services available;

- Ticket Me (earlier Panda Pass). Integrated digital ticket platform serves from ticket reservation, ticket purchase, payment, registration to ticket validity. The platform will be available for member cards and loyalty cards in the future, aside from the digital ticket. Designing each product regards connectivity and perfect collaboration in the ecosystem.

- Follow Wee: Social platform designed for social consists of three (3) main elements: presentation of contents; locations; and social analytics. The platform is extended into several solutions such as integrated Creative Commerce Solution ranging from online shopping, payment to e-marketplace. Follow Wee also connects with Ticket Me in the ecosystem.

In 2017, customers including Panjaluck Pasuk Co., Ltd. and Digital Ventures Co., Ltd. used services of both Ticket Me and Follow Wee.

In managing business units, the company encourages and promotes the employees to create new products to markets. Each business unit has an incubation process for such idea to the business reality, starting from creating an idea, making a prototype, testing markets, producing real products to establishing a company. This stimulates the employees to become business operators who get ready to push products to a business success. Expected customers are those who want new sources of income or businesses affected by technological changes with need for business transformation by technology such as Payment, Social, Mobile, Big Data, etc.

Similar to MFEC, its companies have done business transformation which followed the direction of the IT industry, technological changes and customers' need. Business Applications Co., Ltd. (BAC) shifted its product strategy from BI Software to more of being a service company. Softsquare 1999 Co., Ltd. (SSG) put more emphasis on Cloud Business on accounting system development for management, office or SME accounting, while developing new products, services and business models. Motif Technology Co., Ltd. (Motif) continued providing software development services to meet technology demand for the life insurance business. Modernform Integration Services Co., Ltd. (MIS) revised its strategy for PC services, turning to focus on expanding the customer base and serving the payment system "Modern Pay". In 2018, MFEC sold some of its shares in Praln FinTech Co., Ltd. to "its ally" J Venture in order to expand service to new customers in other industries, while companies of Soft Square Group were merged for business gain and sustainable growth of MFEC Group.



Risks

MFEC Group adopts the principles of risk management to assess and monitor risks for the whole group of companies. Given the international standards for risk management, the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s frameworks and guidance on enterprise risk management (COSO-ERM) have been adopted to structure the risk management, set channels for reporting, and monitoring and evaluation of risk management in a systematic way. Risk management is structured in the organizational risks, business risks and unit risks, while the transfer process of the risk management is made across the organization and its companies. Planning for business strategies and goals is done to adjust the work process for business fluctuations which may lead to changes and significant impacts to the business operations following the corporate direction under the good corporate governance. These moves ensure risk prevention and mitigation at the acceptable levels.

Risk Management in 2018

Technological changes have played more and more roles in people's life and living in the society. Advancements of new technologies have been taking place with fastness and precision and, with their versatile capabilities, have remodeled future industries and businesses. MFEC's Board of Directors, Executive Committee, Risk Management and Corporate Governance Committee evaluated both external and internal factors which might affect MFEC Group's business operations. Externally, changes in the technology trends might give impacts to its business operations. Therefore, MFEC Group devised the following plans for risk management in order to ensure the organization to achieve its goal and a sustainable growth in the long term:

1) Strategic Risks

1.1 Risks to Business Expansion

In 2018, "Digital Disruption" has become the core of every firm for Industrial 4.0. Digital technology is used, while innovation is applied in every industry spanning from the energy to bio-science. The digital disruption will give broader impacts to the economy and society when technology "restyle the living - alter business." Digital consumers prefer interactive experience and, as a result, digital organizations have to use technologies – Social Media, Mobility, Analytic and Cloud (SMAC) to increase efficiency for cost reduction, set reforms on organizational cooperation for higher productivity and new waves of digital operations. Companies have been making business reforms through Artificial Intelligence, robots, virtual reality, Internet of things (IoT) for fast advancement and radical changes in every industry.

Digital firms can get access into new customers instantly at low costs, while competing in new businesses these firms have never done before in the past with cooperation with partners and competitors. They can improve quality and production efficiently by combining technology and large sources of information. Examples are Metal 3D Printing using laser or electron beam to melt metal powder to change quality of produces with safety for employees. Customized sound absorbers are produced by aluminum foam with sound absorbance quality at levels of frequencies to reduce the sound volume and lessen production costs. Cyber-physical technology uses IoT as a connection for new styles of businesses such as Uber taxi service and Chatbot technology, a move from the digital age to the intelligence age by having Chatbot technology to allow humans to talk, order tasks and ask for information. Examples are Line, Siri, Echo, robots for the elders.



Business transformation must be driven by new methods to differ from competitors and creating new things rapidly. Various strategies are combined to lead the organization to a success and reduce risks to MFEC Group's business growth. Therefore, the company has revised its strategies and work plans by analyzing market trends to the digital world, focusing on contents, brand images and communications to customers. The move aims to help the company achieve its purposes and business goals;

o Transforming businesses of the company and other companies in the group to be in line with technology trend - Cloud, Mobility, Big Data/Analytics and Social Business, eyeing on and adjusting to the following technology trend for business extension;

(1) Artificial Intelligence (AI): The ability of a digital computer or computer systems to learn and perform tasks – planning, thinking and reasoning and interacting in conversations, while remembering, creating and self-correcting to new information. AI can be designed for different and particular tasks in each organization.

(2) Augmented Reality (AR): It is the technology that combines the real world in the form of live imagery through AR software and extension equipment. As a part of the virtual world, it is digitally enhanced with computer-generated graphics, video, three dimensional forms and augmented reality messages in a real place. For example, AR glasses helps warehouse workers to manage products accurately and precisely or helps aircraft manufacturers to assemble aircrafts and helps in electricity repair. Wearing AR glasses lets runners on tracks to see the scenery they desire. AR can also be developed for other functions expanding from entertainment, games to activities.

(3) Blockchain: It is a growing list of records, called blocks, which are tied together and typically managed by peer-to-peer network for accuracy. Blockchain works as a data structure so that each person's digital transaction can be shared to others like a chain, allowing the blocks of data to connect with all users, and being detected by other users for the block ownership. Blockchain is designed to store information in a way that makes it virtually impossible to add, remove or change data without being detected by other users. As everybody has a copy of blockchain, all blocks will perceive correction and can run algorithm to inspect transactions. New transaction will be permitted and secured when most of the network users agree on accuracy. Blockchain technology was originally developed as part of digital currency Bitcoin.

(4) Drones: The drone technology is the aerial technology which has been developed for a drone to autonomously fly a flight in several ranges. Drones including unmanned aerial vehicles (UAV) replace manned small and large aircrafts. Presently, drones have been developed for industries involving infrastructure and surveys of agricultural areas or area surveillance, search and rescue, moving photography, live broadcasting, data collection and analysis of environmental impacts. With a variety of benefits, the state and private sectors across the world use drones in many functions.

(5) Internet of Things (IoT): This is Internet technology connects tools or things together or brings them to communicate each other through sensor software or network system so that information can be gathered and exchanged and humans can order and control equipment and tools through Internet. Examples are switch on-off of electrical appliances, mobile phones, office equipment, manufacturing machines and other daily-use equipment. IoT is also used to analyze data for cost reduction and safety in manufacturing plants.

(6) Robots: there are new targets to replace workforce in the future, assisting human tasks. Some of which are repetitive jobs, like lifting things from one location to the other, which lead to workers' health problems. Robots can do high-risk tasks like firefighting and rescue. Its human-like ability may lead to lower hire of humans in the future.

(7) Virtual Reality (VR): VR is a three-dimensional, computer-generated environment which can be explored through equipment for surrounding sound in a determined area. VR seems to be similar to augmented reality (AR) but clearly differs in applications. VR immerses as a virtual world only; whereas AR use the technology to overlay pictures in three dimensions on the real surface. VR is used for pilot training in aircrafts, reducing some pilot training costs or for surgery training for expertise.

(8) 3D Printing Technology: It is the technique in which material is added together under computer control to create a three-dimensional object, with each material is printed continuously. The 3D printing technology plays a role in designing new products and developing existing products, prototyping with various materials for various products and faster time to market for new products with quality and without too-high costs.

- o Restructure: MFEC Group has been restructured and its people have been developed with skill sets to cope with technology and market needs for efficient management.

- o Retention of the existing customers in System Integration & Maintenance, increase of recurring income and Project Management. With these, project delivery can be complete with quality, punctuality and competitive costs. Joint cooperation is made with universities in terms of academics and recruitment of new graduates who are ready to work with MFEC Group. The policy implementation complies with the government policy to develop workforce for the digital economy and society. The company, as a result, bears lower labor cost.

- o Investment and establishment of new companies: Cooperation is made with business partners to expand markets and extend businesses for new sources of income, while the customer base is enlarged to other industries which have never been the company's customers and its leading position in the IT industry is strengthened.

In 2018, Fanster Media Co., Ltd. and Praln FinTech Co., Ltd. increased their registered capital. MFEC acquired common shares of M.I.S. Outsourcing Co., Ltd. (MISO) from Praln FinTech Co., Ltd. before liquidating some common shares in Praln FinTech Co., Ltd. to MFEC's partner J Ventures Co., Ltd. Companies in Soft Square Group were merged for business synergy. Presently, MFEC Group consists of 11 subsidiaries and four (4) associate companies with their product and service details described in "Policy and Overall Picture of Business Operations."

1.2 Risk to Investment in New Startups

Given MFEC's policy and business expansion plan in the previous year, MFEC continued its investment plan to enlarge its business operation base and strengthen MFEC Group. However, risks existed to investment in terms of the rates of return which may not meet targets and project implementation which may be delayed. These risks could arise from several factors including local economic uncertainties, the government's investment promotion policy, laws and regulations involving taxes and others pertinent to investment, consumer behavior, industry response to changes, and rapidly changing technology trends.

And to prevent and reduce risks to investment, all companies are required to assess strategic risks, operational risks, financial risks and human resource risks, and set work plans to reduce risks. Risk Management and Corporate Governance Committee considers and gives approval on the work plans to reduce or control risks to acceptable levels. The management

of the company and other companies in the group monitors performances of activities to reduce risks and then, consistently reports them to the Risk Management and Corporate Governance Committee. Reporting is done to the Board of Directors for acknowledgement and solutions to immediate impacts arising from factors.

1.3 Competition Risks

Competition has heightened in the information technology business's system integration (SI) due to its rapid development of products and services. Both new and existing product owners make substitutes and authorize various representatives or distributors as more alternatives for consumers, leading to higher competition and reducing each project's profit margins in light of price competition and the representatives and distributors' services.

Besides, technology changes like incoming Cloud will help lessen human works in organizations in the long term, leaving their people more time for other execution. Use of Cloud services surged more than 100% per annum at organizations in Asia. These services extend from a basic Cloud - Microsoft Office 365, an organizational system - Microsoft Dynamics, Microsoft SharePoint, Microsoft Azure to other Cloud services from other developers. These services tend to grow further.

Therefore, in order to reduce business risks in System Integration (SI), the company and other companies in MFEC Group have evolved themselves to find strength as a means to maintain competitiveness by focusing more on services, developing know how to service extension of Cloud services, and emphasizing on investment in new startups with potential growth in marketing.

2) Operation Risks

2.1 Project Management Risks

As the company has a policy to sell products and services to maximize customers' satisfaction through delivery of quality products and services with punctuality. In order to prevent delayed project delivery to customers, the company holds a training course for project managers and requires all of them to pass the course, ensuring them to manage projects following the work practice the company determines. Measures are also set to plan evaluation and inspection of each project with a standard to supervise and evaluate each project. Supervision tasks start from the first date of receiving a purchase order from a customer, procurement of quality products with correct specifications for each project, on-time product delivery and integration within

the schedule as set in an agreement or a purchase order. And besides, the company develops software for internal use to help manage tasks, establish work system and procedures, make coordination and control for quality products for customers as scheduled as a means to lessen such risks.

In regard to the fines to projects in 2018 as stated in the annual financial statements, they were risk issues in the past projects and there were several risk factors for the project delays. Presently, there are none of any other projects at risks for a delay in project management as all projects abide by the policy and principles for project management as mentioned above.

2.2 Human Resource Management Risks

MFEC Group is well aware of the importance of its people – the core for its businesses. Therefore, human resources development is emphasized to cope with competition and technology changes through four (4) strategies for the human resources development.

- (1) Preparation: Targets are set and foundation is laid out in collaboration with leading universities across Thailand for the purpose of upgrading.
- (2) Young-generation leaders: The employees in the talent group are targeted for development.
- (3) Learning is promoted for the organization's sustainable growth, while experts in technology and innovation are developed. All employees are provided with re-skill/up-skill, and technology knowledge and expertise for skill sets suitable for the objectives, direction of business expansion and to-be-changed technology in the future. Objective Key Result (OKR) is applied to drive the human resource development in the same direction of the organization.
- (4) Teamworking is developed. The employees are promoted to participate in the organization's activities for one culture and teamworking, which will drive and support them to work and achieve targets. An application is developed for internal communications among the employees and between the employees and the executives.

For the measures and human resource management for the sustainable growth, please see their details in the SD Report in 2017, "Produce People."

2.3 Information Technology Management Risks

Due to the importance of IT system to business management, the company draws up its IT strategy to be in line with the internal administration and analyzes IT Risk Management in all dimensions.

- (1) Business Disruption Risk
- (2) Technology Risk
- (3) IT Governance Risk

MFEC Group which provides IT services has a contingency plan for risks in the cases (1) and (2). If there arise such risks in the future, the risks will be ensured to acceptable levels as set in the contingency plan.

With respect to the IT governance risk, the information security measures are established for portable tools including notebooks. Portable tools are necessary and become a part of IT work. Therefore, risks could happen from information loss or unintentional information leakage. There is also the measure for use of legitimate software. As there are diverse employees, some may use fake software. Therefore, there must be control and preventive measures as use of fake software is regarded as infringement of intellectual property. The executives and IT Support supervisors collaborate to define measures to mitigate such risks. The policy and measures are set to control and prevent the risks, while being announced for all employees for acknowledgement and strict practices.

3) Financial Risks

3.1 Foreign Exchange Risks

The company faces FX risks as most of its products are purchased in the US dollar and the company earns most of its income from sales of products and services in the baht. Therefore, the company has obligations to pay in a foreign currency. Meanwhile, it is difficult to forecast currency fluctuations, given its impact factors spanning from Thailand's economic fundamentals, fiscal and monetary policies, the global economic situations, expectations to speculations.

Previously, the company has hedged against FX risks through forward contracts to take the full coverage of the whole foreign currency-denominated payment for more efficient cost and income management.

3.2 Credit Risk – Account Receivables

The company has the prudent credit policy, taking into account proper credit conditions. The company's customers are categorized into two (2) groups.

The first group is the existing customers with strong financial status. Most of them are in large size. The company extends the credit term of 30-60 days to this group.

The second group is comprised of new customers. The company has the policy for them to pay in cash or make payment through banks' letter of credit. Payment will be made in installment according to work completion.

Credit extension will be subject to analytical results of financial statements and other information of each customer. Aside from its prudent credit extension, the company has the policy to set aside provision for doubtful debts as described in net realizable value. The company and its subsidiaries record estimated provision for doubtful debt for a loan loss that may incur from inability to collect receivables. Generally, this is considered by collection experience and an analysis of receivables period.

3.3 Working Capital Management Risk

The company had the policy to increase its capital in Fanster, restructure by purchasing MISO common shares and merge the companies in Soft Square Group, while expanding businesses through joint investment with its partner, sale of some shares in PralN FinTech to J Venture for the purpose of market expansion and MFEC Group's expansion to other customer bases. In 2018, MFEC spent its working capital to invest in the companies in the group in the following details;

Company	Registered Capita (Mil.Bt)		Stake		Amount (Mil.Bt)	
1) Fanster Media Co., Ltd.	Earlier	40.0	Earlier	30.00%	Earlier	12.00
	Additional	39.0		-	Additional	10.80
	New	79.0	New	29.00%		-
2) M.I.S. Outsourcing Co., Ltd.		5.0		75.00%		14.40
3) PralN FinTech Co., Ltd. Raise capital and offer 350,000 shares to J Venture for 10.5 mil.bt	Earlier	30.0	Earlier	100.00%	Earlier	30.00
	Additional	7.0		-	Additional	0.00
	New	37.0	New	71.62%		-
4) Merge Soft Square Group: 4.1 SoftPlus Technology 4.2 Soft Professional 4.3 KSoft Consulting 4.4 Sammok Software	New	18.0		100.00%		0.00
5) Liquidate shares in Soft Square Group. 5.1 Softsquare 1999 5.2 Khonkaen SoftTech		30.0	Earlier	100.00%	Earlier	137.20
				-		-
			New	0.00%	New	0.00
6) Liquidate AIM shares		10.0	Earlier	60.00%	Earlier	6.00
				-		-
			New	98.20%	New	6.00

Note : (1) PralN FinTech received

from sale of MISO shares to MFEC

14.4 million baht

from exercise of the directors and executives' rights to buy common shares

8.6 million baht

PralN FinTech had an increase in its working capital

23.0 million baht

(2) Fanster received in capital via its capital increase

39.0 million baht

(3) MFEC received from sale of PralN common shares to J Venture

10.5 million baht

MFEC received from sale of Softsquare 1999 & KhonKaen common shares

77.1 million baht

And spent for Fanster's capital increase

(10.8) million baht

Bought MISO shares from PralN FinTech for

(14.4) million baht

MFEC spent its working capital in 2018

62.4 million baht

(4) SoftPlus after the merger had its registered capital

18.0 million baht

Total assets 24.3 million baht

Total liabilities 0.2 million baht

Shareholders' equity 24.1 million baht

Based on investment in 2018 following the strategic plans of MFEC and other companies in the group, its subsidiaries, then, had sufficient working capital to expand markets and proceed with their business plans.

1) PralN FinTech had an increase of 23.0 million baht in its working capital for market expansion, focusing on the electronic payment service, through the increase of registered capital and an issuance of new common shares to the directors and executives, and liquidation of MISO shares to MFEC.

2) Fanster had an increase of 39.0 million baht in its working capital through an increase of its registered capital. The proceeds is used for extension of service which aired famous people's news through applications and other channels for more business gains.

3) SoftPlus had an increase in its working capital from the merger of four (4) companies in Softsquare Group: Soft Plus Technology; Soft Professional; KSoft Consulting; and Sammok Software. After the merger, the merged company was named as Soft Plus Technology Co., Ltd., with the registered capital of 18.0 million baht, for the purpose of management and business growth. The new company plans to expand and grow in Big Data.

MFEC Public Company Limited (MFEC) has the core business to provide integrated IT services for large-sized projects and tends to provide more complexed services as customers need to apply new technologies to support their operations. Therefore, project implementation lasts for a period, while work system tests and project inspection take a relatively long time before sending an invoice and collection of payment from a customer. In the meantime, the due period for payment of products to the creditors lasts 30-60 days which lead to risks to the company's working capital in some periods. Given the investment and market expansion policy, the Executive Committee and Chief Financial Officer decide to set aside a portion of its working capital. In addition, the company has credit lines for working capital at several financial institutions. When the company is short of liquidity in some periods, it can use such credit lines as necessary. Therefore, MFEC Group could reduce the risk to working capital management and investment for market expansion by 62.40 million baht.

3.4 Risks in Investment in Subsidiaries

Based on the financial statements, the company had investment of 476 million baht, or 15% of total assets, in its subsidiaries. To prevent risks involving demonstration of investment which did not reflect the actual business picture in the financial statements, the company, in 2018, hired a specialist to make the value appraisal of all subsidiaries. The consultant used the discount cash flow method (DCF) to analyze net cash flow of each subsidiary's future operations. Based on the value appraisal, the company adjusted the investment value to accord with the appraisal results in its financial statements.

Apart from the value appraisal, the company continued its monitoring on its subsidiaries' performance. Every subsidiary has been asked to set work plans which are presented to the Executive Committee every year. Monitoring is done every quarter. If any subsidiary records its performance which does not meet its plan, that subsidiary must report and present the plan to the Executive Committee. And the company requires all subsidiaries to have and report their business risk assessment to the Executive Committee on a regular basis.

4) Compliance Risks

4.1 Risk from Conditions of Purchase/Sale Agreement for Products and Services

It is possible for both parties to disagree on conditions in a trade agreement. Therefore, the conditions needed to be amended to satisfy both of them and may delay the delivery of products and services to customers particularly to large- to medium-sized enterprises which often disagree in the conditions.

Therefore, after deciding on purchase/sale of products and services, the company's Legal Department studies and reviews conditions in an agreement as desired by both buyers and sellers and as required to be in compliance with the international standard. The action aims to have the agreement to follow the standard which can be referred and acceptable. If a drafted agreement does not exist in a project, the company's standard agreement will be used as a draft for purchase/sale of products and services in such project.

4.2 Corruption Risk

MFEC Group is well aware of and pay attention to encouragement of the employee across the organization to perform their duties with honesty and integrity, while none of authorities is exploited for self-advantages or others' benefits. Therefore, the policy and practices are determined across all processes starting from sales, services, hire, procurement, donation and other forms of support such as reception, and giving/receiving gifts for the employees' practices. The guideline is prepared and training is provided. Risks are evaluated, monitored and reported to the Executive Committee for acknowledgement. The letter is delivered to customers and suppliers to acknowledge the guideline for MFEC's business operations with transparency and fairness. In 2018, MFEC submitted its intention to apply for a membership of Thailand's Private Sector Collective Action Coalition Against Corruption.



Securities and Shareholders

Registered & Paid-Up Capital

• Securities

- Total registered capital: 441,453,555 baht, equivalent to 441,453,555 common shares Par value at 1 baht per share
- Total paid-up capital: 441,453,555 baht, equivalent to 441,453,555 common shares Par value at 1 baht per share

The company has none of other types of shares whose rights or conditions differ from common shares such as preferred shares or a project to issue and offer shares or convertible securities to Thai Trust Fund or an issuance of derivative warrants, caused by underlying securities that have shares of the Company as underlying securities.

Shareholders

List of Shareholders and their Holding, as of 29 December 2018

Major Shareholder	No. of Shares	% of Total Shares
1. TIS Inc. ¹	88,290,775	20.0
2. Thai NDVR Co., Ltd.	26,301,379	5.9
3. Group of Mr. Thanapol Kongboonma ²	13,374,400	3.0
4. Mr. Sirisak Thirawattanangkul	12,926,013	2.9
5. Mr. Prasert Foongvanich ³	10,979,013	2.5
6. Group of Mr. Ramade Silapaprom ⁴	10,095,353	2.2
7. Mr. Siriwat Vongjarukorn	8,415,259	1.9
8. Modernform Group PCL. ⁵	8,200,000	1.9
9. Group of Thanakrit Vetpathom ⁶	6,020,000	1.4
10. Mrs. Nudee Nupairoj	6,002,364	1.4
11. The Minority of Shareholders	250,848,999	56.9
Total	441,453,555	100.0

Remark: The number of shares included the shareholders related according to Section 258. MFEC Public Company Limited had TIS Inc. as the shareholder with stake.

¹TIS Inc. provides IT professional services and system integration. As of 26 June 2018, the company had the following directors and executives.

1) Toru Kuwano	Chairman	9) Naoko Mizukoshi*	External Director/Partner of Endeavour Law Office
2) Masahiko Adachi	Representative Director, Executive Vice President	10) Kei Ando	Standing Audit & supervisory Board Member
3) Yasushi Okamoto	Director and Senior Managing Executive Officer	11) Katsuhiko Ishii	Standing Audit & supervisory Board Member
4) Josaku Yanai	Director and Senior Managing Executive Officer	12) Taigi Ito*	External Audit & Supervisory Board Member (Certified Public Accountant and President Ito Office)
5) Takayuki Kitaoka	Director/President and Representative Director of INTEC Inc.	13) Muneaki Ueda*	External Audit & Supervisory Board Member (Chairman, Professional Bank, Inc.)
6) Akira Shinkai	Director/Director ,Executive Vice President of INTEC Inc.	14) Sadahei Funakoshi*	External Audit & Supervisory Board Member
7) Koichi Sano*	External Director	15) Masayuki Inaba	Executive Vice President
8) Fumio Tsuchiya*	External Director		

*Designated for Independent Director/Auditor as specified by the Tokyo Stock Exchange in Japan.

16) Jun Ikimune	Managing Executive Officers
17) Hiroyuki Kodake	Managing Executive Officers
18) Yuji Sato	Managing Executive Officers
19) Shinchi Horiguchi	Managing Executive Officers
20) Makoto Tsujimoto	Managing Executive Officers
21) Masahiro Ueda	Managing Executive Officers
22) Masahiro Hosokawa	Managing Executive Officers
23) Tetsuya Asano	Managing Executive Officers
24) Takashi Mori	Managing Executive Officers
25) Kiyotaka Nakamura	Managing Executive Officers
26) Saburo Kato	Managing Executive Officers
27) Tsuyoshi Fukuda	Managing Executive Officers
28) Furniyasu	Mase Executive Officers
29) Satoru Tayasu	Executive Officers
30) Shinkou Ohba	Executive Officers
31) Takeo Munakata	Executive Officers
32) Naoto Kita	Executive Officers
33) Thanawat Lertwattanarak	Executive Officers
34) Teruaki Akutsu	Executive Officers
35) Hiroto Ito	Executive Officers
36) Yoshikuni Yamada	Executive Officers
37) Manabu Yono	Executive Officers
38) Akira Ogane	Executive Officers
39) Hidehiko Shimoyama	Executive Officers

*The executive in No. 25 - Mr. Kiyotaka Nakamura was appointed as MFEC's director by the company's annual meeting of the shareholders no. 1/2016 held on 25 April 2016.

List of Shareholders/Holding , as of 31 March 2018:

1) ICHIGO Trust Pte. Ltd.	5,204,000 shares	or	6.07%
2) The Master Trust Bank of Japan Ltd. (Trust Account)	3,710,000 shares	or	4.33%
3) Japan Trustee Services Bank, Limited (Trust Account)	3,463,000 shares	or	4.04%
4) Japan Trustee Services Bank,Ltd. (Trust Account9)	3,167,000 shares	or	3.70%
5) Employees' Shareholding Association of TIS INTEC Group	2,325,000 shares	or	2.71%
6) Nippon Life Insurance Company	2,073,000 shares	or	2.42%
7) Macquarie Bank Limited-MBL London Branch	1,720,000 shares	or	2.01%
8) MUFG Bank, Ltd	1,654,000 shares	or	1.93%
9) The Master Trust Bank of Japan, Ltd.	1,598,000 shares	or	1.87%

(Retirement Benefit Trust Account, Mitsubishi Electric corporation Account)

10) MSIP CIENT SECURITIES

1,502,000 shares or 1.75%

²Kongboonma Group:

1) Mr. Thanapol	Kongboonma	3,361,800 shares
2) Mr. Marachai	Kongboonma	3,337,500 shares
3) Mr. Naiyapong	Kongboonma	3,337,500 shares
4) Mr. Ronnachai	Kongboonma	3,337,500 share
5) Mr. Jeadsada	Kongboonma	100 shares

³Foongvanich Group:

1) Mr. Prasert	Foongvanich	10,966,013 shares
2) Ms. Praphaipun	Foongvanich	13,000 shares

⁴Silapaprom Group:

1) Mr. Ramade	Silapaprom	10,045,353 shares
2) Mrs. Yamolphom	Silapaprom	20,000 shares

⁵Modernform Group Public Company Limited's major shareholders, as of 8 October 2018:

1) Mrs. Chuleewan	Wiwattanakasem	34,101,840 shares,	4.55%
2) Mr. Kawiut	Nueangchamnong	27,504,000 shares,	3.67%
3) Mr. Taweechat	Chulangkul	26,530,400 shares,	3.54%
4) Mr. Yothin	Nueangchamnong	25,746,420 shares,	3.43%
5) Mr. Chaiyot	Paporn	21,219,063 shares,	2.83%
6) Mr. Thaksa	Busayaphokha	19,846,000 shares,	2.65%
7) Dhipaya Insurance PCL.		19,511,600 shares,	2.60%
8) Mr. Chatchai	Thammarungrueang	17,700,070 shares,	2.36%
9) Krungsri Dividend Stock Fund		16,795,300 shares,	2.24%
10) Mr. Ongart	Damrongsakulwong	15,920,800 shares,	2.12%

⁶VetPathom Group:

1) Mr. Thanakrit	Vetpathom	5,750,000 shares
2) Ms. Patchanyaphak	Vetpathom	50,000 shares
3) Ms. Nitsana	Vetpathom	10,000 shares

Limitation of Foreign Holding

Foreign shareholders are allowed to hold no more than 49% of total shares issued and paid up. As of 28 December 2018, foreign shareholders held 20.1% of total shares issued and paid up.



Dividend Payment Policy

Dividend Payment Policy of MFEC Public Company Limited

The company has a policy of paying a dividend of not less than 50% of net profit after tax and legal provision. The company's Board of Directors is authorized to declare no dividend payment or alter the policy occasionally to maximize the shareholders' benefits. For example, the earnings is used as reserve for debt payment, investment of business expansion or the case of changes in market conditions that may affect the company's future cash flow.

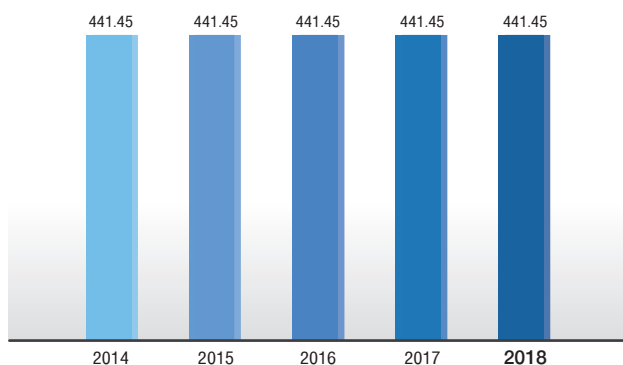
Cash dividend for the shareholders is paid from the company's retained earnings, BOI income at the rate of 0.10 baht per share and from retained earnings which is taxed at 20% at the rate of 0.10 baht per share. The shareholders will be taxed at 10% of their dividend received.

In 2018, the Board of Directors resolved to pay the dividend of 0.20 baht per share which will be forwarded to the annual general meeting of the shareholders.

Dividend Payment during 2014-2018

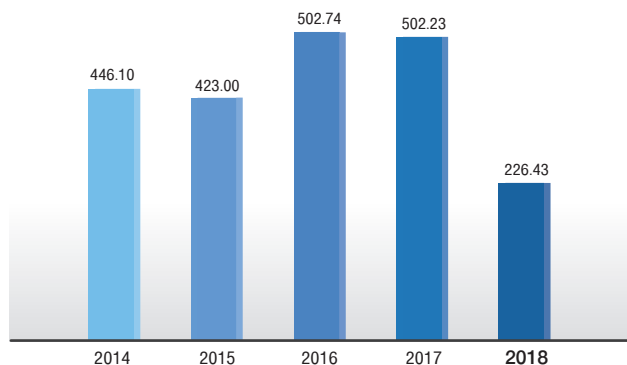
Common shares as of December 31st

(shares)

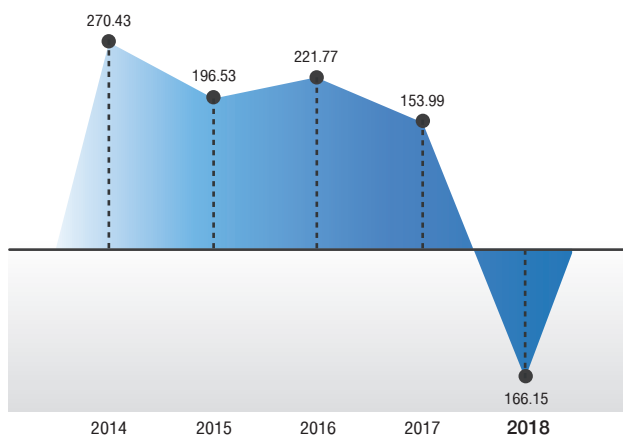


Accrued Profit as of December 31st

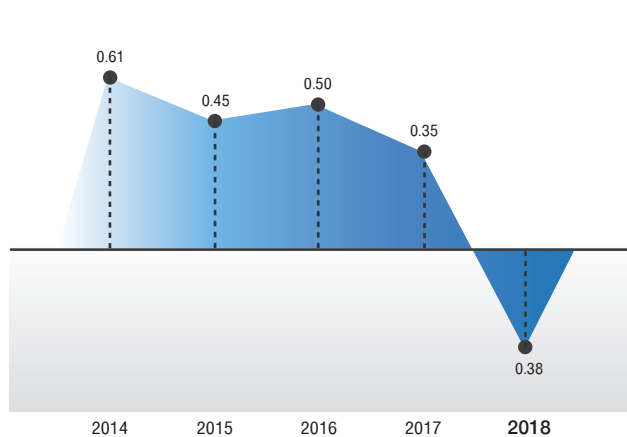
(million baht)



Net Profit/Loss (million baht)

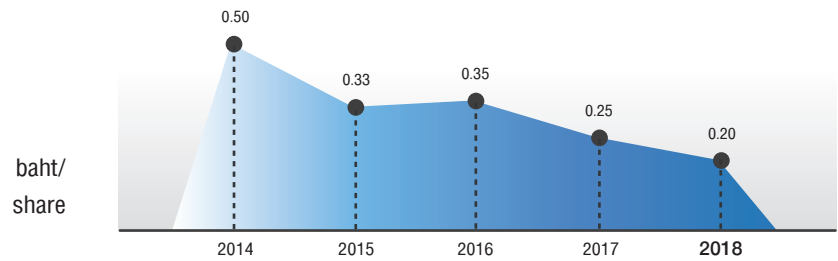


Profit/Loss per share (baht/share)



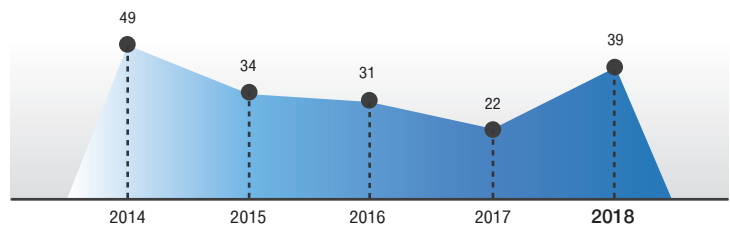
Dividend per share

0.20



Dividend payout ratio (percent) total dividend comparing to accrued profit

39



Dividend Payment Policy of the Subsidiaries

In the case of the subsidiaries, the Board of Directors resolved to set the subsidiaries' dividend payment of no less than 50% of total profit after tax and legal provision.



Board of Directors



Board of Directors and Executives

Position

- | | |
|----------------------------------------------------|----------------------|
| 1. Mr Sirisak Tirawattanakul | Chairman |
| 2. Mr. Kiyotaka Nakamura | Vice Chairman |
| 3. Mr. Siriwat Vongjarukorn | Director |
| 4. Mr. Thanakorn Charlee | Director |
| 5. Mr. Anan Leetrakul Independent | Independent Director |
| 6. Mr. Suchart Thammagitakul Independent | Independent Director |
| 7. Prof. Dr. Uthai Tanlamai Independent | Independent Director |
| 8. Assc. Prof. Dr. Kamales Santivejkul Independent | Independent Director |
| 9. Dr. Charn Tharawas Independent | Independent Director |



Executive Committee and Management



Management Structure

1. Mr. Siriwat Vongjarukorn
2. Mr. Thanakorn Charlee
3. Mr. Kittti Wintima
4. Mr. Arm Sivadith
5. Mr. Wichai Patipaporn
6. Ms. Siriporn Detnitirat

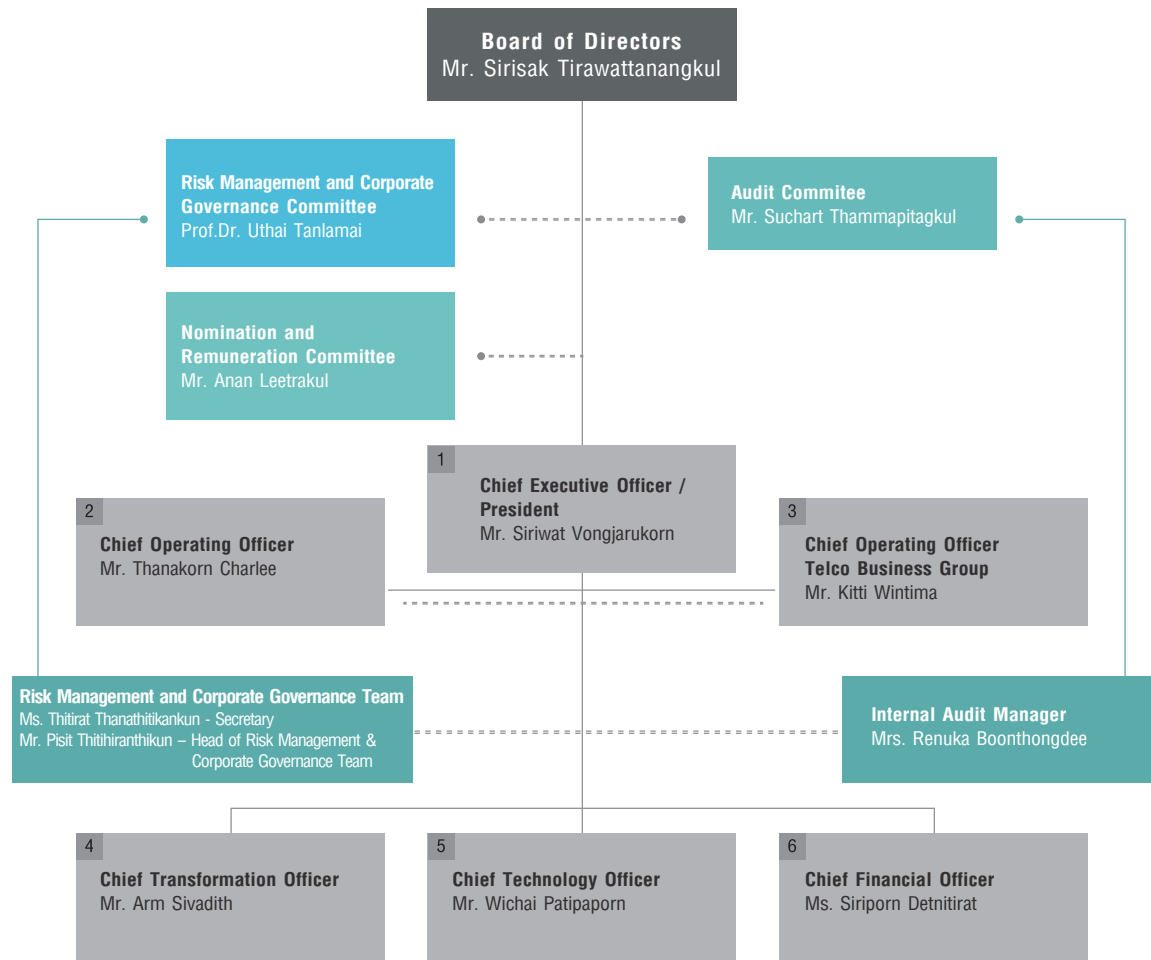
Position

- Chief Executive Officer
Chief Operating Officer
Chief Operating Officer – Telco Business Unit
Chief Transformation Officer
Chief Technology Officer
Chief Financial Officer



Organization Structure

Internal management structure diagram



1 – 6 are the Company's management executives according to the Securities and Exchange Commission's

Board of Directors/ Committee

The Company has five (5) committees: Board of Directors; Audit Committee; Executive Board; Risk Management Committee; and Nomination and Remuneration Committee

(1) Board of Directors

According to the Articles of Association, the Board has the following elements;

- The Board shall consist of at least five (5) members, no less than half of which have domiciles in the Kingdom of Thailand.
- No less than three (3) Board members shall be Independent Directors. (Based on the good corporate governance, no less than half of the Board members shall be independent. The Board has totally nine (9) members.)

Qualifications of Independent Directors (according to requirements of the Securities and Exchange Commission, and the Stock Exchange of Thailand)

- 1) An independent director shall hold no more than 1% of total shares, eligible for voting, of the Company, its subsidiaries and associate companies or juristic persons that may have conflicts. Shares owned by related persons are included.

As of 31 December 2018, the Board of Director, according to Ministry of Commerce's certificate, consisted of nine (9) members. Of total, two members were executives and the remaining seven (7) members were non-executive. (Among all non-executive positions, five (5) were independent directors.

Name	Position	Appointment Date by AGM
1. Mr. Sirisak Tirawattanangkul	Chairman	25 April 2016
2. Mr. Kiyotaka Nakamura	Vice Chairman	25 April 2016
3. Mr. Siriwat Vongjarukorn	Director/Chief Executive Officer/Risk Management and Corporate Governance Committee/Nomination and Remuneration Committee	21 April 2017
4. Mr. Thanakorn Charlee	Director/Chief Operating Officer/ Risk Management and Corporate Governance Committee	21 April 2017
5. Mr. Suchart Thammapiatagkul	Independent Director/Chairman of Audit Committee	23 April 2018
6. Mr. Anan Leetrakul	Independent Director/Chairman of Nomination and Remuneration Committee	23 April 2018
7. Prof.Dr. Uthai Tanlamai	Independent Director/Audit Committee Member/ Chairman of Risk Management and Corporate Governance Committee	23 April 2018
8. Ass.Prof.Dr. Kamales Santivejkul	Independent Director/ Audit Committee Member/ Risk Management Committee Member/Nomination and Remuneration Committee Member	25 April 2016
9. Dr. Charn Tharawas	Independent Director/ Nomination and Remuneration Committee Member	21 April 2017

Mrs. Varaporn Wisedsang acted as Secretary to the Board of Directors.

Remark: The Annual General Meeting of Shareholders No. 1/2018 dated 23 April 2018 resolved to appoint Mr. Suchart Thammapiatagkul, Mr. Anan Leetrakul and Prof.Dr. Uthai Tanlamai in replacement of Director once again.

- 2) The independent director shall neither nor have been an executive director, an employee, an officer, a consultant with regular salary or a person with controlling power of the Company, its subsidiaries and associate companies or juristic persons that may have conflicts. An exception is made for a person who has left the said-positions for no less than two (2) years.
- 3) The independent director shall not have blood relationship or legal registration as parents, spouses, brother or sister and daughter or son. A spouse of daughter or son of an executive, a major shareholder, a person with controlling power or a candidate for an executive position or that with controlling power of the Company or its subsidiaries.
- 4) The independent director shall have no business relationship with the Company, its subsidiaries and associate companies or juristic persons that may have conflicts possibly hinder independent consideration.
- 5) The independent director shall not be the one appointed as a representative of the Board, a major shareholder or a shareholder related to the Company's major shareholder.
- 6) The independent director shall not have any other characteristics that hinder independent opinions involving the Company's operations.

Information on holding securities of directors in 2017 and 2018 as follows

Name	Number of Shares		Number of shares Increase (decrease) during the year (shares)
	31/12/2017	31/12/2018	
1. Mr. Sirisak Tirawattanangkul	12,926,013	12,926,013	-
2. Mr. Kiyotaka Nakamura	-	-	-
3. Mr. Siriwat Vongjarukorn	8,415,259	8,415,259	-
4. Mr. Thanakorn Charlee	-	-	-
5. Mr. Suchart Thammapiatagkul	120,961	60,961	(60,000)
6. Mr. Anan Leetrakul	-	-	-
7. Prof.Dr. Uthai Tanlamai	-	-	-
8. Ass.Prof.Dr. Kamales Santivejkul	-	-	-
9. Dr. Charn Tharawas	-	-	-

Remark : Shareholding includes spouses and underage children according to Section 258. The information on holding of securities of the above directors shows that each director does not have a spouse or children who are not sui juris, hold MFEC shares in any way.

Scope of Authority of the Board of Directors

• Authority

1. The Board is authorized to supervise and manage the Company to abide by the laws, objectives, regulations and the shareholders' meeting resolutions.
2. The Board is authorized to appoint a director as Chairman and another one as Vice Chairman.
3. The Board is authorized to appoint a director as Chief Executive Officer, and President and Company Secretary.

• Duties and Responsibilities

1. The Board shall have duties to follow the Articles of Association, while supervising and managing the Company to abide by the laws, objectives, regulations and the shareholders' meeting resolutions.
2. The Board shall set the Company's vision, direction, strategies, policies and key plans and consider risks that may arise for executives who will follow them with efficiency.
3. The Board shall control and monitor work implementations, based on the Company's strategies, policies, objectives, targets, work plans and approved budget.
4. The Board shall manage to have an accounting system, financial reporting and auditing, while administering to have efficient internal control and internal auditing.
5. The Board shall oversee and supervise solutions to conflicts of interest that may arise and interconnected transactions.
6. The Board shall set a direction for overall risk management with proper risk management processes.

7. The Board shall make performance assessment of Chief Executive Officer/President, and oversee and supervise proper determination of remuneration that should be in line with performance results for short- and long-term motivation.

8. The Board shall manage to gain proper communication channels for each of shareholder groups and stakeholders.

9. The Board shall manage to have information disclosure with clarity and transparency.

Authorized Directors

Two of three directors - Mr. Sirisak Tirawattanangkul, Mr. Siriwat Vongjarukorn and Mr. Thanakorn Chalee, co-sign with a corporate seal.

Appointment and Removal of the Board members

1. The company secretary informs the shareholders regulations that permit them to nominate qualified candidates to hold the position of directors through the Stock Exchange of Thailand's channels and the Company's website www.mfec.co.th, and propose the qualified candidates to the Nomination and Remuneration Committee, the Board of Director meeting and Annual General Meeting of Shareholders (AGM) for consideration.

2. There shall be no less than five (5) Board members and no less than three (3) independent directors. At least one of the Board members shall have knowledge and expertise in accounting and finance. No less than half of total Board members shall have domicile in the Kingdom of Thailand. The Board of Directors' Meeting No. 1/2018 resolved to nominate the AGM to elect Mr. Suchart Thammapiatagkul, Mr. Anan Leetrakul and Prof.Dr. Uthai Tanlamai to resume their positions as the Board members.

3. The AGM shall elect a director with a majority vote of the shareholders. The Nomination and Remuneration Committee shall nominate qualified persons to the Board of Director select and nominate qualified person to AGM meeting with the following criteria;

(1) Each share of a shareholder is eligible for one vote.

(2) Shareholders' voting shall be on an individual basis.

(3) Candidates who rank in order descending from the highest number of votes received shall be elected as the Board members. The number of the Board members' vacancies shall be equal to the number of vacancies determined or elected at that time. In the event of a tie, Chairman shall cast the final vote to break the tie.

As of 31 December 2018, the Board of Directors consisted of nine (9) members. (Eight (8) of which had their domiciles in the Kingdom of Thailand. Five (5), or 55.5% of total, were independent directors. Four (4) of total were those with knowledge in accounting and finance. They were Mr. Anant Leetrakul, Prof. Dr. Uthai Tanlamai, Ass. Prof. Dr. Kamales Santivejkul and Dr. Charn Tharawas).

• Removal

1. One-third of the Board members shall be removed in each AGM. In the case that the number of directors cannot be divided into One-third of the Board members shall be removed in each AGM. portions, the number of directors closest to one-third. The directors who shall retire from the office in the first two years after the company registration shall retire will be selected through drawing lots. In the later years, the directors who hold the longest period in the office shall retire. The directors who retire by rotation may be re-elected to hold the office for another term.

2. Apart from vacating by rotation, the director vacates his or her office when he or she dies, resigns, disqualified or possesses legal prohibited characteristics, or dismissed by a resolution of the shareholders or a court order.

3. To resign from the position, a director shall submit a resignation letter to the Company. The resignation takes effect from the date the resignation letter arrives at the Company.

4. In the case of vacancy in the Board due to reasons other than the end of the term of duty, the Board shall select a qualified person without legal prohibited characteristics in replacement as the director in the next meeting of the Board. In the case that such director's term is less than two months, such person who replaces the director will hold the position for remaining term. The resolution of the Board shall consist at least three-fourths of the votes of the remaining directors.

5. The Shareholders' Meeting may resolve to remove any director from the position before the end of the term of duty with not less than three-fourths of the votes of shareholders who attend the Meeting and is eligible for voting, which is not less than half of total shares The Board Meetings.

The Articles of Association determine the following meeting procedures.

- In the case of Chairman's resignation, Vice Chairman or a director shall perform the duty.

- No less than half of total directors constitutes a quorum.

- At least three (3) meetings shall be held per year.

- The minimum quorum amount at the time when the board of directors will vote at the board meeting that must have at least two (2) - third (3) of the total number of directors.

- Hence, the Board of Directors' Meeting resolved to hold at least six (6) meetings per year according to the good corporate governance. This is to provide sufficient time for consideration, supervision and oversight in compliance with the Board's roles, duties and responsibilities.

- Director who has a conflict of interest matter none of right to vote on that issue. Director who have conflict of interest should left the meeting during the consideration of the meeting and allow the meeting to express their ideas freely.

The Company Secretary is assigned to arrange annual meeting schedules of the Board of Directors and committees and notify them for acknowledgement and the benefits of meeting attendance. The meeting document shall be delivered to all Board and committee members no less than five (5) days in advance to allow sufficient time for detail consideration in each agenda.

In 2018, the Board of Directors held seven (7) meetings with the following attendance details of each member.

List of Board Member	1/2018	2/2018	3/2018	4/2018	5/2018	6/2018	7/2018	Meeting Attendance (%)
1. Mr. Sirisak Tirawattanangkul	√	√	√	√	√	√	√	100.0
2. Mr. Kiyotaka Nakamura	√	√	√	√	√	√	√	100.0
3. Mr. Siriwat Vongjarukorn	√	√	√	√	√	√	√	100.0
4. Mr. Thanakorn Charlee	√	X	√	√	√	√	√	85.7
5. Mr. Anan Leetrakul	√	√	√	√	√	√	√	100.0
6. Mr. Suchart Thammapiatagkul	√	√	√	√	√	√	√	100.0
7. Prof.Dr. Uthai Tanlamai	√	√	√	√	√	√	√	100.0
8. Ass.Prof.Dr. Kamales Santivejkul	√	√	√	√	√	√	√	100.0
9. Dr. Charn Tharawas	√	√	√	√	√	√	√	100.0
Total Directors in Each Meeting	9/9	8/9	9/9	9/9	9/9	9/9	9/9	

Mrs. Varaporn Wisedsang acted as Secretary to the Board of Directors. In the meeting of the Board of Directors No. 1/2018, there was a meeting to discuss the agenda of consideration of the performance of the Chief Executive Officer and consideration of compensation which there is no executive committee to consider in the said meeting is a meeting between non-executive directors and independent directors only.

Committees

(2) Executive Board

The Board of Directors appoints the Executive Board to perform tasks, as assigned under its authority and duties in order to attain goals and plans. The Executive Board consists of four (4) members: Chief Executive Officer; and three (3) executives. The Executive Board is required to hold at least one (1) meeting per quarter. As of 31 December 2018, the Executive Board had four (4) members who convened twelve (12) times as depicted below:

List of the Executive Board	No. 1/2018	No. 2/2018	No. 3/2018	No. 4/2018	No. 5/2018	No. 6/2018	No. 7/2018	No. 8/2018	No. 9/2018	No. 10/2018	No. 11/2018	No. 12/2018	Meeting Attendance (%)
1. Mr. Siriwat Vongjarukorn Chief Executive Officer	√	√	√	√	√	√	√	√	√	√	√	√	100.0
2. Mr. Thanakorn Charlee Executive Director	√	√	√	√	√	√	√	√	√	√	√	√	100.0
3. Mr. Arm Sivadieth Executive Director	√	√	√	√	√	√	√	√	√	√	√	√	100.0
4. Mr. Jirapong Laokajorn Executive Director	√	-	√	√	√	-	-	-	-	-	-	-	80.0
Total Directors in Each Meeting	4/4	3/4	4/4	4/4	4/4	3/3	3/3	3/3	3/3	3/3	3/3	3/3	

Ms. Siriporn Detnitirat, Chief Financial Officer, attended the meeting and Mrs. Varaporn Wisedsang acted Secretary as recording minutes. Although, Mr. Jirapong Laokajorn, Executive Director, resigned from the position, effective from 30th June 2018.

Scope of authority of Executive Board

1. Screening

- Policy, direction, business strategies, management structure and principles of business operations to be in accordance with economic situations and competition.
- Business plans and annual budget.
- Principles and policy for investment and management of subsidiaries and associate companies in the core business or other business groups.
- All investment projects, search for new businesses and business operations with allies.
- Annual workforce plan.
- Appointment, removal, disemployment, work extension of employees or management employees at positions below Chief Executive Officer, employment or disemployment of persons whose ages reach or surpass requirements for retirement according to the Articles of Association, and consideration of compensation according to the salary structure.

2. Approval and Disapproval

- Investment project worth no more than 20 million baht and involving the Company's businesses.

(3) Audit Committee

The Board of Directors appoints the Audit Committee whose members are of independent characteristics to enhance efficiency in adding value to the organization, and supervising and overseeing the operations to have good corporate governance for the whole process. The Audit Committee comprises of three (3) honored independent directors, at least one (1) of which shall have knowledge in accounting and finance, and one (1) secretary. Each term lasts two (2) years. At least four (4) meeting shall be organized per year. As of 31 December 2018, the Audit Committee had three (3) directors who convened six (6) times this year. It had one (1) meetings with the external auditor, the Accounting Department and the management. In addition, the Audit Committee had one (1) meetings with the Risk Management Committee. All were reported to the Board on a quarterly basis. Details were described below;

List of the Audit Committee	No. 1/2018, Joint Meeting, Auditor & Executives	No. 2/2018	No. 3/2018	No. 4/2018	No. 1/2018, Joint Meeting, Risk & CG Committee	No. 5/2018	No. 6/2018	Meeting Attendance (%)
1. Mr. Suchart Thammapiatagkul Chairman Independent Director, knowledge in laws	√	√	√	√	√	√	√	100.0
2. Prof.Dr. Uthai Tanlamai Director, Audit Committee Independent Director, knowledge in accounting and finance	√	√	√	√	√	√	√	100.0
3. Ass.Prof.Dr. Kamales Santivejkul Director, Audit Committee Independent Director, knowledge in accounting and finance	√	√	√	√	√	√	√	100.0
Total Directors in Each Meeting	3/3	3/3	3/3	3/3	3/3	3/3	3/3	

Mrs. Renuka Boonthongdee, Internal Audit Manager and Mrs. Varaporn Wisedsang acted as Secretary to the Audit Committee.

- Bidding via cooperation with allies in the forms of consortiums or joint ventures.
- Opening and closing of the Company's accounts in financial institutions. Write-off for deteriorating assets/sales of assets unused for operations.
- Improvement and changes of the organizational structure at the departmental level and report to the Board of Directors for acknowledgement.
- Bonus payment and the amount used for annual salary raise within a budget.

3. Monitoring and Supervision of Operations

- Strategic plans, work plans and projects in an annual business plan approved by the Board of Directors.
- Financial performance Supervision and oversight on practices following the corporate governance.

4. Report to the Board of Director

- Financial performance on a quarterly basis.
- Other reports as delegated by the Board of Directors.

Scope of Authority of the Audit Committee

1. To verify in order to ensure about the accuracy of the Company's financial reporting in accordance with the general accepted accounting principle and standard. Sufficient quarter and annual financial statements are disclosed to be consistent with fact, completeness, adequacy and creditability prior the presentation to the Board for review.

2. To verify in order to ensure that the Company has appropriate and effective internal control and internal audit systems, and reviews the independence of the internal audit, which directly reports to the Audit Committee as well as approval on appointment, removal, or employment termination of the internal audit executives, and assess adequacy of the Company's internal control system on an annual basis.

3. To verify the Company's operation to be in line with the law of Securities and Stock Exchange, requirement of the Stock Exchange of Thailand and other laws related to the Company's businesses.

4. To consider, select and propose the appointment of the Company's auditor who is independent to be the Company's auditor, and determine annual remuneration for the auditor, as well as attend the meeting with the Company's auditor without attendance of the management for at least once a year.

5. To streamline understanding among the auditor, the Board of Directors and the Internal Audit Department into the same direction.

6. To consider on verification and disclosure of connected transactions or transactions possibly with conflict of interest to follow related rules and regulations so as to ensure that such transactions are reasonable and provide maximum benefits to the Company.

7. To prepare the report of the Audit Committee with minimum information as required by the Stock Exchange of Thailand to be disclosed in the annual report of the Company.

8. To regularly verify and amend its charter of Audit Committee to be proper and consistent with the Securities and Exchange Act and the Stock Exchange of Thailand criteria.

9. To consider and approve the annual audit plan of Internal Audit Department.

10. To govern the Internal Audit Department to comprehensively in major issues for all units, propose and suggest the corrective guideline for solving by the Management team, and monitor the correction in accordance with the suggestions with in specified periods.

11. To consider and approve budget and manpower of Internal Audit Department.

12. To report its performance of the Audit Committee to the Board for acknowledgement at least four (4) times a year.

13. To have the authority to invite the Executive, the Management or the employees of the Company related to express the opinions, attend a meeting or give document deemed as related and necessary.

14. The Audit Committee may search for independent opinion from the advisors in other professions when deemed as necessary at the Company's expense.

15. To undertake other matters, including the financial management policy review, as assigned by the Board of Directors and the Audit Committee.

16. To annually assess the performance of the Audit Committee for consideration on further improvement.

(4) Risk Management and Corporate Governance Committee

The Board of Directors No. 4/2018 on 14 August 2018 has considered the term of the Risk Management and Corporate Governance Committee and considering the appointment of Dr. Charn Tharawas, an independent director, to be a member of the Risk Management and Corporate Governance Committee replacing Mr. Siriwat Vongjarukorn, former Risk Management and Corporate Governance Director who resigned, effective from 1 January 2018. At present, the committee shall have at least four (4) members and executives. An independent director is the Chairman, while executives and an accounting/financial expert assist in systematic risk management for all significant work processes at activity and organizational levels. As of 31 December 2018, the Risk Management and Corporate Governance Committee comprises of four (4) members, each of which serves a two-year term of office. Regular meetings are required. In 2018, the Risk Management Committee had seven (7) meetings with its quarter reports to the Board, and had one (1) meetings for discussion with the Audit Committee with the following details.

List of Risk Management Committee	No. 1/2018	No. 2/2018	No. 3/2018	No. 4/2018	No. 5/2018	No. 6/2018	No. 7/2018	Joint Meeting, Audit Committee No. 1/2018	Meeting Attendance (%)
1. Prof.Dr. Uthai Tanlamai Chairman, Risk Management Committee/Independent Director	√	√	√	√	√	√	√	√	100.0
2. Ass.Prof.Dr. Kamales Santivejkul Risk Management Director/ Independent Director	√	√	√	√	√	√	√	√	100.0
3. Mr. Thanakorn Chalee Risk Management Director/ Executive Director	√	√	√	√	√	√	√	√	100.0
4. Dr. Charn Tharawas Risk Management Director/ Independent Director	-	-	-	-	√	√	√	-	100.0
Total Directors in Each Meeting	3/3	3/3	3/3	3/3	4/4	4/4	4/4	3/3	

Mr. Panusak Eakareesak acted as Secretary to Risk Management and Corporate Governance Committee and Mrs. Varaporn Wisedsang acted as recording minutes to the Risk Management Committee.

Scope of Authority of Risk Management and Corporate Governance Committee (Part Risk Management)

1. Consider and propose the Board the risk management policy and framework for approval.
2. Consider, review and approve acceptable risk appetites.
3. Oversee and supervise development and implementation following the risk management policy and framework consistently.
4. Review risk management reports for monitoring on significant risks and further implementation.
5. Coordinate with the Audit Committee on major risks with the internal audit unit as a reviewer for confidence.
6. Report the Board risks and risk management on a regular basis.
7. Provide the Risk Management Team advice and recommendations and consider proper direction in solving information relevant to risk management system development.
8. Consider and appoint additional persons or persons in replacement in the Risk Management Team as appropriate, and set their roles, duties and responsibilities to achieve the objectives.
9. Perform any other risk management tasks as assigned by the Board.

10. Communicate and exchange information, and coordinate with the Internal Audit Department in respect to risks and internal control at least once a year.

Scope of Authority of Risk Management and Corporate Governance Committee (Part Corporate Governance)

1. Consider policies and guidelines for Good Corporate Governance to the Board of Director for consideration and approval.
2. Provide the Board of Director advice to Good Corporate Governance principles.
3. Consider, review and approve Good Corporate Governance principles compared with international standards and the Stock Exchange of Thailand and proposed to the Board of Directors to consider and approve to update regularly.
4. Appoint a working group to assist with the appropriate work and consider the Good Corporate Governance of the Company and report the results of corporate governance are periodic.
5. Report the results of operations to the Board of Director.
6. Perform other duties as assigned by the Board of Director.

Risk Management Team

Risk Management Team consists of executives and heads of business units of the Company. In 2018, the Risk Management Team had five (5) meetings with the following members.

List of Risk Management Team	Position
1. Mr. Thanakorn Chalee	Chief Operating Officer
2. Mr. Arm Sivadith	Chief of Transformation Officer
3. Ms. Siriporn Detnirat	Chief Financial Officer
4. Mrs. Thunkamol Pinthong	Financial & Budget Control Director
5. Mr. Surachai Khumitti	Sales Director
6. Mr. Paiboon Pattanasaksiri	Project Director
7. Ms. Uraporn Aiedkarn	People Excellent Director
8. Mr. Montri Seemasiri	Director of Managed Solution Center
9. Mr. Pisit Thitihiranthikun	Legal Director/Head of Anti- Corruption team
10. Ms. Chanthana Patchana	Secretary of Anti-Corruption team
11. Ms. Thitirat Thanathitikankun	Quality Assurance Manager/Assistance of Secretary to the Risk Management Team
12. Ms. Bulaporn Phiunual	Secretary for minutes of a meeting

Scope of Authority of Risk Management Team

1. Assess risks and supervise units to follow the risk management plan.

2. Convene to review operational performance following the risk management plan and report the Risk Management Committee for acknowledgement on a regular basis or a quarterly basis.

3. To adopt policies and guidelines for good corporate governance.

4. Training supervisor/employee to acknowledge the practices of Good Corporate Governance and Anti- Corruption Policies such as IT Governance etc.

5. Review of performance according to Good Corporate Governance and report to the Board Risk Management Committee and Corporate Governance Committee on a regular basis or continuously.

Business Ethics Working Team (Level Executive)

Consisting of Chief Operating Officer, Director of Human Resources Department, Director of Legal Department and Company Secretary.

List of Business Ethics Working Team	Position
1. Mr. Thanakorn Chalee	Chief Operating Officer
2. Ms. Uraporn Aiedkarn	People Excellent Director
3. Mr. Pisit Thitihiranthikun	Legal Director
4. Mrs. Varaporn Wisedsang	Company Secretary

Scope of Authority of Business Ethics Working Team

In order to push everyone to understand their duties in conducting business in an ethical, honest and transparent way that is consistent with the organization's policy. In December 2018, the documents will be submitted to the Anti-Corruption members.

IT Supervisory Working Team:

Consisting of information technology director of each department And Director of Quality Inspection Department.

List of IT Supervisory Working Team	Position
1. Mr. Montri Seemasiri	Director of Managed Solution Center
2. Mr. Chat Watgarapin	System Infrastructure
3. Mr. Manutchai Rojanavichian	Network
4. Mr. Pituphong Yavirach	Information Security
5. Mr. Panusak Eakareesak	Quality Assurance
6. Mr. Wason Liwlompaisan	Research & Development
7. Mr. Pongsatorn Paolanwat	Professional Service

Scope of Authority of IT Supervisory Working Team

Give advice, set directions and find solutions about information technology issues (IT).

(5) Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established by the Board of Directors in the Board of Directors' Meeting No. 4/2018 dated 14 August 2018. The Nomination and Remuneration Committee shall have at least three (3) members, one (1) independent member of which shall be the Chairman. It assists in nominating persons with proper knowledge, capabilities and experience to be members of the Board and committees, Chief Executive Officer and President, while establish appropriate remuneration policy. As of 31 December 2018, the Nomination and Remuneration Committee consisted of four (4) members, one of which served a two-year term of office. At least two (2) meetings per year are required. In 2018, the committee had three (3) meetings with the following details.

The Nomination and Remuneration Committee	No.1/2018	No.2/2018	No.3/2018	Meeting Attendance (%)
1. Mr. Anan Leetrakul Chairman/Independent Director	√	√	√	100.0
2. Mr. Siriwat Vongjarukorn Nomination and Remuneration Director/ Chief Executive Officer	√	√	√	100.0
3. Ass.Prof.Dr. Kamales Santivejkul Nomination and Remuneration Director/Independent Director	√	√	√	100.0
4. Dr. Charn Tharawas Nomination and Remuneration Director/Independent Director	√	√	√	100.0
Total Directors in Each Meeting	4/4	4/4	4/4	

Ms. Uraporn Aiedkarn acted as Secretary to the Nomination and Remuneration Committee and Mrs. Varaporn Wisedsang acted as Secretary for minutes of a meeting.

Scope of Authority of the Nomination and Remuneration Committee

1. Establish policies and principles before forwarding them to the Board of Directors for consideration.

1.1 Policies, principles and procedures for nomination of Board members, committee members, Chief Executive Officer and President.

1.2 Policies, principles and procedures for remuneration and other fringe benefits for Board members, committee members, Chief Executive Officer and President.

2. Select and nominate qualified candidates for Board members, committee members, Chief Executive Officer and president before forwarding them to the Board for consideration.

3. Oversee the Board to contain an appropriate size and necessary elements for the environment and have the Board

members, committee members, Chief Executive Officer and President to receive reasonable remuneration for their duties and responsibilities.

4. Assess and determine, with the Company's Chief Executive Officer (CEO), the successors of CEO and top executives who directly report to CEO, and report the Board for acknowledgement with respect to the succession plans of top executives on an annual basis.

5. Review and assess the adequacy of the Nomination and Remuneration Charter and, if appropriate, recommend changes to the Charter to the Board for approval.

6. Perform any other tasks or have such authority and responsibilities, as may be delegated to the Committee by the Board on a case-by-case basis.

Executives

List of Executives, as of 31 December 2018

Based on the Organization Structure in “Internal Organization Chart,” there were six (6) executives below.

Name - Last Name	Position
1. Mr. Siriwat Vongjarukorn	Chief Executive Officer/President
2. Mr. Thanakorn Chalee	Chief Operating Officer
3. Mr. Kittiwintima	Chief Operating Officer – Telco Business Unit
4. Mr. Wichai Patipaporn	Chief Technology Officer
5. Mr. Arm Sivadith	Chief of Transformation Officer
6. Ms. Siriporn Detnitirat	Chief Financial Officer

Details of the current executives are elaborated in the article “Details of Executives and Controlling Persons”.

Scope of authority of Chief Executive Officer

1. Control, supervise and oversee execution of the Executive Committee and call for its meetings for consideration on any issues as appropriate.

2. Have authority to sign on the Company’s cheques or payment document, accounting and financial document in an amount assigned by the Board of Directors.

3. In the event of an emergency that an Executive Committee meeting cannot be held or its members cannot convene, Chief Executive Officer is authorized to make decision on establishing the Company’s mission, objectives, direction and policies.

4. Have authority to appoint, remove or disemployment executive officers.

5. Perform duties with integrity and caution on the Company’s benefits.

In any proceedings that Chief Executive Officer or his/her sub-attorney that may have conflicts, stakes or conflicts of interests (according to the Articles of Association and the Securities and Exchange Commission’s requirements) with the Company or its subsidiaries (if any), Chief Executive Officer or his/her sub-attorney has none of the authority to approve any proceedings of such matters. Exception can be made for approval of transactions according to the Company’s policies and principles approved by the Board, and the Stock Exchange of Thailand’s requirements on interconnected transactions and acquisition or disposition of key assets of the Company or its subsidiaries.

Scope of authority of President

1. Manage and control operations relevant to the Company’s general management.

2. Proceed with operations as delegated by the Board of Directors or the Executive Board.

3. Have authority to appoint, transfer, dismiss, disemploy, set wage rates and rewards, increase salary, Determine remuneration, provide bonuses for all employees in positions lower than the executive level, and for appointment of a representative of the employer in the provident fund.

4. Have authority to approve and appoint a sub-attorney to approve disbursement for procurement of assets and services for the Company’s benefits, and to approve financial transactions within an amount limit authorized by the Board or the Executive Board.

5. Have authority to introduce orders, rules, announcements and records for work implementation following the Company’s policy and benefits and for internal disciplines.

6. Have authority to take actions and express himself/herself as the Company’s representative to outsiders in related transactions for the Company’s benefits.

7. Approve any appointment of advisors in the fields necessary to operations.

8. Perform any other tasks as delegated by the Board or the Executive Board on a case-by-case basis.

Any proceedings that President or his/her sub-attorney that may have conflicts, stakes or conflicts of interests (according to the Articles of Association and the Securities and Exchange Commission’s requirements) with the Company or its subsidiaries (if any), President or his/her sub-attorney has none of the authority to approve any proceedings of such matters. Exception can be made for approval of transactions according to the Company’s policies and principles approved by the Board, and the Stock Exchange of Thailand’s requirements on interconnected transactions and acquisition or disposition of key assets of the Company or its subsidiaries.

Company Secretary

The Board of Directors' Meeting No. 3/2003 dated 23 May 2003 resolved to appoint Mrs. Varaporn Wisedsang as the Company Secretary from 2003 onward. She was given training in the course relevant to duties of Company Secretary from the Institute of Directors (IOD). Her qualifications are described in Attachment 1.

In the event that Company Secretary leaves the position or cannot perform the duties, the Board shall appoint new Company Secretary within 90 days from the date the previous one leaves the position or cannot perform the duties.

Profile of Company Secretary

Mrs.Varaporn Wisedsang

Education

Master's Degree : Finance, Kasem Bundit University

Bachelor's Degree : Accounting, Kasem Bundit University

Qualification

Have knowledge in accounting/finance and relevant laws, possess coordination skills and flexibility to perform tasks, gain capabilities to summarize any issues and prepare minutes of meetings with good relationship, leadership and communication skills. Given training on duties of Company Secretary from the Institute of Directors (IOD).

Duties and Responsibilities of Company Secretary

- Stay as the center for document preparation/storage.
- Coordinate with the shareholders and facilitate organization of a shareholders' meeting with an invitation letter and a minutes of meeting.
- Report stockholding of directors and executives.
- Coordinate on implementation following the Board resolutions.
- Have the Board to perform its duties following the laws, the Public Company Act, the Securities and Exchange Act, and rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand, and provide advice on laws and announcements.
- Any other issues as delegated by the Board.



Details of Directors, Executives, Controlling Persons, and Company Secretary of MFEC Public Company Limited

as of 31 December 2018

01. Mr. Sirisak Tirawattanangkul

Chairman 58 years
The Authorized Person Appointed by AGM 1/2016
Shareholding : 2.9%

Education

- Bachelor's degree in Physics, Chulalongkorn University
- DAP,RCP Programs of IOD

Working Experience in Past 5 Years

2011-2013 Director MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.

2016-Present Chairman MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.

*Director in listed companies: one (1) listed company

*Non-listed companies: -

02. Mr. Kiyotaka Nakamura

Vice Chairman 50 years
Non Authorized Person Appointed by Board of Director 1/2016
Shareholding : -

Education

- Bachelor of Engineering from Osaka University, Japan
- DAP Program of IOD

Working Experience in Past 5 Years

Current Managing Executive Officer - TIS Inc.
: Provide advisory services and development services for information technology and create entertainment media.

2014-Present Director MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.

2016-Present Director Promptnow Company Limited.
: Provide advisory services and development services for information technology and create entertainment media.

*Directorial position in listed companies: two (2) listed companies.

Director in TIS Inc. and one (1) group companies

Director in MFEC PLC.

*Non-listed companies: (none) company

03. Mr. Siriwat Vongjarukorn

Director and Chief Executive Officer, Member of Risk Management and Corporate Governance, 50 years
Member of Nomination and Compensation Committee
The Authorized Person Appointed by Board of Director 1/2017
Shareholding : 1.9

Education

- Hanorary Doctorate Degree of Information Technology, Sripatum University
- Bachelor of Engineering, Chulalongkorn University
- DAP,DCP Program of IOD

Working Experience in Past 5 Years

2003-Present	Director and Chief Executive Officer MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.
2005-Present	Director Praln FinTech Company Limited : Providing electronic payment services and providing payment services instead.
2013-Present	Director Promptnow Company Limited : Provide advisory services and development services for information technology and create entertainment media.
2014-Present	Director Panjaluck Pasuk Company Limited : Operate an amusement park, rides & shows.
2016-Present	Director M.I.S. Outsourcing Company Limited : Provide technology consultancy services, integration, maintenance.
2016-Present	Director Digital Ventures Co. Ltd. : Invest and develop financial business.
2016-Present	Director Matchon PLC. : Provide advertisement, training & typing services.
2017-Present	Director Veranda Resort Co., Ltd. : Provide warehouses for rent.
2017-Present	Director Angstrom solutions Co., Ltd. : Provide consulting, development and training on software, hardware and computer systems.

*Directorial position in listed companies: three (3) listed companies.
Director in MFEC PLC. and four (4) group companies
Director in Matchon PLC.
Director in Veranda Resort Co., Ltd.

*Non-listed companies: two (2) companies

04. Mr. Thanakorn Charlee

Director & Executive Committee, Chief Operating Officer, Member of Risk Management and Corporate Governance The Authorized Person 50 years
The Authorized Person Appointed by Board of Director 1/2017
Shareholding : -

Education

- Bachelor of Engineering, Chulalongkorn University
- DAP,HRP Programs of IOD

Working Experience in Past 5 Years

2015-Present	Director & Executive Committee MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.
2004-Present	Director Advance Intelligence Modernity Company Limited : Provide advisory services and development services for information technology and create entertainment media.
2011-Present	Director Motif Technology Public Company Limited : Provide consulting and advisory services related to computer system and information technology network.
2013-Present	Director Coach Marketing Company Limited : Conference organizer.
2015-Present	Director Praln FinTech Company Limited : Providing electronic payment services and providing payment services instead.
2017-Present	Director Digital Savvy Co., Ltd. : Provide ticket selling system and organizer services in events or other performances.
2018-Present	Director Soft Plus Technology Co., Ltd. : Consultation about work procedures Design and develop customized software systems to supervise and support operations using the system.

*Directorial position in listed companies: one (1) listed company.
Director in MFEC PLC. and five (5) group companies

*Non-listed companies: one (1) companies

05. Mr. Anan Leetrakul

Independent Director and Member of Nomination and Remuneration Committee

78 years

Appointed by AGM 1/20181

Shareholding : -

- Education**
- Ph.D. Faculty of Information Technology Rajamangala University of Technology Suvarnabhumi (Honorary Degree)
 - Bachelor of Accountancy, Chulalongkorn University
 - DCP, RCC Programs of IOD

Working Experience in Past 5 Years

- 2016-Present Independent Director, Chairman of Nomination and Remuneration Committee Independent Director, Audit Committee Member MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.
- 2008-Present Director D2 Systems Company Limited
: Wholesale network security system.
- 2016-Present Director A-Host Co., Ltd.
: Sell computer programs.
- 2017-Present Director Siam M&B Publishing Company Limited
: Provide printing service.

*Directorial position in listed companies: one (1) listed company.

Independent Director in MFEC PLC.

*Non-listed companies: two (2) companies

06. Mr. Suchart Thammapitagkul

Independent Director and Chairman of Audit Committee

70 years

Appointed by AGM 1/2018

Shareholding : -

- Education**
- Master of Law, Harvard Law School, U.S.A.
 - Bachelor of Law, Chulalongkorn University.
 - DAP, DCP, RCC Program of IOD

Working Experience in Past 5 Years

- 2003-Present Independent Director and Chairman of Audit Committee MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.
- 1970-Present Director On-Nik Company Limited
: Distribute Chemical Products.
- 1986-Present Director Somnuk Sutee Associate Company Limited
: Provide Litigation and Legal Consulting services.
- 1989-Present Director Bann Sathorn Company Limited
: Provide equipments for personal and household.
- 1999-Present Independent Director and Audit Committee Member Modernform Group Public Company Limited
: Manufacture and sell furniture.
- 2004-Present Independent Director and Audit Committee Member T.C. Union Global Public Company Limited
: Manufacture and distribution of food supplements.
- 2004- Present Independent Director and Audit Committee Member Uniq Mining Services Public Company Limited
: Retail fuel for automobile.
- 2005- Present Independent Director and Audit Committee Member Unimit Engineering Public Company Limited
: Manufacture equipments for factories in Energy and Petrochemical Industry.
- 2006-Present Director Chamchuri Innovative Company Limited
: Provide intellectual property products and similar products, excluding copyrighted work, for rent.

*Directorial position in listed companies: five (5) listed companies.

Independent Director in MFEC PLC.

Independent Director in Modernform Group PLC.

Independent Director in T.C. Union Global PLC.

Independent Director in Unique Mining Services PLC.

Independent Director in Unimit Engineering PLC.

*Non-listed companies: four (4) companies

07. Prof. Uthai Tanlamai

Independent Director, Chairman of Risk Management Committee, Audit Committee Member

66 years

Appointed by Board of Director 1/2018

Shareholding : -

Education

- Ph.D. (MIS Major) University of Illinois at Urbana Champaign
- MS B.A. (MIS major) University of Illinois at Urbana Champaign
- B.A. in Accounting (Cost Accounting Major), Chulalongkorn University
- DAP, DCP, FSD Program of IOD

Working Experience in Past 5 Years

- 2016- Present Independent Director, Chairman of Risk Management Committee, Audit Committee MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.
- 1995- Present Professor for Accounting Member Chulalongkorn University
: University.
- 2016- Present Director Thai Challac (1980) Co., Ltd.
: Produce seedlac.

*Directorial Position in listed companies: one (1) listed company.

Independent Director in MFEC PLC.

*Non-listed companies: one (1) company

*Professor in institutions: one (1) institution

08. Ass. Prof. Kamales Santivejkul

Independent Director, Member of risk committee, Audit Committee Member,

67 years

Member of Nomination and Compensation Committee

Appointed by AGM 1/2016

Shareholding : -

Education

- Ph.D. Business Administration Oklahoma State University The United States
- Master's Degree, Monetary and Fiscal Major, National Institute of Development Administration
- BA, Civil Engineering, Songkhla Nakarin University
- DCP Program of IOD

Working Experience in Past 5 Years

- 2016-Present Independent Director/ Risk Management and Corporate Governance Committee/ Nomination and Remuneration Committee MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.
- 1994-Present Independent Director, Audit Committee Member Seafresh Industry PLC.
: Produce and sell frozen shrimp, value-added shrimp & frozen processed ready-to-eat shrimp.
- 2004-Present Director C&C International Venture Co., Ltd.
: Advisor for Administration and Techniques.
- 2006-Present Director Jamjuree Innovations Co., Ltd.
: Distributor, brokerage house and sales representative for products with intellectual property's contents.
- 2008-Present Director/Chairman-Corporate Governance Committee Advisor Nonthavej Hospital PLC.
: Provide medical services.
- 2015-Present Advisor Computer and Information System Center, Faculty of Commerce and Accountancy, Chulalongkorn University
: University.

*Directorial position in listed companies: three (3) listed companies.

Independent Director in MFEC PLC.

Independent Director in Seafresh Industry PLC.

Independent Director in Nonthavej Hospital PLC.

*Non-listed companies: two (2) companies

*Advisor in institutions: one (1) institution

09. Dr. Charn Tharawas

Independent Director, Member of Nomination and Remuneration Committee

67 years

Appointed by Board of Director 1/2017

Shareholding : -

Education

- Ph.D., Finance, Western American University, USA
- Master's Degree, Business Administration, Kasetsart University
- Bachelor's Degree, Economics, Thammasat University * DAP, DCP Programs of IOD

Working Experience in Past 5 Years

2016-Present	Independent Director, Member of Nomination and Compensation Committee MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.
1995-Present	Chairman C.am Creation Co., Ltd. : Financial advisor.
1999-Present	Director Inter Capital Leasing Co., Ltd. : Give advice on financial and business management.
2006-Present	Advisory Board of Directors Jubilee Enterprise Public Company Limited : Manufacturing and selling diamond jewelry.
2014-Present	Director - Senior Expert, Supervision & Oversight, Mor. 43 Ministry of Digital Economy and Society : Digital Economy and Society.
2015-Present	Director - Senior Expert, Supervision & Oversight, Mor. 43 Ministry of Transportation : Transportation & logistics.
2018-Present	Independent Director Audit Committee and Nomination and Remuneration Committee Thai Appliance Industry Public Company Limited : Operations on electrical appliances Generate electricity from renewable energy, solar and biomass.

*Directorial Position in listed companies: three (3) listed company.

Independent Director in MFEC PLC.

Advisory Board of Directors in Jubilee Enterprise Public Company Limited

Independent Director in Thai Appliance Industry PLC.

*Non-listed companies: two (2) companies

*Director - Senior Expert in organizations: two (2) organizations

10. Mr. Kitti Wintima

Chief Operating Officer – Telco BU

46 years

Shareholding : -

Education

- Bachelor of Information Technology, Kasetsart University

Working Experience in Past 5 Years

2003–2016	Vice President – Sale Telecommunication MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.
2016-Present	Chief Operating Officer – Telco BU MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.
2018-Present	Director Soft Plus Technology Co., Ltd. : Consultation about work procedures Design and develop customized software systems to supervise and support operations using the system.

*Executive Director Position in listed companies: 1 listed company and Director in Subsidiary Company 1 company

*Non-listed companies: -none-

11. Mr. Wichai Patipaporn

Chief Technology Officer 51 years
Shareholding : 0.03%

Education • Bachelor's degree in Computer Engineering, Chulalongkorn University

Working Experience in Past 5 Years

2003-2016 Vice President – Research and Development MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.

2016-Present Chief Technology Officer MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.

2108-Present Director Angstrom solutions Co., Ltd.
: Provide consulting, development and training on software, hardware and computer systems.

*Executive Director Position in listed companies: 1 listed company and Director in Subsidiary Company 1 company

*Non-listed companies: -none-

12. Mr.Arm Sivadit

Executive Director, Chief Transformation Officer 44 years
Shareholding : 0.04

Education • MBA, University of Houston
• Bachelor's degree in Computer Engineering King Mongkut's Institute of Technology Ladkrabang
• HRP Programs of IOD

Working Experience in Past 5 Years

2011-2014 Business Development Director MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.

2014-2016 Vice president professional servic MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.

2016-2018 Executive Director, Chief of Staff MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.

2018-Present Chief Transformation Officer MFEC Public Company Limited
: Provide advisory services, development and system integration for computer system and information technology network.

2017-Present Director Playtorium Solutions Company Limited
: Computer facilities management activities.

2017-Present Director Fanster Media Company Limited
: Internet access activities over wired networks.

2017-Present Director Data Cafe Company Limited
: Other management consultancy activities, not elsewhere classified.

2017-Present Director Digital Savvy Co., Ltd.
: Provide ticket selling system and organizer services in events or other performances.

*Executive Director Position in listed companies: 1 listed company and Director in Subsidiary Company 4 companies

*Non-listed companies: -none-

13. Ms. Siriporn Detnitirat

Chief Financial Officer

45 years

Appointed in the Executive Committee's Meeting No. 1/2016 dated 8 February 2016

Shareholding : -

Education

- Master's Degree, Business Law, Ramkamhaeng University
- Bachelor's Degree, Costing Major, University of the Thai Chamber of Commerce
- Training: Strategic CFO in Capital Markets Program by the SET, 2nd Class And training on tax planning for dividend and share of profits by Dharmniti Auditing Co., Ltd.

Working Experience in Past 5 Years

2016-Present	Chief Financial Officer MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.
2010-2016	Senior Accounting Manager MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.
2016-Present	Director Advance Intelligent Modernity Company Limited. : Provide advisory services and development services for information technology and create entertainment media.
2016-Present	Director Modernform Integration Services Company Limited : Sell and repair computers and peripherals.
2016-Present	Director M.I.S. Outsourcing Company Limited : Provide consultancy, integration, maintenance and technology services.
2016-Present	Director Motif Technology Public Company Limited : Provide consulting and advisory services related to computer system and information technology network.
2018-Present	Director Soft Plus Technology Co., Ltd. : Consultation about work procedures Design and develop customized software systems to supervise and support operations using the system.

*CFO Position in listed companies: 1 listed company and Director in Subsidiary Company 1 company

*Non-listed companies: -none-

14. Mrs. Varaporn Wisedsang

Company Secretary

43 years

Appointed by Board of Directors 3/2003, Date: May 23, 2003

Shareholding : -

Education

- Master of Business Administration in Finance, Kasem Bundit University
- Bachelor of Business Administration in Accountancy, Kasem Bundit University.
- CSP, CRP, EMT Program of IOD

Working Experience in Past 5 Years

2003-Present	Company Secretary MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.
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15. Mrs. Netnapha Chaoun

Accountant

36 years

Shareholding : -

Education

- Bachelor of Business Administration in Accountancy, The University of Central Thailand

Working Experience in Past 5 Years

2003-2007	Chief Accounts receivable MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.
2003-Present	Accounts MFEC Public Company Limited : Provide advisory services, development and system integration for computer system and information technology network.

Remark : 1. Executive Director means the director who affixes his or her signature and be binding on the company as stipulated in the Company Certification Document.
 2. The number of Shares as of December 31st, 2018.
 3. The Shareholding Proportion shall be included with spouse and minor children as per the Article 258 of Public Limited Companies Act, B.E. 2535 (1992) (All directors hold shares on their behalf).
 4. Soft Plus Technology Company Limited, the Extra general shareholder meeting no. 3/2018 on December, 13, 2018, has the resolution to change the name of the company to "M Syne Innovations Company Limited" and has effective on January 2, 2019.

Details of Directors, Executives and Company Secretary of MFEC Public Company Limited, and subsidiaries company , associate companies and other related companies.

Company Name	MFEC	Subsidiaries company								Associate companies				Related Companies	
List od Director	Plc.	AIM	PFT	MISO	BAC	MOTIF	SPT	HS	PS	DC	ANG	PN	FM	DS	TIS
1. Mr. Sirisak Tirawattanakul	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Mr. Kiyotaka Nakamura	I	-	-	-	-	-	-	-	-	-	-	I and II	-	-	II
3. Mr. Sriwat Vongjarukorn	I and II	I and II	I and II	I and II	-	-	-	-	-	-	I	I and II	-	-	-
4. Mr. Thanakorn Charlee	I and II	I and II	I and II	-	-	I and II	I and II	-	-	-	-	-	-	I and II	-
5. Mr. Anan Leetrakul	I	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Mr. Suchart Thammapitagkul	I	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Prof. Uthai Tanlamai	I	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Ass. Prof. Kamales Santivejkul	I	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Dr. Charn Tharawas	I	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Mr. Kitti Wintima	III	-	-	-	-	-	I and II	-	-	-	-	-	-	-	-
11. Mr. Wichai Patipaporn	III	-	-	-	-	-	-	-	-	-	I	-	-	-	-
12. Mr.Arm Sivadit	III	-	-	-	-	-	-	-	I and II	I and II	-	-	I and II	I and II	-
13. Ms.Siriporn Detniritat	III	I and II	I and II	I and II	-	I and II	I and II	-	-	-	-	-	-	-	-

Remark :

1. X = Chairman, I = Director, II = Executive Director, III = Executive
2. The list of subsidiaries and associate companies follows Part 1, 1.3: Shareholding Structure.
3. Subsidiary company "SS" the Extra general shareholder meeting no. 3/2018 on December, 13, 2018, has the resolution to change the name of the company to "M Syne Innovations Company Limited" and has effective on January 2, 2019.



Profile of Internal Audit Manager

Profile of Internal Audit Manager

Name : Mrs.Renuka Boonthongdee
Age : 43 Years
Position : Internal Audit Manager
Date/Month/Year of Appointment : Appointed by the Audit Committee Meeting No. 2/2017 on June 11, 2016 to replace Mr. Nattaphol Kasemsub, Director of Internal Audit Department. The resignation is effective from April 30, 2017.

Education Background

- Bachelor Degree in Business Administration, Rajabhat Institute Petchburiwittayalongkorn

Training Record

- Monitoring of the new auditors, The Institute of Internal Auditors
- Audit Report Writing, The Institute of Internal Auditors
- Leadership Skills for Auditors, The Institute of Internal Auditors
- CPIAT #43, The Institute of Internal Auditors
- Anti-Corruption: The Practical Guide (ACPG) 40/2017, Thai Institute of Directors

Certificate

- Certified Professional Internal Audit of Thailand, year 2017

Working Experience

2017– Present	Internal Audit Manager MFEC Public Company Limited
2013 - 2015	Senior Internal Audit MFEC Public Company Limited
2001 - 2013	Senior Project Administrator MFEC Public Company Limited

Member of Institute/Organization

- Member of The Institute of Internal Auditors



Remuneration for Directors and Executives

Remuneration

The company determines the remuneration policy clearly and transparently, based on the principles before forwarding it to a meeting of the shareholders for consideration and approval.

Since 2018, the Nomination and Remuneration Committee has reviewed the remuneration according to the principle and has presented it to a meeting of the Board of Directors and a meeting of the shareholders for consideration and approval.

Policy and principles for remuneration to the Board of Directors

The remuneration is set to be paid on an annual basis, with respect to mission, responsibility and work performance of the board, in comparison with other companies at a similar size in the similar industry. The directors who are assigned to hold any positions in the committees will receive additional remuneration as per his/her additional responsibility.

Policy and principles for remuneration to the executives

The board considers remuneration to the executives in the forms of salary, bonus, contribution to a provident fund and other beneficial obligations, based on the following factors;

- 1) Survey data on remuneration provided by institutions or units in the same industry and similar level.
- 2) Inflation
- 3) Past record of net profit growth and work performance in accordance with assigned responsibility and work performance as targeted earlier.

Financial remuneration

(1) Remuneration to the Board of Directors/Committees

• **Remuneration/Travel Allowance:** The remuneration to the board was presented to 2018 Annual General Meeting of the Shareholders held on 23 April 2018 which decided to keep the remuneration unchanged during 2014-2018 in the following decision.

Position	Remuneration to the Board (annual basis)				
	Board of Directors	Audit Committee	Risk Management & Corporate Governance Committee		Nomination & Remuneration Committee
			Remuneration	Travel	
1. Chairman	264,000	264,000	264,000	60,000	264,000
2. Directors	192,000	264,000	264,000	60,000	264,000

Remark : 1) Mr. Kiyotaka Nakamura, Vice Chairman who represents TIS Inc. of Japan, waived remuneration throughout his term following the good corporate governance of Japan's stock exchange.
 2) Mr. Thanakorn Charlee who held the positions of both Executive Director and Risk Management and Corporate Governance Director did not received annual remuneration and travel allowance.
 3) Mr. Siriwat Vongjarukorn who held the positions of both Executive Director and Nomination and Remuneration Director, did not receive annual remuneration.
 4) The AGM 2018 resolved on remuneration for the Board and committees at no more than 3,840,000 baht.

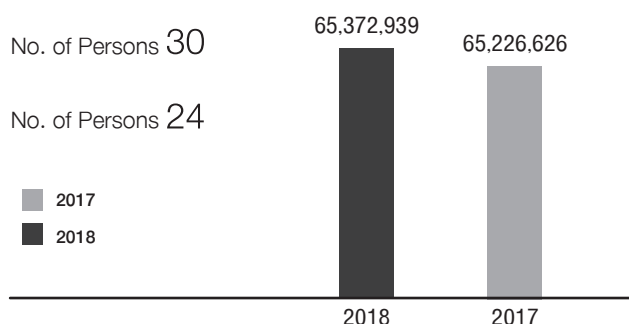
- **Other remuneration:** None of other benefits aside from annual meeting/travel allowances.

(2) Remuneration to the Executives

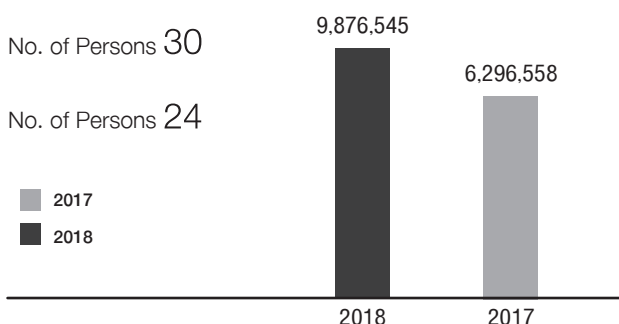
- **Financial remuneration for executives of the Company and its subsidiaries:** salary and bonus
- **Other remuneration for executives of the Company and its subsidiaries** in the form of social security contributions, contributions to a provident fund and obligations for employee benefits

Financial remuneration

Unit : Baht

**Other remuneration**

Unit : Baht

**Employees of the Company and its Subsidiaries**

The employees are the organization's essential resources for business operations. The organizational growth depends on the quality employees who possess skills, knowledge and expertise. Therefore, MFEC Group has the policy for skill set development, improvement of internal management process to be in line with changed technology, service standards and sustainable growth. The employees are encouraged to be aware of ethics and good corporate governance.

- **Number of Employees.**

As of 31 December 2018 and 31 December 2017, the company and its subsidiaries had the employees by main business line in the following details;

MFEC & Subsidiaries	No. of Employees (Person)			
	31 Dec. 2018		31 Dec. 2017	
	Permanent	Contract	Permanent	Contract
1. MFEC PCL.	925	104	701	86
2. Subsidiaries: 14	261	20	303	56
Total	1,186	124	1,004	142

Remark : The list of 14 subsidiaries are described in Part 1: Shareholding Structure of MFEC Group.

The number of the employees, as of 31 December 2018 and 31 December 2017, of the company and its subsidiaries can be grouped by the following, main business lines;

Main Business Line	No. of Employees (Person)	
	31 Dec. 2018	31 Dec. 2017
1. Sales & Marketing	261	70
2. Technical Support & Product Development	801	846
3. Administration	124	94
Total	1,186	1,010

Remark : The company and its subsidiaries have no labour unions and any labor disputes in the past five (5) years.

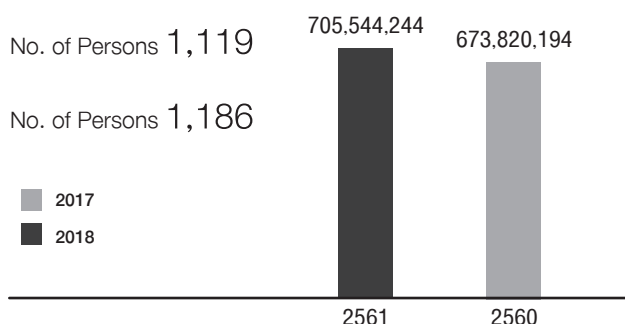
- **Remuneration to the employees of the company and its subsidiaries**

1. Financial remuneration: salary, bonus, allowance, overtime pay, travel allowance and welfare

2. Other remuneration: Contributions to Social Security Fund, Provident Fund and benefit obligations to the employees

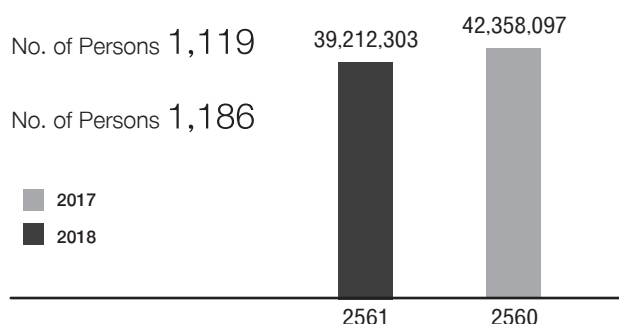
Financial remuneration

Unit : Baht



Other remuneration

Unit : Baht



Human Resources Development Policy

The Executive Committee is aware of human resource in operating MFEC's businesses. Therefore, it's natural for MFEC to continually develop work skills of the employees, enhance their knowledge, capabilities and efficiency, and get them well-prepared for IT innovation. Human resources development is conducted in the following schemes;

1. As MFEC realizes development of unit heads, it initiated "Modern Leader" project to upgrade skills of existing unit heads and new-gen unit heads who will be the future of MFEC. About 73 unit heads attended the program and 49, or 67% of total participants, of which passed the program.

2. As MFEC is aware of establishing internal employee feedback as the corporate culture, it held a course "Smart Feedback for Smart Leader" which built up the corporate culture - internal employee feedback and developed teams for higher efficiency. About 30 unit heads attended the course.

3. As MFEC is aware of continuous development of innovation, it supported "MFEC Incubator 2018" as the project for the employees to present ideas with incubation for innovative solutions and business extension. Leading startup mentors and speakers used concepts and methods to draw out the project participants' capacities as a means to get them well-equipped and drive them to bring out new creative ideas. Throughout the project, the startup mentors assisted the employees to understand the principles before bringing new solutions or products for customers and businesses. About 30 teams of 93 employees participated in the project. The successful project results were new solutions for internal use and customers.

4. Support for regular exchange of knowledge and skills among the employees. TechFace program was developed since September 2017. The program aims at having a supply chain of knowledge for optimal benefits to the employees and the organization. Development plan has been formulated and training courses have been organized. These courses have been designed according to the departmental requirements to satisfy the employees' demand and develop the skills to match their business lines. The courses focus on developing internal speakers and giving opportunities for all of the employees who could transfer existing knowledge and capability for the benefits' employees particularly junior employees at on-the-job training. Besides, work experience is shared, while the employees are promoted for more internal communications, leadership skills and communications & presentation skills. About 295 employees attended 11 courses.

5. The employees are dispatched for IT training courses from MFEC's distributor and other famous training institutions in the country and overseas. Internal training is conducted by speakers or experts with knowledge, high capabilities and direct experience in each field. About 324 training courses have been formulated according to the annual, human resources development plan for 1,165 employees.

6. The employees are promoted for tests in levels of IT knowledge and capabilities for certificates - the guarantee for the employees' quality as to gain customers' confidence. In 2018, about 272 employees passed tested, for certificates, in 294 courses.

7. "Udemy Challenge" project is set to promote knowledge management for the employees who can learn at anywhere and anytime. The activity aims to develop the employees with self-learning. In 2018, the successful project result was that the employees had 6,679 hours of learning through Udemy online.



Corporate Governance

Corporate Governance Policy

Board of Directors is firmly committed to organizational development for transparency, corporate governance, responsibility and retention of the stakeholders' gains and social benefits. The company's employees have been developed to be good people with morality, while being promoted in IT education for more effectiveness of the organization's sustainable expansion and participation in the nation's social development.

Guidelines for the sustainable development are described below.

1. Corporate governance with fair business operations
2. Anti-corruption
3. Respect to human rights and corporate social responsibility
4. Participation in development of community education
5. Preparation of Sustainability Report

Corporate Governance Plan in 2018 :

1. Establish the Code of Business Conduct Committee (executive level), manage all people in the organization to understand the roles and duties to operate businesses with transparency and compliance with the organization's policy. Application was made for membership of Thailand's Private Sector Collective Action Against Corruption with Institute of the Thai Directors on 14 December 2018.
2. Make sure of declaration of intention toward the suppliers for their acknowledgment of the company's Code of Business Conduct and participation in anti-corruption.
3. Review and revise the organization's vision and mission, revise the business strategies for a sustainable growth.
4. Support activities of "Pan Panya Foundation" consistently as a means to drive and develop Thai children's education quality, and promote the education quality toward remote communities.
5. The company earned "Very Good" for corporate governance of listed companies and organization of annual general meeting of the shareholders.

The company revised its manual on corporate governance (in reference of the principles of good corporate governance for listed companies in 2017) following the resolution of the Board of Directors' Meeting No. 6/2017 held on 15 December 2017. The manual for the Code of Business Conduct has been prepared to communicate with the directors, executives and employees to acknowledge and realize its importance. The manual is used as the guideline to consider risky behavior which may come against the ethics and work guidelines, helping to promote the organization's corporate governance, improve the company's business operations and encourage the organization's people to have moral mind. This move will gain confidence and acceptance from the society and lead to a sustainable growth through the internal channels and MFEC's website <https://www.mfec.co.th/en/corporate-governance/code-of-conduct/>.

The Board determines the Corporate Governance Policy in the following details.

To govern the company to have an efficient work system as the foundation for the sustainable expansion with adherence to business ethics and morality through the policy. It aims to become the partnership and an ally with the customers, suppliers, shareholders, investors and society and helps develop their capabilities for business competition and expansion in parallel with MFEC Group's business operations.

The essences to the corporate governance are described in the following guidelines;

Guideline 1) Aware of the leadership roles and responsibility of the Board of Directors for value creation with sustainability: The company pays high attention to the Board's roles, duties and responsibilities for the purpose of maintaining benefits of the shareholders and stakeholders.

Therefore, the Board comprises of nine (9) members and the number is appropriate for the size of MFEC. The Board consists of Chairman (non-executive and non-independent director), five (5) non-executive, independent directors (one (1) female independent director and four (4) male independent directors), two (2) executive directors and one (1) non-executive director.



The list of the Board members with a three-year term

Director	Type	Appointment Year	Year Selected Latest	No. of Years for the Position (Year)
Mr. Sirisak Thirawattanangkul	Non-Executive Director	2011	2016	7
Mr. Kiyotaka Nakamura	Non-Executive Director	2014	2016	4
Mr. Thanakorn Charlee	Executive Director	2015	2017	3
Mr. Anant Leetrakul	Independent Director	2012	2018	6
Mr. Suchart Thammapitagkul	Independent Director	2003	2018	15
Prof. Dr. Uthai Tanlamai*	Independent Director	2016	2018	2
Ass. Prof. Dr. Kamales Santivejkul*	Independent Director	2016	2016	2
Dr. Charn Tharawas*	Independent Director	2016	2017	2

Authority of the Board of Directors :

The Board of Directors has the authority to approve various matters of the company in accordance with the legal duties. Company regulations Charter of the Board of Directors and the resolution of the general meeting of shareholders including determining and reviewing the vision, mission, operational strategy, risk management policy, budget plan and annual business plan, medium-term business plan, determine the goals of the business operation and follow up and evaluate the operational results as planned. Supervise investment expenses items during mergers and acquisitions including investment in new businesses.

In 2018, the Board performed its duties and was well aware of its responsibilities following the Corporate Governance Policy in the following details:

1.1 Prepare the manual for the Code of Business Conduct to communicate with the directors, executives and employees to acknowledge and realize its importance. The manual is used as the guideline to consider risky behavior which may come against the ethics and work guidelines.

1.2 Determine the policy for each director to hold the directorial position in no more than five (5) listed companies, and president and each top executive to hold the managerial position in one (1) listed company for sufficient management time.

1.3 Have no records of infringement against the regulatory requirements of the Securities and Exchange Commission/Stock Exchange of Thailand.

1.4 Determine to have chairman of the Board not to be the same person of executive chairman for clearly separated roles, authority and duties, and appoint independent directors as chairman of the committees.

1.5 Govern the company to have the internal control system which take a full coverage of finance, work execution, legal and regulatory compliance, and proper and sufficient risk management. The Internal Control Office, under supervision of Internal Audit Manager Mrs. Renuka Boonthongdee, is an independent unit which reports to the Audit Committee.

1.6 Govern to have a sufficient risk management system, regular monitoring of risk management, practices following the organization's principles of corporate governance. The Risk Management and Corporate Governance Committee has been assigned to report the risk management results on a quarterly basis, and report the corporate governance practices and anti-corruption practices on a regular basis.

1.7 Determine to have the performance appraisal of president with proper remuneration for the organization structure.

Guideline 2) Determine Objectives and Main Goals for Sustainability : The Board pays attention to lead the organization to a sustainable growth. In 2018, the Board of Directors' Meeting No. 5/2018 held on 25 September 2018 resolved to approve the revision of the company's vision, mission and corporate value, as well as preparation of the manual for the code of business conduct.

Vision

To become Thailand's best IT workplace with passion to create technologies and innovate solutions that uplift your digital life.

Mission

To drive innovations that enhance people's digital life.

MFEC aims to be the IT company people most desire to work with to create technology and innovation which upgrade all people's quality of life committed to conducting business with transparency and fairness under the framework of good corporate governance, adhere Corporate Governance Policy and Code of Conduct have responsibility to society, environment and all stakeholders to create competitive advantage and sustainable growth. The company has changed the business model according to the trend of information technology such as Social Media, Cloud Computing, Big Data, Mobility and Security in accordance with Digital Business Transformation. To support the rapidly changing situation at present and to strive to "create people" by developing human resources both inside and outside the organization in the ICT profession to match the market demand trends of the business sector.

Corporate Values :

- **Passion to Succeed** Perceive the definition of self-success and strong desire for work success and future career path jointly planned with the organization.
- **Teamwork** Become the unity, work together with mutual understanding, share a success, suffering and happiness with colleagues.
- **Professional** Being committed and responsible for the disciplines and ownership of duty for everyone and customers.

The Board of Directors is required to hold a joint meeting with the management at the end of every year. MFEC Board of Directors' Meeting No. 7/2018 held on 18 December 2018 discussed with the management teams of MFEC and its companies to set their goals, strategies and business plans for the following year so that these actions meet the goals and ensure the company to be able to make profit as set in the organization's business plan.

Guideline 3) Promote Effective Board of Directors: As the Board is well aware of its roles, duties and responsibilities to lead the organization to its objectives and goals as determined, while playing a major role to push for the company's sustainable growth, the Board's structure and qualifications, and the company's criteria and procedures are set in the following details.

3.1 The Board is well structured and comprises of directors who have proper and versatile qualifications (Skill Matrix). Among the Board members, at least one (1) shall be non-executive director with business experience. The proportion of executive directors to non-executive directors shall reflect a balance of power. The Board shall consist of no less than five (5) members and no more than twelve (12) members. MFEC Public Company Limited has nine (9) Board members. Five (5) of which satisfy the

independence characteristics according to the Securities and Exchange Commission (details as described in Attachment 1: Details of Directors). The responsibility for performance, time allocation and support mechanism are determined for the directors to perceive their roles and criteria for the directorial position in other companies as a means to ensure that the directors are able to dedicate time to perform their duties. Therefore, each director is required to take the directorial position in no more than five (5) listed companies, while reporting is required for other positions taken with disclosure of direct and indirect stakes in other enterprises. The criteria and information must be revealed. Each director should have at least 80% meeting attendance.

Definition : A listed company means a company whose shares are publicly traded on the stock exchange.

3.2 Mr. Sirisak Thirawattanangkul was appointed as Chairman of the Board and Mr. Siriwat Vongjarukorn was appointed as Executive Chairman/President whose duties and responsibilities differ from the former's.

Chairman of the Board has taken the role and duties to govern, monitor and ensure the directors' efficient performance and achievement of the organization's objectives and goals, determine the Board's meeting agenda through discussion with all directors, ensure major issues included in the agenda, allocate adequate time for the management to present and discuss important issues with the directors, promote their careful consideration and independent opinions, strengthen good relationship between executive directors and non-executive directors, and foster relationship between the Board and the management.

3.3 The Board appoints all committees extending from Audit, Nomination and Remuneration, Risk Management and Corporate Governance to Executive Committee. These committees review major and specific issues in detail prudently, screen information, and present directions for consideration before forwarding them to the Board for approval. These committees' roles, duties and meeting attendance are disclosed in the topic on Management Structure.

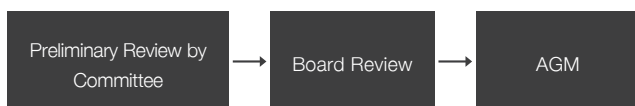
3.4 The Board determines the criteria for nomination and remuneration to the directors and each of committees in the following details.

- Practice in nominating qualified candidates for the position of directors : Nomination of candidates for directors/independent directors

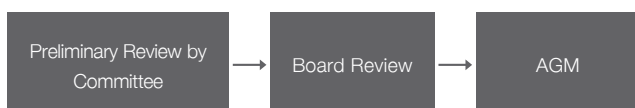
In 2018, the Nomination and Remuneration Committee nominated the candidates to assume the positions of the directors and independent directors who had a

diversity of qualifications, experience, skills and specific, useful capabilities with time dedication and full effort for the strong Board. Therefore, each director was required to hold the position of the director at no more than (5) listed companies.

The company provided the opportunity for the minority shareholders to propose qualified candidates and presented them to the Nomination and Remuneration Committee's meeting before forwarding the list to the Board meeting and appointed them according to the Articles of Association requiring a shareholders' meeting approval of no less than half of the number of eligible shares to vote. One (1) shareholder had the number of votes as one (1) share for one (1) vote. Each shareholder must cast all of his/her votes to elect a candidate/candidates as a director/directors in the number equal to that required in an election. One-third of all directors shall vacate the office at each of annual general meeting of the shareholders. The number of non-independent directors may be determined as a proportion of the number of shares held in the company as appropriate. This was also subject to elected directors' capabilities. (The nomination procedures for directors is reported in Management Structure, 8.1.4: Appointment and Removal of Directors.)



- Practice to determine remuneration for the Board and committees: Remuneration is determined to be in line with the company's strategies and long-term goals, experience, duties, accountability and responsibilities. Directors who are delegated the duties and responsibilities as committee members should be given properly additional remuneration compared with the industry practice.



3.5 The Board determines a framework and mechanism on supervision of operations of the subsidiaries and other enterprises in which the company makes investment, according to the company's policy to promote/jointly invest with the employees who have knowledge, capabilities and management capabilities for new subsidiaries. The company has the policy to jointly invest with its allies to enlarge services to a full coverage (The list of fourteen (14) subsidiaries and four (4) associate companies are described in 1.3: Shareholding Structure of MFEC Group.). Therefore, the Board defines the framework and mechanism to supervise the enterprises the company invests in the following manners;

Subsidiary – Appoint an MFEC representative as each subsidiary's director, executive or controlling person. The representative's scope of duties and responsibilities is determined, while the proper, prudent and sufficient internal control system is established for transactions following the legal and regulatory requirements and compliance with each subsidiary and MFEC's policies.

Associate Company – Appoint an MFEC representative to perform duties in accordance with each associate company and MFEC's policies. The Board should make the shareholders' agreement or other types of agreement for clarity of managerial authority, participation in decision-making of major issues, and monitoring of performance for preparation of the company's consolidated financial statements according to standards and deadline.

Scope of Authority, Duties and Responsibilities of Directors/Executive Representatives

1. Participate in planning and setting policies, direction, strategies, work plans and organizational structure to keep pace with the economic conditions and market competition, and MFEC policy.
2. Participate in planning and setting business plans, annual budget to be presented to MFEC Board meeting.
3. Supervise business operations following the policy and management direction and approved business plans.
4. Govern to have complete and correct disclosure of the financial status, performance, connected transactions in the group or related persons, acquisition or liquidation of assets or other major transactions following MFEC's regulatory requirements involving the disclosure of information and transactions.
5. Govern to have proper, prudent and adequate internal control system.

Apart from its supervision through the dispatch of directors/executive representatives and directors in the subsidiaries/associate companies as approved by their Board, the company has the auditing mechanism, through the Internal Audit Department, to help audit/review the subsidiaries/associate companies' internal control system with proper, prudent and adequate management in required fields, and reports the results to the Audit Committee for acknowledgment.

3.6 Govern to have the Board and committees' annual performance appraisals by group and individual at least once a year for joint consideration of performance and problems for further improvement.

Criteria for Performance Appraisal of the Board/Committees (by group/individual)

Appraisal Item	Board	Committee	Individual
Structure & Qualification of Directors	/	/	/
Role, Duty & Responsibility of Directors	/	/	/
Meeting of Directors	/	/	/
Relationship with Management	/	x	x
Self Development and Development of Executives	/	x	x

Remark : / = Appraisal , x = No Appraisal

Summary of Performance Appraisal of the Board by

Group: Based on five (5) appraisal items, the Board scored very good with improvement and practices following the principles of corporate governance.

Summary of Performance Appraisal of Four (4)

Committees:

- 1.) Executive Committee
- 2.) Audit Committee
- 3.) Risk Management Committee
- 4.) Nomination and Remuneration Committee.

Based on three (3) appraisal items combined, all of the committees scored good.

3.7 Regular development and improvement of skills and knowledge for the directors' tasks

- Govern to have newly-appointed directors gain suggestions and useful information for their duties so that they understand the company's objectives and goals, vision, mission, corporate culture, business characteristics and direction for businesses. In 2018, none of new directors was appointed.
- Govern to have the directors take necessary training and knowledge development, and understand legal and regulatory requirements, standards, risks, business environment and updated information regularly.

In 2018, the Board members and executives have taken the following additional training;

Course	Trainee	Position
Anti Corruption: The Practical Guide Class 43/2018 by IOD	1. Mr. Pisit Thithirunthikun 2. Mrs. Uraporn Aiedkarn	Legal Director People Excellence Director
IT Future for capital market 2/2561 by the SET	1. Thanapong Wutthikajornvet	Data Service Director
AI Technology by Chulalongkorn University	1. Mr. Siriwat Vongjarukorn 2. Mr. Thanakorn Charlee 3. Mr. Arm Sivadith 4. Mr. Wichai Patipaporn 5. Mr. Panusak Eak-areesak 6. Mr. Meelarp Rueangrattanavicha 7. Mr. Thanapong Wutthikajornvet 8. Mr. Veerakit Usamarn 9. Mr. Arphakorn Boonkhongchuen 10. Ms. Chotima Sitthichaiwiset	Director/Chief Executive Officer Director/Chief Operating Officer Chief Transformation Officer Chief Technology Officer QA Director AVP Sales Telco BU Data Service Director Business Development Fanster Media Director Innovation & Business Development Director
IT Governance : Risk Assessment and Responsibility to Information by IOD	1. Mr. Montri Seemasiri 2. Ms. Thitirat Thanathitikarnkul	Director of Managed Solution Center Quality Assurance Manager/ Secretary of Risk Management & CG Committee
Business Value Communication, Class 1/2018 by IOD	1. Ms. Uraporn Aiedkarn	People Excellence Director
Enhancing Good Corporate Governance base on CGR Scorecard by SET	1. Ms. Bulaporn Phiunual	Assistant to Company Secretary

And Ms. Siriporn Detnitirat, Chief Financial Officer, was trained in the course "Stock Valuation," Update Major Work Issues according to Financial Reporting Standard and Item Revision for Future Standards" and CVC – New Investment Strategy for Innovation to Keep Pace with the Business World.

Each Board member/executive's record of basic training by Institute of the Thai Directors are described in Attachment 1: Details of Directors, Executives and Authorized Persons.

3.8 Govern to have Company Secretary to support the Board and committees to gain access into necessary information. Meeting schedules are set on an annual basis and meeting document must be delivered no less than seven (7) days in advance. The Company Secretary shall contain qualifications as required by the Stock Exchange of Thailand (Details are

described in 8.3: Company Secretary.) to support the Board. Other principles of meetings are determined to proceed a meeting.

- Govern to have all Board members to propose useful issues as meeting agenda.
- Encourage invitation to top executives to attend the Board meetings in October and September and, as the direct positions involving business-related difficulties, provide additional information for businesses, and get acquainted with top executives for the purpose of consideration on the succession plan.
- Govern to have the non-executive directors, in every first meeting of a year, to meet each other, as necessary, for discussions without the presence of the management, and inform president the meeting results.

Guideline 4) Nominate and develop top executives and personal management : In order to ensure top executives to have necessary knowledge, skills, experience and qualifications to lead the organization toward its goals, the Board delegates the Nomination and Remuneration Committee to perform the following tasks;

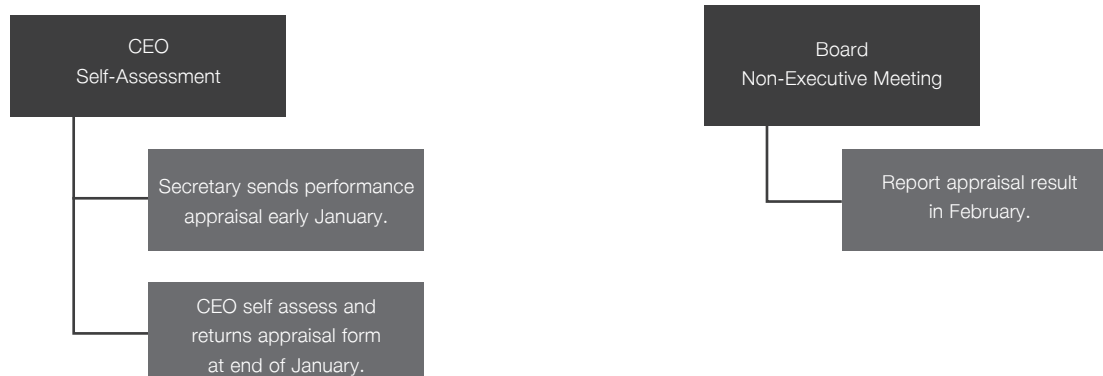
4.1 Consider and determine the nomination criteria and procedures of qualified candidates for the position of president and the succession plan, report the Board the results at least once a year, and set the policy and procedures for president and top executives who will take positions of the directors in other companies. The policy and procedures must be proposed to the Board meeting and gain its approval.

4.2 The company has the policy to promote and support chairman, president, executive directors to be trained in order to increase their knowledge, capabilities and experience for the benefits in work performance. In 2018, the Executive Committee was trained in a seminar to upgrade technology as presented in the table on the directors and executives' training.

4.3 The Board determines remuneration as incentives for executive chairman/president, top executives and other employees at all operational levels to comply with the organization's objectives, goals and benefits in the long term, and compares the remuneration with those in the same industry, in regard to the operating performance.

Remuneration Structure	Executive Chairman/President/Top Executives
Monthly Remuneration	Salary
Other Monthly Remuneration	Position car, fuel expense, mobile phone expense and management allowance
Welfare	Provident fund, social security insurance, group health insurance and liability insurance

4.4 The Board determines the criteria and factors for performance appraisals, approves the remuneration structure of the directors/president/top executives and follows up the appraisals to comply with the criteria.



Guideline 5) Promote innovation and business operations with responsibility : This guideline aims to create value to businesses and brings benefits to customers or related parties with the environmental and social responsibility, increases business opportunities which comply with the organization's objectives, goals and strategic plans, with respect to impacts and sustainability.

5.1 As the Board has the policy to support innovations by inventing new items through creative ideas for the benefits to the economy and society, the Board assigns the management teams of the company and MFEC Group's companies to review their business goals, strategies and work plans/operating activities to add value to the organization via business models for the sustainable expansion. The Executive Committee, therefore,

sets the concept and informs it to every business unit, and puts it into practice and, as a part of the innovative plan to improve the work procedures, brings about a reform, makes a difference, and gains competitive advantages.

In 2018, the management assigned the People Excellence Department to join the Software Development Department to plan and hold activities continuously as a means to support and encourage the employees to take part in having ideas and developing innovations according to the corporate policy. Examples were MFEC Incubator 2018, a project which allowed the employees to present their ideas and incubate them for innovation solutions for business extension.

5.2 The Risk Management and Corporate Governance Committee revised the corporate governance policy and other policies including risk management, quality, safety, occupational health and work environment, IT governance, anti-corruption and code of business conduct. The Code of Business Conduct Committee was set up and proposed to the Board. These revised policies have been disseminated through MFEC's website www.mfec.co.th to allow the directors, executives and employees to use these policies as the guidelines to behave with ethics and responsibility to the environment and society, no violation to the stakeholders' rights and achievement to the corporate purposes and goals.

Guideline 6) Manage to have proper risk management and internal control system : The Board manages to ensure that the company has risk management and internal control systems in order to achieve the objectives effectively, abides by the related laws and standards, and sets a certain policy and clear practice on anti-corruption and communicate it throughout all organizational levels and outsides for actual implementation.

6.1 The Board joins hand with the Executive Committee to review and evaluate impacts and probability of the corporate risks that may arise, taking internal and external factors into consideration once a year. Risk Management and Corporate Governance Committee was established to determine a framework of risk management process within the organization and review the risk management policy, while reviewing and approving the acceptable levels of risks, governing developments, practices and framework of risk management consistently. Quarterly reporting to the Board is required. The corporate risks are described below;

- Strategic Risk
- Operation Risk
- Financial Risk
- Human Resource Risk
- Compliance Risk

The details are described in the topic "Risks." The Risk Management and Corporate Governance Committee established the Risk Management and Corporate Governance Working Team. Ms. Thitirat Thanathitikarnkul acts as Secretary who coordinates and reports to the committee each quarter.

6.2 The Board established the Audit Committee which has qualifications following the Securities and Exchange Commission and the Stock Exchange of Thailand's regulatory requirements and performs its duty with independence as stated in the Audit Committee Charter, while delegating the tasks to the Audit Committee to plan, audit and evaluate the internal control and report the results to the Board consistently.

6.3 The Board governs the subsidiaries or other significantly invested enterprises (a stake with voting right at 20% or more) to establish the risk management and internal control.

6.4 The Board governs to have a data security system, practices for data confidentiality and manage sensitive information which may affect the stock price. The policy is set for the directors, executives and employees of MFEC to keep confidentiality, and included in the Code of Business Conduct.

- **Directors & Executives**

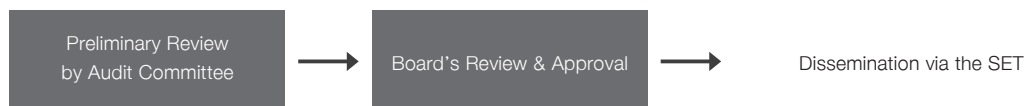
The directors and executives are prohibited to exploit inside information to reap benefits and to trade the company's securities in a period of 30 days or one (1) month before an announcement of financial statements of each quarter.

- **Employees at all levels**

The employees are prohibited to disclose confidential information to outsiders as set in the Code of Business Conduct for the employees.

6.5 The Board determines measures to manage a conflict of interest that may arise.

- Require the directors to report their stakes, at least before their involved agenda in a Board meeting, and record them in minutes of the meeting. Their participation shall not be permitted in such agenda.
- Determine the direction and practices for a transaction that may cause a conflict of interest according to the procedures, and disclose such information.
 - Normal business transactions shall be forwarded to the Audit Committee for consideration, approval and acknowledgement.
 - Connected transactions which may cause a conflict of interest in a medium scale.



- Connected transactions which may cause a conflict of interest in a large scale.



6.6 The Board determines a mechanism for complaints with protection measures for informers, channels for complaint information through www.mfec.co.th or independent directors/audit directors, process for examination and reporting to the Board, and monitoring the solution progress.

Guideline 7) Maintain financial accountability and information disclosure : The Board of Directors manages to have a system for preparation of financial statements and disclosure of important information with accuracy, adequacy and punctuality, according to related guidelines, regulatory requirements, standards and practices. The Board also monitors adequacy of financial liquidity and ability to repay. In the event that a business faces financial troubles or tends to face financial troubles, the Board has a plan to solve them or set other mechanisms which can solve the financial troubles regarding to rights of the stakeholders, prepares Sustainability Development Report, and promote IT as a tool for dissemination of information.

7.1 The Board governs to have persons involving in preparation and disclosure of information to gain appropriate knowledge, skills and experience for their responsibilities and be sufficient in number. The major information shall be disclosed in the following manners.

Quarterly Disclosure

- Financial statements and notes/management discussion and analysis (MD&A)

Annual Disclosure

- Annual Report, 56-1 Form & Sustainability Development Report

The information is disseminated for investors in both Thai and English versions through the Stock Exchange of Thailand and MFEC's website www.mfec.co.th.

7.2 The Board governs to have the administration to monitor and assess the financial status and report it to the Board regularly. Prompt solutions shall be made if any signs for liquidity and ability-to-repay problems arise. The problem signs include consecutive losses, decline in net profit margin, low cash flow, incomplete financial information, lack of a proper accounting system, lack of evaluation on cash flow and budget, no business plan, more increased amount of liabilities than increased amount of assets, problems in liquidation of inventory products and debt collection.

7.3 The Board delegates the tasks of communications with outsiders to executive chairman/president.

Guideline 8) Promote participation and communications with the shareholders: The Board governs to ensure the shareholders take part in the company's decision-making of major issues, have a shareholders' meeting be complete smoothly with transparency, efficiency and convenience for the shareholders to exercise their rights, and have the disclosure of meeting resolutions and preparation of minutes of meetings with accurateness and completeness.

Rights of the Shareholders

The company opened the opportunity for the shareholders to participate in governing the business operations and giving opinions. In 2018, the company proceeded with the shareholders' rights in the following issues.

1) The AGM was scheduled. The company set the AGM once a year within four (4) months after the date of ending an accounting year on 31 December. The AGM was held at Conference Room, 39th Floor, Sun Tower B, No. 123, Viibhavadi-Rangsit Road, Chomphol subdistrict, Chatuchak district Bangkok 10900. None of extraordinary meetings was held.

2) Opportunity was given to the shareholders to propose an agenda (s) in advance by informing the shareholders via the Stock Exchange of Thailand's channel and notifying the result of the meeting agenda for the shareholders' acknowledgment.

3) The shareholders were invited for a shareholders' meeting (in Thai and English languages) beforehand. The Board of Directors' Meeting No. 1/2018 held on 26 February 2018 resolved to organize the AGM on 23 April 2018. Invitation shall be made through the company's website and the Stock Exchange of Thailand's channel for the shareholders to acknowledge the AGM schedule.

4) The meeting agenda (in Thai and English languages), important document for consideration and decision-making, Board of Directors' opinions, the minutes of the AGM No. 1/2017, annual report with meeting document, proxy document and practices were disseminated on the company's website from 21 March 2018, no less than 30 days prior to the AGM.

5) The invitation letter was delivered by the registrar of Thailand Securities Depository Co., Ltd. on 30th March 2018, 21 days in advance, with three (3) consecutive days of newspaper announcement before the AGM (30, 31 March 2018 and 3 April 2018) to call for the AGM in advance.

6) Proceeding of the AGM

- Prior to the AGM, Chairman of the AGM introduced the Board, auditor, chief financial officer and independent financial advisers, and informed the AGM the voting and vote counting procedures with use of voting cards. In 2018, more than 80% of the directors, auditor, chief financial officer and financial advisers attended the AGM.

- During the AGM, Chairman explained the process of resolution in each agenda following the Articles of Association, opened the floor to the shareholders to question, express opinions and make comments in a proper period, and answered the questions before voting. In 2018, with respect to the agenda on election of the directors, Chairman allowed the shareholders to elect the directors on an individual basis. During the AGM, any director who was at stake in or related to any agenda would inform the AGM and abstain from voting in such agenda. Chairman proceeded with the agenda in order and none of additional agenda was considered.

- After the AGM, Company Secretary recorded the minutes, disseminated the meeting resolutions and the number of votes in each agenda on 23 April (Thai and English versions), while recording the AGM minutes, video and sound for dissemination in the company's website after the AGM. The minutes of the AGM was submitted to the Stock Exchange of Thailand within 14 days as required.

7) Equal Treatment to the Shareholders

- Proposal of the AGM agenda/candidates: The shareholders were provided the opportunity to propose candidates for the position of the directors, agenda and questions in advance during 1 November 2018 - 31 January 2019. The shareholders were informed through the Stock Exchange of Thailand's news system and the announcement of certain principles and clear procedures were made in the company's website www.mfec.co.th in the part "Investor Information."

- The shareholders were equally given the rights to vote according to the number of shares held.

- The company enclosed Proxy Form B which the shareholders can direct their votes in each agenda in the invitation letter so that the shareholders who are unable to attend the AGM by themselves can authorize any of the company's independent directors or other persons as proxies for such shareholders to cast votes on behalf of the shareholders. The shareholders may download Proxy Form B on the company's website.

- The directors, executives or employees are prohibited from the use of inside information for their own benefits, trade of the company's shares and give the inside information to other persons for trade of the company's shares. The directors and executives must have reports of the start volume of their securities holding, details and changes following Section 59 of the Securities and Exchange Act.

- The directors of the company and its subsidiaries are required to report their stakes and their related persons' stakes following Section 89/14 of the Securities and Exchange Act, B.E. 2551. Reporting shall be made to Company Secretary within seven (7) days if any change of such information occurs.

8) Regard to the stakeholders' roles : The company pays attention to the social responsibility and is well aware of the major roles of all groups of stakeholders. Anti-corruption practices and policy have been set for receiving/giving gifts/assets or any other benefits while transactions are made with persons in the private and public sectors. The company also informed its suppliers its Code of Business Conduct for acknowledgment and practice, while launching measures for information protection mechanism for informers and revising the policy and practices for all groups of stakeholders. The manual on corporate governance was also revised, while being publicized for all employees to practice. The revised version was disseminated in the website for the shareholders and stakeholders to acknowledge the organization's ethics.

In 2018, there were the following, additional good practices;

- (1) The policy was set to prevent corruption for receiving/giving gifts or benefits as motivation for dishonest practices. The Code of Business Conduct was widely disclosed together with the practices for the company's suppliers.
- (2) International human rights and no violation of intellectual properties.
- (3) Improvement of the website and more channels for complaints and suggestions, complaint procedures and protection measures. The channel will be directed to independent directors through Secretary at http://www.mfec.co.th/ir_index.php.

Compliance with good corporate governance principles in other matters

In 2018, the Risk and Corporate Governance Committee has considered applying the principles of good corporate governance for listed companies in 2017 or the Corporate Governance Code (CG) issued by the Securities and Exchange Commission to be used as appropriate for the business which there are still matters that the company is still unable to perform, but there are plans for replacement measures waiting to be presented through the Risk Management and Corporate Governance Committee meeting as follows:

The chairman of the board should be an independent director.

The Chairman of the Board is a shareholder of the Company, which has a role in managing the organization, taking into account the benefits of the organization, shareholders and all stakeholders. However, the company has a plan to present the roles, duties and responsibilities of the Chairman of the Board of Directors to the Board of Directors meeting for further risk and corporate governance in 2019.

The Board of Directors should specify the tenure of independent directors for not more than nine (9) years.

Nomination and Remuneration Committee Considering the qualifications, knowledge and specific expertise of each director, taking into account the diversity of the Board Skill Matrix as information for consideration, presenting to the Board of Directors and the Annual General Meeting of Shareholders.

In the year 2018, there were three (3) independent directors, consisting of Mr. Anan Leetrakul, Mr. Suchat Thammakitakul and Prof. Dr. Uthai Tanlamai, whose term has expired and has been nominated by the Nomination and Remuneration Committee and approved by the Board of Directors meeting and disclosed to shareholders. Prior to the election of directors, the Board of Directors considered and agreed that all three (3) independent directors are qualified persons with independence by being

able to give independent opinions in accordance with relevant rules including being an experienced director bring knowledge and expertise to give opinions and suggestions to the organization in business operations.

Data communication through the arrangement of analyst meetings

With the Executive Committee recognizing the importance of communicating various information with shareholders and investors. Therefore, plans to meet analysts on a quarterly basis.

Governance on Use of Inside Information

Aside from governing through legal requirements, the company has the policy and adheres to ethics, honesty and integrity in its business operations toward the customers, suppliers, investors and shareholders. The Code of Business Conduct has been established for the directors, executives and employees at all levels for practices in order to prevent improper disclosure of any important information or access to sources of information without permission. If anyone breaches the regulation, he or she is regarded as taking serious wrongdoing and may receive disciplinary punishments.

The company has the regulations to supervise and prevent the use of undisclosed inside information for self benefits or others' benefits in the following manners;

- Directors, executives, employees & workers shall keep the corporate secrets and/or inside information confidential.
- Directors, executives, employees & workers shall not disclose the corporate secrets and/or inside information, or exploit it for their own benefits or others' benefits in either direct or indirect ways and with or without compensation.
- Directors, executives, employees & workers shall not trade, transfer or receive a transfer of the company's securities by exploiting corporate secrets and/or inside information, and/or make any legal transactions by exploiting the corporate secrets and/or inside information that may cause damages to the company in either direct or indirect ways. This requirement is extended to spouses and underage children of the directors, executives, employees and workers. Any of those who infringes this regulation is considered taking serious wrongdoing.
- Directors, executives, accountants, and their spouses and underage children are prohibited from exploiting inside information to trade, transfer or receive a transfer of the company's securities in a period prior to a public

disclosure of the company and its related companies' financial statements (from 15 April to the date of reporting the first-quarter financial statements/from 15 July to the date of reporting the second-quarter financial statements/from 15 October to the date of reporting the third-quarter financial statements/and from 1 February to the date of reporting the annual financial statements).

In addition, the company's directors and executives are required to prepare the shareholding list and report the Securities and Exchange Commission the changes of any securities held by the directors and executives, and their spouses and underage children according to Section 59 of the Securities and Exchange Act, B.E. 2535 within the required period stated in the regulation on reporting of the shareholding. The executives are required to submit the copies of the report to the company in the same day they report the details to the Securities and Exchange Commission.

Remuneration to Auditor

Audit Fee

In 2018, total audit fee including BOI was 1,390,000 baht, unchanged from 2017. The auditor did not provide any other services and had no relationship and/or no stake with the company/its subsidiaries/executives/major shareholders or related persons.

MFEC had 14 subsidiaries: (1) Advance Intelligence Modernity Co., Ltd.; *(2) Praln Fintech Co., Ltd.; (3) M.I.S. Outsourcing Co., Ltd.; (4) Business Application Co., Ltd.; (5) Motif Technology PCL.; (6) Soft Square 1999 Co., Ltd.; (7) Khon Kaen Softtech Co., Ltd.; (8) Softplus Technology Co., Ltd.; (9) Soft Professional Co., Ltd.; (10) Sam Mok Software Co., Ltd.; (11) K Soft Consulting Co., Ltd.; (12) Hongson Software Co., Ltd.; (13) Playtorium Solutions Co., Ltd. (14) Data Cafe Co., Ltd. Total audit fee including BOI combined was 2,240,000 baht. The auditor did not provide any other services and had no relationship and/or no stake with the company/its subsidiaries/executives/major shareholders or related persons.

Auditor for MFEC/its subsidiaries

1. Mr. Thanawut Piboonsawat, Licensed Auditor No. 6699 or
2. Ms. Sulalit Ardsawang, Licensed Auditor No. 7517 or
3. Mr. Peeradet Pongsathiensak, Licensed Auditor No. 4752.

Audit Fee

Audit fee including BOI for MFEC



2017	1,390,000
2018	1,390,000

Audit fee including BOI for 14 subsidiaries



2017	2,082,000
2018	2,240,000

Other fees



2017	-
2018	-

Remark : 1. In December 2017, MFEC Public Company Limited invested in two (2) new subsidiaries; Playtorium Solutions Co., Ltd. and Data Cafe Co., Ltd.
2. *Praln Fintech Co., Ltd.; former name is Modernfrom Integration Services Co., Ltd.

Other practices concerning the corporate governance

None The details of good corporate governance in other issues following the latest version of Manual for Corporate Governance are disclosed in the company's website www.mfec.co.th in the part "Investor Relation" in "Corporate Governance."



Corporate Social Responsibility (CSR)

MFEC Group is well aware of the importance of its business operations with the environmental and social responsibility and satisfactory performance in connection with the key target - sustainable development aiming to support the society and environment to grow together in a balanced and sustainable way. With respect to its business operations with the social responsibility, in 2018, MFEC Group focused on upgrade of responsibility in the matter of “Build Up People, Build Up Organization, Sharing and Driving towards sustainable growth”.



The moves were in line with MFEC Group’s direction/targets for business operations emphasizing on business sustainability with ethics and good management. This strategy became the core to drive the organization, develop capabilities of useful services, push for and encourage the social responsibility and sustainable development in work processes, which will build up the corporate culture, and add economic, social and environmental values for future gains of related parties spanning from the shareholders, employees, customers, allies, communities and the society as a whole.

MFEC Group’s boards of directors, executives and employees are highly committed to move ahead in creating value for the organization, the society and environment systematically following the guidelines on “Social Responsibility” (“Eight (8) Guidelines”). MFEC and its group’s support for the business operations, activities, employees, suppliers and foundation are described in the following details:

1. Fair Business Operations:

MFEC Group faithfully executes its business operations with equality, fairness, honesty and integrity, while respecting in intellectual property rights. Political right is promoted and obligations to the stakeholders are made.



Adhere to business operations with integrity, equality and fair competition.

- Operate businesses for customers with integrity, fairness, respect and follow conditions as agreed and determined strictly. For example, with respect to project implementation, once a product or its model and services agreed for purchase/sale end production, the company will find a better model of the product with comparable or higher quality as agreed.
- Disclose information involving products and services in full details with accuracy and no distortion. Right, sufficient and useful information must be provided for customers. There exists a replacement process if a defect is found in a delivered product.
- Request or receive or pay none of any benefits without integrity when contacting with suppliers. The company sets its policy and Code of Conduct for the employees and executives on practices and contacts with the suppliers. In addition, a letter is sent to all suppliers, informing them MFEC's Code of Business Conduct (in the country and abroad).
- Compete with competitors fairly under a framework of competition without improper and dishonest search of their information, destruction of their reputation through defamation or any untrue deeds for MFEC's benefits.
- Operate businesses with neutrality, take no side of a political party or a political group, and support none of any activities of a political party in particular.

Respect to property rights

- Promote practices following intellectual property rights, licenses, patents and moral rights and define them as Code of Business Conduct.
- Promote and support the executives and employees to utilize the company's resources and assets efficiently and properly with valid licenses. Support none of infringement against intellectual property rights. Therefore, the IT Governance Policy is set and announced for all in the organization.

Promote the social responsibility

- Give an opportunity for the employees to independently exercise their democratic rights in an general election in the democracy without any impact to the organization.
- Give an opportunity for the employees, suppliers, customers and allies to participate in the company's social activities or donate money or items as desired. For example, the company's major shareholder TIS Inc. provided its financial assistance for Pan Panya Foundation to conduct education activities for Thai children in remote areas.



2. Anti-Corruption:

MFEC's Board of Directors pays attention to promote the employees across the organization to perform their duties with honesty and integrity, regardless of exploitation of their authority for their own benefits or others, while acting against all kinds of corruption including bribery. Therefore entrusted the Executive Committee to submit a membership in anti-corruption (Private Sector Collective Action Coalition against Corruption or CAC) and is awaiting consideration to become a member and update the business ethics manual good corporate governance policy of the organization according to the new CG guidelines which divided the practice into 8 criteria, including risk management policy, service quality control policy, security policy occupational health and working environment, IT Governance policy, anti-corruption policy and sustainability policy announcements for executives and employees within the organization to acknowledge and abide by and publicize to investors in general on the company's website- www.mfec.co.th



Anti-Corruption Policy determines the following practices for the executives and employees at all level;

- The Executive Committee is authorized to oversee and supervise business operations, based on the Anti-Corruption Policy.
- In regard to business/procurement relationship with the private or public sectors, all work units shall abide by Code of Conduct on receiving/giving gifts, assets or other benefits for all transactions with the private/public sectors as described in the following practices;
 - 1) Proceed correctly and straightforwardly when contacting with officials or units of the private/public sectors.
 - 2) Before receiving or giving gifts, thorough examination shall be made to assure it follow legal practices and the company's Articles of Association. Prices of items or gifts received/given shall be proper for each occasion and not be pricy.
 - 3) Never receive or give cash, cheque, bond, gold, jewel or other cash equivalents.
 - 4) Never receive or give gifts which may influence an unfair decision-making for a duty. If necessary, receiving too-high value gifts/souvenirs from a party related in a business, this matter shall be reported to a supervisor in order.
 - 5) In an event of asset donation for a purpose, this action can be done in a proper amount with approval and transparency.
 - 6) Evidences for cash payment for gifts/souvenirs shall be kept for later inspection. Internal Audit Office is delegated the authority to examine any corruption that may arise and if any irregularities are found, the office shall report such irregularities to the Audit Committee instantly.



3. Respect for Human Rights:

All human beings are equal in rights, human dignity, freedom, gaining the right to individual equality and the right to freedom of opinion and expression without interference set forth in Thailand's Constitution. As the company is well aware of the human value, its executives and employees are required to respect the human rights, the foundation for the society and business operations.



- The company promotes and respects the human rights protection with no violation to the human rights, and abides by the laws such as employment of workforce and disabled persons, and none of under-aged workforce or illegal alien workers.
- The company respects and aide by the universal declaration of employment and has fair treatment to its stakeholders, ensuring an existence worthy of human dignity. Everyone, without discrimination and violation to fundamental rights, has the right to work regardless of sex, age, nationality, religion, physical conditions and political opinion.
- The company sets measures to protect the employees informing about violation to the human rights or unequal treatment to the employees. The informants will be protected without penalty.





4. Fair Treatment to Workforce:

As the organization's human resources remain the key to drive MFEC Group to a success, the management team pays attention to fair treatment for the employees and respects the fundamental rights with the principles of equality. The employees are expected to work happily and peacefully, which shapes the decent MFEC society, boosts work capabilities and develops the organization with sustainability. The management team and Human Resource Department set the following measures and practices;



- The company provides welfare, health care, annual physical examination, life and health insurance, and flexible welfare for health of the employees and their families at all levels as determined by the company.
- The company pays attention to treatment and care of all levels of the employees in the organization. Each of unit heads are required to take supervision for fairness, avoid unfairness, work insecurity or psychological pressure, have fair treatment to the employees, respect their dignity and equality, define their career path and promotion with welfare, remuneration and their regular development for more knowledge and skills.
- Channels and measures are determined to protect the employees who make complaints/give clues/recommendations, while they are protected from being unfairly penalized or getting bullied at work.



5. Responsibility to Consumers:

MFEC mission states "We are committed to develop the organization to become the leader among integrated information technology service providers in the country, while gaining competitive advantages continuously with sustainability through dedication in production of quality products and excellent services with internationally-accredited standards and fair prices to all levels of our customers. We will become the leader to encourage the country's human resources development, create high value-added local jobs, and distribute income, and upgrade quality of lives for people in the country."



MFEC adheres to professional services with expertise and international standard for customers' satisfaction – a major aim. The following practices for services are determined;

- Sale units are determined to present quality and standardized products and services which have proper and safe technology and meet customers' need. Information related to products and services are accurately disclosed in full without distortion.
- Work processes with internationally-accepted standards exist from selection, quality inspection to fast product delivery system.
- Return procedure of products with defects to customers exists with the analysis process to suggest proper products if an irregularity is found during the integration and connection of equipment and systems.



6. Conservation of the Environment:

MFEC Group regards efficiency use of resources to reduce energy consumption for conservation of the environment and business operations. The following practices for the conservation of the environment are determined;

- Human Resource Department executes promotion activities for the employees to take part in activities which aim at efficient resource utilization, power saving, reduction of grass house and global warming effects. Examples extend from use of used paper for a copy, ERP development and improvement for international communications instead of use of paper, improvement of e-mail system with Cloud for data collection, use of virtualization technology and servers of computers to share and reduce of a computer's burden for energy savings, and shift to notebooks instead of desktop computers.
- Never do or support any execution which could damage natural resources, the environment and work environment.



7. Participation into Community or Social Development:

Aside from the policy for energy saving and awareness of the environment, MFEC Group adheres to its mission focusing on creation of local jobs and distribute income to upgrade quality of lives for people in the country. For example, visually impaired persons have been hired in the project on massage treatment of necks and shoulders to financially assist the visually impaired persons to have an occupation as a source of income for themselves and their families directly.

And Pan Panya Foundation was established to conduct activities in the project "Capital Knowledge" for the society, aiming to deliver digital learning media for underprivileged primary- and secondary-level children in remote areas. These digital learning media ranged from e-book, e-Test, learning videos for more ONET scores. In 2018, the company donated 900,000 baht to support the foundation.



22 September 2018

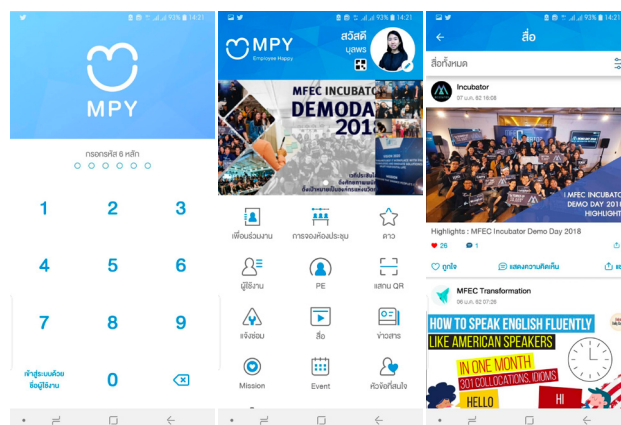
Anniversary of foundation registration Officially

Join to Give Opportunity "Pan Panya" for Thai Kids



8. Innovations and Dissemination of Innovations from the Operations:

The Executive Committee foresees the importance of organizational development with sustainability through development of human resources and innovations, improvement of work efficiency, and reduction of work redundancy. Every year, the Human Resource Department arranges training under the Share & Shine Project for the purpose of knowledge transfer and experience sharing within the organization. Each of the unit heads is assigned by the management to consider their innovations, process/guidelines for work process improvement, process reduction, and improvement of work efficiency.



In 2018, the Executive Committee reviewed, improved and developed the following innovative tasks to reduce work redundancy and improve work efficiency;

- 1) Human Resource Department develops Application “MPY” for the purpose of communications between the executives and employees, and among the employees, and self-reservation of conference rooms in order to lessen work redundancy and save paper and workforce. All employees do not miss important contents aimed to be communicated to them.
- 2) Quality Assurance Department aims to inspect project implementation to follow a project’s work procedures and plan, develop the program called MFEC Portfolio Management (MPM) to help check a database in an initial phase/errors for reduction of the inspection processes and procedures in each project and to improve the MFEC Portfolio Management (MPM) program to be able to provide data services, according to the needs of various departments that change each year. This information will be used to calculate and make reports more accurate and faster.
- 3) Internal Service Department - IT Support performs various system development to increase efficiency including;
 - 3.1 Change to a new server to increase work efficiency.
 - 3.2 Change the ERP (Enterprise Resource Planning) software system.
 - 3.3 Develop a property management system (Fix asset online) to help manage and reduce paper usage.
 - 3.4 Using IoT (Internet of Things) technology to control and maintain the temperature of the server room condition, and increase the infrastructure system supports office space expansion of SJ infinite one office.

MFEC Group conducts activities to create value in the organization, society and surrounding environment in a systematic way following an international CSR framework in the following, three (3) dimensions;

- 1) CSR in Process: Activities are conducted for the society and environment, which affect the organization’s stakeholders and environment. Examples are take care of the employees’ welfare, take no damage to the environment and take responsibility for the customers. These are a part of the business process being embraced into all procedures starting from research and development, design, delivery, integration and development to services.
- 2) CSR After Process: Activities are conducted for the society and environment and affect the society and environment with no direct involvement in the organization’s operations. Meanwhile, these activities relate to promotion of business operations and become a part of public relations activities and corporate image creation.
- 3) CSR as Process: Pan Panya Foundation has been established as a non-profit organization to assist the society and environment and already celebrated its 2 anniversary after the establishment.

The company prepared Sustainability Development Report in a part of the corporate social responsibility and disclosed its detailed activities and practices following the Sustainability Development Policy in the 2018 Sustainability Development Report as an isolated issue from Annual Report. The Sustainability Development Report is publicly disclosed in the company’s website - www.mfec.co.th.



Internal Control and Risk Management

Internal Control and Risk Management

The Board of Directors' Meeting No. 7/2018 dated 18 December 2018 and made comments on adequacy and appropriateness of the internal control system, based on the "Assessment Form for Adequacy of the Internal Control System." The Audit Committee inspected the internal control report and its recommendation focusing on operational audit for consistent efficiency and effectiveness. Monitoring and improvement were made in accordance with the audit report, while being forwarded to the Board of Directors on a regular basis. The results showed that the mandatory procedures were implemented and complied with the legal requirements and corporate governance policy. As per a discussion with the auditor, MFEC had standardized preparation of its financial statements according to the accounting standard with adequate internal control system.

In addition, the Board of Director emphasized adequate risk management system with regular monitoring. The Risk Management and Corporate Governance Committee was established to review and approve risk management policy and its framework in all aspects for appropriate solutions. It assigned the Risk Management Team to follow up, oversee and analyze risk management at each unit's operational level on a daily basis. The results were reported to the Risk Management Committee and, then, were summarized and forwarded to the Board of Directors on a quarterly basis.

1. Organization Internal Control

MFEC establishes a certain, measurable business goal. Its annual budget is set, while key performance indicators are determined to create value and returns to the shareholders. Awareness, morale and ethics are built up inside the organization and the Code of Conducts is communities to all employees for acknowledgement and practices. All aim to fulfill customers' expectations in products and services with social responsibility for MFEC Group's sustainable growth. The Company has the policy to develop and retain quality management executives, assess work success and provide proper incentives.

The Board of Directors performs its duty to supervise and oversee the Company to set a certain, measurable business goal

and review targets of performance with prudence. The Company's management structure comprises of five (5) committees: the Board of Directors; Executive Board; Audit Committee; Risk Management and Corporate Governance Committee and Nomination and Remuneration Committee Member. Each committee is responsible for the shareholders with good moral and social responsibility. The Company restructures itself to support the management's tasks and boost the internal control's efficiency. Major tasks are separated for an audit balance. An internal control unit is set to review all units' operational systems and report to the Audit Committee.

In respect to anti-corruption, the Company joined Thailand's Private Sector Collective Anti-Corruption (CAC) No. 2 on July, 2017, and was in the process of filing a request for membership in December 2018.

2. Risk Assessment

The Board of Directors establishes the risk management and corporate governance policy as a key policy. It appoints the Risk Management and Corporate Governance Committee which consists of the Risk Management and Corporate Governance to supervise and monitor the risks of affiliated companies and subsidiaries company which consists of representatives from all units and participates in setting the policy and risk management framework. All in the organization have a duty to assess both external risks and internal risks that affect the Company's goals and business operations. External risks include economic conditions, government policies and currency fluctuations. Responsible persons are determined in all work units, while heads of work units and all employees have the responsibility for risk management. Planning and measures for risk management are set, while risks that may affect the Company's goals and business operations are assessed. Monitoring is done for all units' risk management that must comply with the Company's strategic plans. All employees are provided with additional knowledge and understanding of risk management. The results are reported to the Risk Management Committee and the Executive Board, respectively.

3. Management Operational Control

The Board of Directors establishes four (4) committees: the Executive Board; Audit Committee; Risk Management and Corporate Governance Committee; and Nomination and Remuneration Committee. The followings are their scopes of work and duties delegated to supervise the management team;

- Set the scope of duties, the authority and approved cash limit of the management of all departments at all levels in the written document. The positions of the authorized person and the cash limit were determined in the written document with proper review.
- Set the policy, manuals, processes, procedures, and rules and regulations for all work units in the written document.
- Set criteria for performance evaluation

The Audit Committee reviewed and approved the annual audit plan to include all operational processes with risks. Thus, all stakeholders were assured that all work units set sufficient operational control activities in terms of finance, operations, and practices following rules and regulations. The Audit Committee considered key issues and problems found and, then, provided the management recommendations for improvement. Monitoring was set for a follow-up. In a case that the company had a transaction with a juristic person and another related or connected person that might bring any conflicts of interest, such transaction had to gain approval according to the company's regulations.

4. Information Systems and Data Communications

Detailed key information was sufficiently required to be forwarded to the Board for decision-making in its meeting agenda. An analytical report was prepared with related, additional document, and rules and regulations. The information was delivered seven (7) days in advance. The Company Secretary coordinated and became the center to keep key documents including invitation letters to the Board and its minutes of meetings, invitation letters for shareholder meetings and their minutes of meetings. MFEC's shareholders were able to examine appropriateness of the directors' performance.

Package software was set as a tool for each unit's document administration system with safety system for key databases. Data authorization levels were set for the databases including documents to accounting records in all data and categories for transparency and complementary documents for operations. The Audit Committee jointly reviewed financial statements with the external auditor, the Internal Audit Department and relevant parties on a quarterly basis. This was to ensure that the company

employed the accounting policy following the generally-accepted accounting standard with completeness and appropriateness of information disclosure.

5. Monitoring System

The company regularly monitors its performance to be as planned. In 2018, the company organized seven (7) meetings of the Board of Directors, twelve (12) meetings of the Executive Board with monthly management meetings. The meetings aimed to oversee and monitor the company and its subsidiaries' performance to be in compliance with their strategies and plans. Thus, problems that might arise could be solved and their operational plans could be adjusted to cope with changed situations once targets of their performances were missed.

Besides, the Office of Internal Audit formulates the Company and its subsidiaries' audit plans, according to the risk-based approach, that have opportunities and impacts on their missions, visions, goals, and strategies as set by the management in the development plan for attainment of objectives and main goals with efficiency and effectiveness. In 2018, the performance reports were forwarded to the Audit Committee in written document instantly after completing a task. The performance report was summarized on a quarterly basis.

Opinions of the Audit Committee

The results of the monitoring and evaluation of the adequacy of the internal control systems of the Company and its subsidiaries, the auditors have found no significant defects that affect the credibility of company's financial reports. Anyhow, the board of directors, the audit committees and the financial auditors of the company have agreed on the internal control system as stated in the attachment in the company's annual statement.

Internal Audit Manager

In regard to the internal control and succession plan of key positions, the Board of Directors appointed Mrs. Renuka Boonthongdee as Manager of Internal Audit to supervise and oversees the MFEC Group's internal control. She shall perform audit tasks, build up confidence and give advice with independence and fairness for higher value, operational improvement and success as required by the objectives. Best practices and well-organized directions are employed to assess effectiveness of the risk management process, supervision and oversight as planned in the annual audit plan approved by the Audit Committee. (Details of Internal Audit Director according to Attachment 3).

In the year of 2018, the Internal Audit Department performed its duty to audit the internal control system in relation with all units' operational process and give advice on planning the system, risk management, corporate governance, and training on knowledge for keys of the internal control system and risk management process and examine according to the Anti-Corruption Practices Guidelines to submit to the Audit Committee before submitting documents to join as members against corruption. Recommendations were consistently provided to help the Board of Directors and other committees to monitor the company's performance efficiently. The main operations and key financial activities of the company and its subsidiaries were, thus, ensured with efficiency as determined and achieved according to the policy and objectives set by the management. In addition, the company abided by the laws and other requirements related so that it could reach the excellence with the business ethics and internal control standard. This maintained the internal control's independence and quality, allowing the Internal Audit Department to liberally audit and balance. The audit results and recommendations were regularly reported to the Audit Committee in time.

In the Audit Committee's Annual Meeting No. 6/2018 on December 14th, 2018, the Internal Audit Department considered the Internal Audit Committee's performance and viewed that its duty brought high benefits to improvement and effectiveness for the organizational management for the year 2018. The performance of the Internal Audit Department will gain approval by the Audit Committee at its first meeting in the following year through annual discussion with the management. The criteria are described below;

- Comparison between the audit results and the annual audit plan.
- Internal Audit Department's independence for presentation/recommendations for auditing.
- Internal Audit Department's human resources development.



Financial Summary for the Year 2018

(In Baht)

	Company and Subsidiaries		
	2018	2017	2016
Total Revenues (Baht)	3,391,547,434	3,016,536,667	3,372,393,817
Revenues from sales and Service (Baht)	3,339,485,078	2,961,902,962	3,220,647,528
Gross Profit (Baht)	614,471,028	626,338,329	693,456,579
Net Profit (Baht)	(166,149,177)	153,994,881	221,766,295
Total Assets (Baht)	3,330,276,155	3,369,999,097	3,328,181,138
Total Liabilities (Baht)	1,598,429,536	1,382,703,063	1,344,480,252
Total shareholder's equity of the parent company (Baht)	1,708,087,170	1,975,335,381	1,977,205,229
Non-controlling interests (Baht) Profitability:	23,759,450	11,960,653	6,495,657
Profitability Ratio:			
Gross profit margin (%)	18.40	21.15	21.53
Net profit (%)	(4.90)	5.11	6.58
Return on investment:			
Return on total assets (%)	(4.96)	4.60	6.86
Return on equity (%)	(9.02)	7.79	11.45
Liquidity & Stability:			
Current ratio (Times)	1.90	1.96	1.99
Debt to Equity ratio (Times)	0.92	0.7	0.68
Per Share Data:			
Number of shares (Registered)	441,453,555	441,453,555	441,453,555
Number of shares (Fully paid)	441,453,555	441,453,555	441,453,555
Book value (Baht/Share)	3.87	4.47	4.48
Net profit (EPS) (Baht/Share)	(0.38)	0.35	0.50
Dividends (Baht/Share)*	0.20	0.25	0.35

* **Remark :** The Board of Directors' Meeting No.1/2019 held on 27 February 2019 passed a resolution to pay dividend for the year 2018 operation results to shareholders at a rate of Baht 0.20 per share. The proposal is to be presented at the Ordinary General Shareholders. Meeting No.1/2019 on 25 April 2019 for further approval.

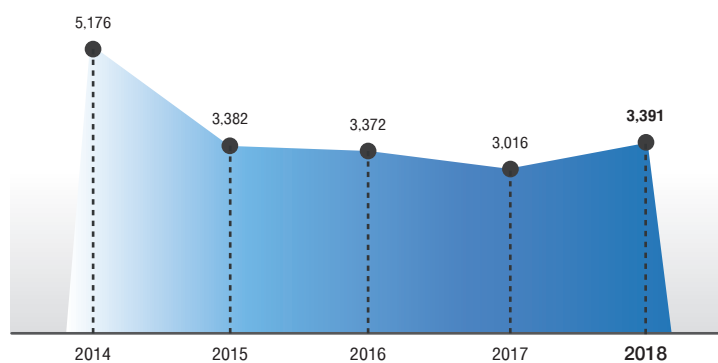


Financial Highlight MFEC & Subsidiaries

Total Revenues Value (Million Baht)

3,391

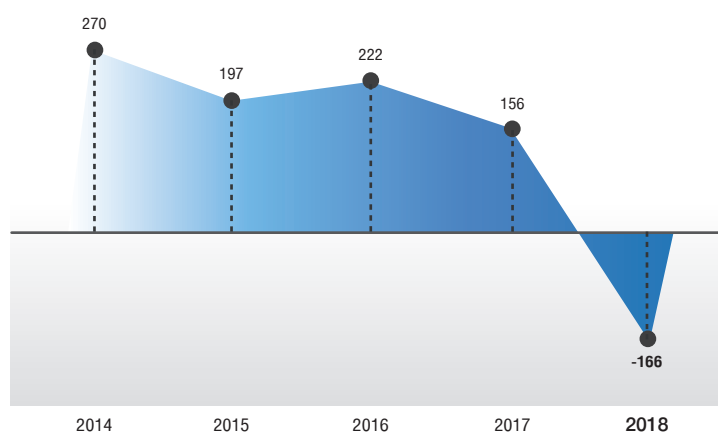
Million Baht



Net Profit & Loss Value (Million Baht)

-166

Million Baht



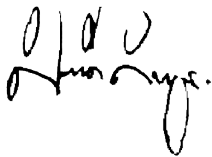


Report on Responsibilities of the Board of Directors towards the Financial Report

The Executive Board supervised the preparation of the annualized financial statements ending 31 December 2018 in compliance with the Generally Accepted Accounting Principles, while establishing a proper policy which was regularly abided by. Given its consideration with prudence and accountability, the consolidated financial statements were thoroughly prepared with sufficiency of important information in notes to the financial statements

The Board of Directors realized its responsibilities for supervision and oversight on efficiency of the financial statements. The Audit Committee consisting of experts with proper qualifications and independency was appointed and delegated with its tasks to be responsible for the financial statements' quality ranging from accuracy to completeness. The appropriate policy was employed and abided by on a regular basis, while regular reviews were made to witness the Company with sufficient and proper internal control system. Joint risk assessment was sufficiently and significantly done in order to prevent or mitigate risks that might arise from corruption or irregularities.

With regard to the guidelines, supervision and oversight on the preparation of the financial statements, the Board of Directors agreed that MFEC Public Company Limited's financial statements ending 31 December 2018 that the auditor's notes were restructured demonstrated accurateness of its financial status and operational performance with accountability in compliance with the Generally Accepted Accounting Principles, and relevant laws and regulations.



(Mr. Sirisak Tirawattanangkul)
Chairman



(Mr. Siriwat Vongjarukorn)
(Mr. Siriwat Vongjarukorn)



INDEPENDENT AUDITOR'S REPORT

**To The Shareholders and Board of Directors of
MFEC Public Company Limited**

Opinion

I have audited the consolidated financial statements of MFEC Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and I have audited the separate financial statements of MFEC Public Company Limited (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of MFEC Public Company Limited and its subsidiaries as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended and the separate financial position of MFEC Public Company Limited as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in my audit of the consolidated financial statements and separate financial statements of the current

period. These matters were addressed in the context of my audit of the consolidated financial statements and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

1) Goodwill

• Risk

The Company has goodwill of Baht 258 million or 8% of total assets as at December 31, 2018 which is the goodwill arising from investment in the subsidiary group Motif Technology Public Company Limited, Business Applications Company Limited, Soft Plus Technology Company Limited and Hongson Software Company Limited. The Company has to test goodwill for impairment annually in accordance with the Thai Financial Reporting Standards. The test of impairment is significant to the audit as the amount has materiality to the financial statements. In addition, the procedure of impairment testing by the management is complex and requires using considerable judgment as well as relying on assumptions, especially the estimates of future cash flows to be received and paid that are expected to generate from the continuing operation of the subsidiaries, and the use of appropriate discount rate in order to discount future cash flow which can change according to the economic conditions and market conditions in the future. The Company has disclosed goodwill in the notes to the financial statements No. 4.7 which describes the accounting policies and No. 14 which describes the amount of the allowance for impairment and key assumptions that may affect the impairment in the future.

• Risk response by the auditor

In my audit approach, I have considered the reasonableness of the assumptions and methods used by the management in calculating the estimates of future cash flows to be received and paid that are expected to generate by auditing the supporting evidence which presents the best estimate of the management, especially on the revenue forecast and gross profit and profit from operation of the subsidiary group, the use of appropriate discount rate to discount future cash flow, as well as testing the calculation of the recovery amount. In addition, I have paid attention on the adequacy of the information disclosure relating to the assumptions which are most sensitive that may affect the testing result of impairment and has significant effect on the measurement of recovery amount of goodwill.

2) Revenue recognition that involves the service agreement

• Risk

The company group and Company have service income under the project development agreement for computer system for the year ended December 31, 2018 amounting to Baht 2,310 million and Baht 1,961 million, respectively, or 69.18% and 68.93% of

the total revenue of the company group and Company, respectively. The estimate of the item that involves the service under the project development agreement for computer system, has an effect on the revenue that the company group and Company recognized in the period which it has to recognize the service revenue by the percentage of completion method as at December 31, 2018. The company group defines the stage of completion by the service rate method that is rendered up to the present and the total service given by the project manager. Revenue from the service under the project development agreement is a significant amount compared to the total revenue of the company group and Company and it has effect on the balance amount and accounting transactions related to the project development agreement such as unbilled receivables, cost of work in process, deferred income, unbilled payable and cost of service. The process in preparing the report and financial budget for use within the company group and Company to estimate the outcome of the item that involves the service requires significant judgment of the management. It also requires to review the revenue estimate throughout the service period and correct the estimate as necessary. I have identified that revenue recognition pertaining to the service agreement carries significant risk and requires special attention in the audit. The company group has disclosed the accounting transactions on revenue recognition from the service rendered under the project development agreement in the notes to the financial statements No. 4.1, including to disclose the amount of revenue from rendering service under the project development agreement in the notes to the financial statements No. 29

- Risk response by the auditor

My audit approach on such matter includes auditing the process in preparing the report and financial budget that is used in defining the stage of completion of the transaction involving the service as at December 31, 2018 by the project manager, as well as auditing the measurement of the cost incurred and the cost to be incurred whether it reliably completes the transaction. I have considered it necessary to compare to the proportion of cost incurred as at December 31, 2018 and the total cost estimate to determine whether the stage of completion of the transaction by the project manager is reliable. Additionally, I have paid attention on the adequacy of information disclosure of the business group relating to the accounting policy and the amount for revenue to be recognized from rendering service under the project development agreement for computer system.

Other Information

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance in order for those charged with governance to correct the misstatement.

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

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

In preparing the consolidated financial statements and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and separate financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and separate financial statements, including the disclosures, and whether the consolidated financial statements and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated financial statements and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr. Thanawut Piboonsawat



(Mr. Thanawut Piboonsawat)

Certified Public Accountant
Registration No. 6699

Dharmniti Auditing Company Limited
Bangkok, Thailand
February 27, 2019



THE STATEMENTS OF FINANCIAL POSITION

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
AS AT DECEMBER 31, 2018

(In Baht)

		Consolidated Financial Statements		Separate Financial Statements	
ASSETS	Note	2018	2017	2018	2017
CURRENT ASSETS					
Cash and cash equivalents	6	326,004,154	188,098,473	237,113,611	106,911,284
Short-term investments	7	69,519,587	147,796,244	-	40,862,340
Trade and other accounts receivable	8	1,229,619,526	853,529,700	1,133,937,316	707,027,476
Current portion of receivable under financial lease agreements	9	2,329,403	2,715,514	2,329,403	2,463,398
Amounts due from related parties	5	25,794,220	24,408,311	26,079,928	24,747,292
Unbilled receivables	5	566,520,400	634,597,623	541,330,372	603,419,726
Costs of work in process	10	601,648,277	678,867,404	510,448,837	559,051,351
Other current assets					
Prepaid expense		7,350,268	10,622,894	6,450,106	7,073,223
Undue input vat		9,988,028	8,648,099	7,498,188	2,588,351
Other		12,726,937	18,304,678	2,696,416	6,364,628
Total current assets		2,851,500,800	2,567,588,940	2,467,884,177	2,060,509,069
NON-CURRENT ASSETS					
Pledged deposits at financial institutions	11	3,300,000	3,300,000	-	-
Long-term loans to subsidiaries	5	-	-	1,500,000	1,456,400
Investment in associated company	12	75,122,865	114,216,241	37,329,500	70,480,000
Investment in subsidiaries	13	-	-	476,147,271	796,617,001
Receivable under financial lease agreements	9	5,548,574	7,877,977	5,548,574	7,877,977
Property, plant and equipment	15	74,682,948	110,190,681	65,752,040	62,405,056
Goodwill	14	257,973,155	500,810,133	-	-
Intangible assets	16	18,424,641	33,603,453	14,913,967	30,332,256
Deferred tax assets	17	32,572,954	22,521,851	30,284,799	20,008,595
Other non-current assets		11,150,218	9,889,821	7,754,865	6,484,404
Total non-current assets		478,775,355	802,410,157	639,231,016	995,661,689
TOTAL ASSETS		3,330,276,155	3,369,999,097	3,107,115,193	3,056,170,758



THE STATEMENTS OF FINANCIAL POSITION (CONT.)

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
AS AT DECEMBER 31, 2018

(In Baht)

LIABILITIES AND SHAREHOLDERS' EQUITY		Consolidated Financial Statements		Separate Financial Statements	
		Note	2018	2017	2018
CURRENT LIABILITIES					
Trade and other accounts payable	19	635,514,248	632,401,076	545,107,469	545,371,055
Amounts due to related parties	5	3,608,355	371,400	31,004,522	6,065,051
Accrued expenses		156,153,043	133,082,013	125,977,365	118,178,803
Current portion of liabilities under financial lease agreements	20	-	776,097	-	-
Accrued income tax		754,387	555,626	-	-
Deferred income	5	429,070,273	308,998,036	382,795,775	246,676,694
Unbilled payable		198,829,231	162,449,496	197,348,043	160,256,236
Other current liabilities		75,177,906	73,023,406	57,909,373	50,792,814
Total current liabilities		1,499,107,443	1,311,657,150	1,340,142,547	1,127,340,653
NON-CURRENT LIABILITIES					
Liabilities under financial lease agreements	20	-	645,008	-	-
Deferred tax liabilities	17	-	1,649,007	-	-
Employee benefit obligations	21	99,322,093	68,751,898	84,950,122	49,263,581
Total non-current liabilities		99,322,093	71,045,913	84,950,122	49,263,581
TOTAL LIABILITIES		1,598,429,536	1,382,703,063	1,425,092,669	1,176,604,234



THE STATEMENTS OF FINANCIAL POSITION (CONT.)

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT DECEMBER 31, 2018

(In Baht)

LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)	Note	Consolidated Financial Statements		Separate Financial Statements	
		2018	2017	2018	2017
SHAREHOLDERS' EQUITY					
Share capital					
Authorised share capital					
441,453,555 ordinary shares of Baht 1 each		441,453,555	441,453,555	441,453,555	441,453,555
Authorised share capital Issued and fully paid share capital 441,453,555 ordinary shares of Baht 1 each		441,453,555	441,453,555	441,453,555	441,453,555
Premium on ordinary shares		986,741,840	986,741,840	986,741,840	986,741,840
Difference from change in ownership interests in subsidiaries		8,878,704	-	-	-
Retained earnings					
Appropriated - legal reserve	23	44,150,055	44,150,055	44,150,055	44,150,055
Unappropriated		226,431,369	502,229,644	209,677,074	407,210,550
Other components of equity					
Unrealized gain from available-for-sale investments		431,646	760,287	-	10,524
Total shareholder's equity of the parent company		1,708,087,169	1,975,335,381	1,682,022,524	1,879,566,524
Non-controlling interests	13.1	23,759,450	11,960,653	-	-
TOTAL SHAREHOLDERS' EQUITY		1,731,846,619	1,987,296,034	1,682,022,524	1,879,566,524
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		3,330,276,155	3,369,999,097	3,107,115,193	3,056,170,758



THE STATEMENTS OF COMPREHENSIVE INCOME

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Baht)

	Note	Consolidated Financial Statements		Separate Financial Statements	
		2018	2017	2018	2017
REVENUES	5				
Sales and services income		3,339,485,078	2,961,902,962	2,844,799,080	2,537,731,092
Dividend income	12.1, 13, 24	-	-	71,194,322	29,028,414
Other income		52,062,356	54,633,705	45,001,666	44,397,986
Total revenues		3,391,547,434	3,016,536,667	2,960,995,068	2,611,157,492
EXPENSES	5, 27				
Cost of sales and services		2,725,014,050	2,335,564,633	2,361,938,029	2,068,884,668
Selling expenses		97,298,759	90,247,190	81,923,408	77,491,889
Administrative expenses	25	367,443,339	315,101,006	286,558,571	244,933,326
Loss from impairment of assets	12, 13, 14	202,380,680	-	210,367,541	-
Loss from sales of investment in subsidiary		60,901,707	-	45,558,099	-
Management benefit expenses		75,249,484	78,426,900	45,557,419	51,042,838
Finance costs		2,223,986	2,804,858	1,798,698	1,894,766
Total expenses		3,530,512,005	2,822,144,587	3,033,701,765	2,444,247,487
Share of profit (loss) of associates	12.3	(7,740,645)	(3,371,763)	-	-
Profit (loss) before income tax expense		(146,705,216)	191,020,317	(72,706,697)	166,910,005
Income tax expense	26	18,380,871	34,893,380	10,289,971	25,566,055
Profit (loss) for the year		(165,086,087)	156,126,937	(82,996,668)	141,343,950
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains (loss) on defined employee benefit plan, net of tax	21	1,528,543	-	(4,173,419)	-
		1,528,543	-	(4,173,419)	-
Items that may be reclassified subsequently to profit or loss					
Gain (loss) on remeasuring available for sale investment, net of tax		(328,641)	(1,355,985)	(10,524)	(1,466,319)
		(328,641)	(1,355,985)	(10,524)	(1,466,319)
Other comprehensive income (expense) for the year, net of tax		1,199,902	(1,355,985)	(4,183,943)	(1,466,319)
Total comprehensive income (expense) for the year		(163,886,185)	154,770,952	(87,180,611)	139,877,631



THE STATEMENTS OF COMPREHENSIVE INCOME (CONT.)

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Baht)

	Note	Consolidated Financial Statements		Separate Financial Statements	
		2018	2017	2018	2017
Profit (loss) attributable to					
Owner of the parent company		(166,149,177)	153,994,881	(82,996,668)	141,343,950
Non-controlling interests		1,063,090	2,132,056	-	-
		(165,086,087)	156,126,937	(82,996,668)	141,343,950
Total comprehensive income (expense) attributable to					
Owner of the parent company		(165,763,527)	152,638,896	(87,180,611)	139,877,631
Non-controlling interests		1,877,342	2,132,056	-	-
		(163,886,185)	154,770,952	(87,180,611)	139,877,631
Earnings per (loss) share					
Basic earnings (loss) per share of the parent company (Baht)	28	(0.38)	0.35	(0.19)	0.32



THE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Baht)

	Consolidated Financial Statements						
	Shareholders' equity of the parent company						
	Issued and paid-up share capital	Premium on ordinary shares	Difference from change in ownership interests in subsidiaries	Retained earnings Appropriated - Legal reserve	Unappropriated	Other components of equity Unrealized gain (loss) from available for sale investments	Total Non-controlling interests
Note							Total
Balance as at January 1, 2017	441,453,555	986,741,840	-	44,150,055	502,743,507	2,116,272	1,977,205,229
Non-controlling interests increased due to investment in a subsidiary	-	-	-	-	-	-	4,333,000
Dividend	24	-	-	-	(154,508,744)	-	(1,000,060)
Comprehensive income (expense)		-	-	-	-	-	(155,508,804)
Profit (loss) for the year	-	-	-	-	153,994,881	-	153,994,881
Other comprehensive income (expense) for the year	-	-	-	-	-	(1,355,985)	(1,355,985)
Balance as at December 31, 2017	441,453,555	986,741,840	-	44,150,055	502,229,644	760,287	1,975,335,381
Increasing in shares of subsidiaries of non-controlling interests with no change in control	13	-	6,206,792	-	-	-	6,206,792
Increasing in non-controlling interests from disposal of investment in subsidiaries with no change in control	13	-	(474,196)	-	-	-	(474,196)
Transfer surplus on share-based payment of subsidiaries to retained earnings	25	-	3,146,108	-	-	-	3,146,108
Dividend	24	-	-	-	(110,363,389)	-	(110,363,389)
Comprehensive income (expense)		-	-	-	-	-	(3,900,180)
Profit (loss) for the year	-	-	-	-	(166,149,177)	-	(166,149,177)
Other comprehensive income (expense) for the year	-	-	-	-	714,291	(328,641)	385,650
Balance as at December 31, 2018	441,453,555	986,741,840	8,878,704	44,150,055	226,431,369	431,646	1,708,087,169
							23,759,450
							1,731,846,619



THE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.)

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018.

(In Baht)

Separate Financial Statements							
Note	Issued and paid-up share capital	Premium on ordinary shares	Retained earnings		Other components of equity	Total	
			Appropriated - legal reserve	Unappropriated			
			Unrealized gain from available for sale investments				
	441,453,555	986,741,840	44,150,055	420,375,344	1,476,843	1,894,197,637	
24	-	-	-	(154,508,744)	-	(154,508,744)	
	-	-	-	141,343,950	-	141,343,950	
	-	-	-	-	(1,466,319)	(1,466,319)	
	441,453,555	986,741,840	44,150,055	407,210,550	10,524	1,879,566,524	
24	-	-	-	(110,363,389)	-	(110,363,389)	
	-	-	-	(82,996,668)	-	(82,996,668)	
	-	-	-	(4,173,419)	(10,524)	(4,183,943)	
	441,453,555	986,741,840	44,150,055	209,677,074	-	1,682,022,524	



THE STATEMENTS OF CASH FLOWS

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit (loss) for the year	(165,086,087)	156,126,937	(82,996,668)	141,343,950
Adjustments to reconcile profit (loss) for the year to net cash provided by (used in) operating activities				
Depreciation and amortization	46,617,766	49,090,576	41,106,844	42,290,476
(Gain) loss on sales and written off from equipment and intangible assets	(488,302)	(7,195,541)	(197,894)	345,045
Allowance for declining value intangible assets	1,429,705	1,301,035	-	1,301,035
Unrealized (gain) loss on exchange rate	2,770,324	2,662,924	2,770,324	2,665,520
(Gain) loss on sales of short-term investment	(1,697,124)	(4,798,634)	(494,598)	(4,024,916)
Bad debt and allowance for doubtful accounts (reversal)	(100,000)	1,119,634	(100,000)	1,119,634
Allowance for obsoleted inventories (reversal)	-	(37,060)	-	-
Loss from written off for cost of work in process	-	(610,700)	-	-
Loss from sales of investment in subsidiary	60,901,707	-	45,558,099	-
Provision for delayed penalty	-	12,817,811	-	12,817,811
Project loss estimate	3,572,580	8,708,097	-	8,708,097
Allowance from impairment of investment and goodwill in subsidiaries and associated (reversal)	202,380,680	-	210,367,541	(10,034,276)
Loss from written off for not refunded withholding tax	389	221,383	-	-
(Gain) from written off from liabilities	(3,191,764)	(306,987)	-	-
Dividend income	-	-	(71,194,322)	(29,028,414)
Interest income	(1,886,790)	(1,260,229)	(1,539,752)	(885,720)
Expense arising from share-based payment	3,146,108	-	-	-
Employee benefit obligation expenses	39,491,448	16,172,025	30,469,767	10,980,578
Finance cost	574,723	1,697,894	415,728	792,114
Share of (profit) loss of associates	7,740,645	3,371,763	-	-
Income tax expense	18,380,871	34,893,380	10,289,971	25,566,055
Income from operating activities before changes in operating assets and liabilities	214,556,879	273,974,308	184,455,040	203,956,989
(Increase) decrease in operating assets				
Trade and other accounts receivable	(397,632,052)	(214,317,409)	(401,008,071)	(239,709,010)
Receivable under financial lease agreements	2,715,514	(5,921,894)	2,463,398	(6,944,809)
Amounts due from related parties	(1,385,909)	(24,365,511)	(1,378,395)	(16,642,221)
Unbilled receivables	65,251,335	(212,027,697)	62,089,354	(220,182,829)



THE STATEMENTS OF CASH FLOWS (CONT.)

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Costs of work in process	72,486,410	(163,763,734)	45,265,118	(115,357,210)
Other current assets	34,407,195	(4,726,680)	(836,662)	(4,039,045)
Other non-current assets	(1,546,976)	432,848	(1,270,461)	690,959
Increase (decrease) in operating liabilities				
Trade and other accounts payable	(2,339,280)	42,724,861	699,840	43,266,617
Amounts due to related parties	3,236,955	302,058	24,939,471	5,352,906
Accrued expenses	25,811,482	(37,893,503)	7,798,562	(38,637,556)
Deferred income	124,284,801	2,924,759	136,119,081	(21,579,805)
Unbilled payable	36,379,735	(11,319,751)	37,091,807	344,767
Other current liabilities	18,802,304	15,588,712	5,647,238	13,618,884
Employee benefit obligations paid	(428,000)	(4,668,690)	-	(3,768,690)
Cash received (paid) from operating	194,600,393	(343,057,323)	102,075,320	(399,630,053)
Withholding tax received	18,353,854	14,621,855	13,352,818	7,624,584
Cash paid for corporate income tax	(74,360,523)	(55,664,132)	(60,791,051)	(43,934,138)
Net cash from provided by (used in) operating activities	138,593,724	(384,099,600)	54,637,087	(435,939,607)
Cash flows from investing activities				
Cash paid for purchase of short-term investments	(644,529,842)	(373,759,155)	(528,000,000)	(245,000,000)
Cash received from sale of short-term investments	724,054,586	937,577,198	569,343,783	819,000,000
Cash paid for purchase of investment in subsidiary	-	-	(14,423,996)	(7,417,000)
Cash received from decrease of capital in subsidiary	-	-	34,130,000	-
Cash paid for purchase of investment in associated company	(10,849,500)	(22,800,000)	(10,849,500)	(22,800,000)
Cash received from sales of investment in subsidiary (net from cash sale)	55,449,228	-	77,099,486	-
Cash received from short-term loans to subsidiaries	-	-	4,000,000	11,895,000
Cash received from long-term loans to subsidiaries	-	-	1,195,000	605,000
Cash paid from short-term loans to subsidiaries	-	-	(4,000,000)	-
Cash received from loans to related parties	70,000	220,000	70,000	220,000
Cash received from sales of equipment and intangible assets	21,726,160	9,714,539	20,446,505	1,875,020
Cash paid for purchase of property, plant and equipment	(46,006,030)	(39,084,940)	(39,565,827)	(34,543,870)
Cash paid for purchase of intangible assets	(9,131,925)	(22,493,059)	(6,380,927)	(19,961,714)



THE STATEMENTS OF CASH FLOWS (CONT.)

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Cash received from dividend	2,392,736	978,880	71,194,322	29,028,414
Cash received from interest income	1,886,691	1,260,946	1,585,511	1,118,857
Net cash from provided by (used in) investing activities	95,062,104	491,614,409	175,844,357	534,019,707
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	82,104	(5,489,936)	-	-
Non-controlling interests increased due to investment in a subsidiary	8,680,000	4,333,000	-	-
Cash received from paid-up common shares of subsidiaries from non-controlling interest	11,000,000	-	10,500,000	-
Cash paid for financial lease agreements	(673,959)	(4,034,187)	-	(2,121,047)
Dividend paid	(114,263,569)	(155,508,804)	(110,363,389)	(154,508,744)
Interest paid	(574,723)	(1,697,916)	(415,728)	(792,114)
Net cash provided by (used in) financing activities	(95,750,147)	(162,397,843)	(100,279,117)	(157,421,905)
Net increase (decrease) in cash and cash equivalents - net	137,905,681	(54,883,034)	130,202,327	(59,341,805)
Cash and cash equivalents - beginning of year	188,098,473	242,981,507	106,911,284	166,253,089
Cash and cash equivalents - ending of year	326,004,154	188,098,473	237,113,611	106,911,284
Supplementary disclosures of cash flows information:				
1) Cash and cash equivalents consisted of:				
Cash on hand	224,900	271,300	40,000	40,000
Cash at banks	325,779,254	187,827,173	237,073,611	106,871,284
	326,004,154	188,098,473	237,113,611	106,911,284

- The year of 2018 and 2017, the Company transferred costs of work in process-net amount of Baht 3.34 million and Baht 0.24 million to be property, plant and equipment and intangible asset, respectively.
- The year of 2017, the Subsidiary purchase office equipment by hire purchase agreement of Baht 0.51 million.



NOTES TO FINANCIAL STATEMENTS

MFEC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
DECEMBER 31, 2018

1. GENERAL INFORMATION

(a) Legal status and address

MFEC Public Company Limited is a public company incorporated and domiciled in Thailand.

The address of its registered office is as follows :

699 Modernform Tower, Srinakarind Road, Patthanakan, Suan Luang, Bangkok.

(b) Nature of the Company's business

Its principal activities are sales of computer, computer system, system implementation, maintenance service program development and provision of related services.

2. PRINCIPLES OF PREPARATION AND PRESENTATIONS OF FINANCIAL STATEMENTS

2.1 The accompanying consolidated financial statements include the accounts of MFEC Public Company Limited and the following subsidiaries which are owned directly and indirectly by the Company.

Company's name	As at December 31, 2018		As at December 31, 2017		Principal activities
	Percentage of share-holding (%)	Paid-up capital (Million Baht)	Percentage of Share-holding (%)	Paid-up capital (Million Baht)	
Subsidiaries held by the Company					
Advance Intelligence Modernity Company Limited	98.20	10.00	60.00	10.00	Development and sale of computer software, particularly entertainment media
Prain Fintech Company Limited (Formerly named Modernform Integration Services Company Limited)	71.62	30.00	99.99	64.10	Sale of computer and provision of related services and receiving payments via electronic systems
Integration Services Company Limited) M.I.S. Outsourcing Company Limited *	75.00	5.00	80.00	5.00	Personnel recruitment and IT system maintenance
Business Applications Company Limited	99.99	10.00	99.99	10.00	Selling and developing computer programs, including the relevant services.
Motif Technology Public Company Limited	99.99	80.00	99.99	80.00	Being a consultant for designing the network systems and developing computer programs.
Hongson Software Company Limited	99.99	5.00	99.99	5.00	Providing the consulting services, designing the working systems and developing computer programs.

(*) Subsidiaries held by Parin Fintech (Formerly named Modernform Integration Services Company Limited) (Through the end of the shareholders on August 1, 2018)

Company's name	As at December 31, 2018		As at December 31, 2017		Principal activities
	Percentage of share-holding (%)	Paid-up capital (Million Baht)	Percentage of Share-holding (%)	Paid-up capital (Million Baht)	
Soft Professional Company Limited	-	-	99.99	5.00	Principally engaged in the software business and received the investment promotion.
Soft Plus Technology Company Limited	99.99	18.00	99.99	5.00	Providing the consulting services, designing the working systems and consulting service to analyze data.
K Soft Consulting Company Limited	-	-	99.99	5.00	Providing the consulting services, designing the working systems, computer programming, model development and website designing services.
Sammok Software Company Limited	-	3.00	99.99	3.00	Principally engaged in the software business and received the investment promotion.
Soft Square 1999 Company Limited	-	30.00	99.99	30.00	Providing the consulting services, designing the working systems, computer programming and selling the computer equipment.
Khonkaen Softtech Company Limited**	-	5.00	99.99	5.00	Providing the consulting services, designing the working systems, computer programming and data processing services by computer.
Playtorium Soultions Company Limited	70.00	5.00	70.00	5.00	Consulting, system design and development of information system and personnel recruiting to work in the projects.
Data Café Company Limited	59.90	8.00	59.90	8.00	Providing the consulting services to analyze all types of business information.

(**) Subsidiaries held by Soft Square 1999 Company Limited

Significant change in the subsidiaries in during year 2018 and 2017 Prain Fintech Company Limited

1) According to the Extraordinary General Meeting of Shareholders' No. 1/2018 of Prain Fintech Company Limited dated March 5, 2018, it had a resolution to decrease its registered capital from Baht 64,130,000 to Baht 30,000,000. The remaining share capital is 3,000,000 ordinary shares at Baht 10 per share.

2) According to the Extraordinary Meeting of the shareholders No.2/2018 of Prain Fintech Company Limited held on July 13, 2018, it had the resolution to increase the registered capital from Baht 30,000,000 to Baht 42,850,000 to support the issuance of ordinary shares to directors/executives. The remaining registered capital is the ordinary share of 4,285,000 shares at the value of Baht 10 per share.

3) According to the Board of Directors' Meeting No.4/2018 of Prain Fintech Company Limited held on September 18, 2018, it had the resolution to allocate the ordinary shares of 700,000 shares to the directors and executives. From such capital increase share allocation, the investment proportion in Prain Fintech Company Limited of the Company has changed from the previous holding of 99.99% to 81.08%.

4) According to the Board of Directors' Meeting MFEC Public Company Limited No.5/2018 held on September 25, 2018, it had the resolution to sell shares of Prain Fintech Company Limited to J Ventures Company Limited totaling 350,000 shares at Baht 30 per share within October 2018. After the sell of some shares, the Company continues to hold ordinary shares of Prain Fintech Company Limited holding of 71.62%, which remains a subsidiary of the Company.

M.I.S. Outsourcing Company Limited

5) The Board of Directors' Meeting No. 3/2018 dated July 3, 2018 had a resolution to approve the investment in M.I.S. Outsourcing Company Limited from Prain Fintech Company Limited as a subsidiary of the Company for the benefit of the direct management of the Company for 374,994 shares or 75% at the book value as at June 30, 2018 at the total amount of Baht 14.42 million.

Soft Square 1999 Company Limited

6) According to the Board of Directors' Meeting MFEC Public Company Limited No.5/2018 held on September 25, 2018, it had the resolution to restructure the business by merging with Soft Square group of 4 companies which consist of Soft Plus Technology Company Limited, K Soft Consulting Company Limited, Soft Professional Company Limited and Sammok Software Company Limited merged under the name of Soft Plus Technology Company Limited. It will be registered for company dissolution for 3 companies December 18, 2018.

After the merger, the name has changed to Msyne Innovations Company Limited with effect from the date of January 2, 2019 onwards. The subsidiary has registered to the Department of Business Development, Ministry of Commerce on January 2, 2019.

7) According to the Board of Directors' Meeting of MFEC Public Company Limited No. 12/2018 dated December 26, 2018, it had a resolution to sell the ordinary shares of Soft Square 1999 Company Limited at 99.99% of the registered capital to the third parties who have no relationship and/or connected with directors, executives, major shareholders or controlling person of the Company. The Company allows independent valuer assessed the value by using the Discounted Cash Flow approach with the total value between Baht 66.30 - 99.34 million. On December 26, 2018, the Company has negotiated and signed in the ordinary shares trading agreement of Soft Square 1999 Company Limited by selling the ordinary shares of Soft Square 1999 Company Limited for 299,998 shares at Baht 257 per share at the total value of Baht 77.10 million and paid in cash within December 28, 2018.

Advance Intelligence Modernity Company Limited

8) According to the Board of Directors' Meeting of MFEC Public Company Limited No. 12/2018 dated December 26, 2018, it had a resolution to purchase the ordinary shares of Advance Intelligence Modernity Company Limited from small group of shareholders at 38.2% of the registered capital for 382,000 shares at the amount of Baht 1. As a result, the increase of the shareholding proportion of ordinary shares from 60% to 98.20% of the registered capital in order for the benefit of managing the subsidiaries and driving the organization to grow in the future.

Data Café Company Limited

9) According to the resolution of the Board of Directors' Meeting No.8/2017 held on August 16, 2017, it was approved to invest in Data Café Company Limited which was established on August 31, 2017 with the registered capital of Baht 20 million. The Company has the shareholding proportion 59.9% of the total ordinary shares of Data Café Company Limited.

2.2 The percentage of total assets and total revenues of the subsidiaries included in the consolidated financial statements are as follows:

	Percentage of total assets included in consolidated the statements of financial position as at		Percentage of total revenues included in consolidated the statements of comprehensive income for the year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Subsidiaries				
Advance Intelligence Modernity Company Limited	0.09	0.10	0.15	0.10
Prain Fintech Company Limited (Formerly named Modernform Integration Services Company Limited)	1.91	2.50	0.16	0.52
Business Applications Company Limited	3.03	4.04	4.61	3.97
Motif Technology Public Company Limited	3.88	4.34	3.91	2.11
Hongson Software Company Limited	0.34	0.31	0.01	0.04
Soft Professional Company Limited	-	0.35	0.03	0.27
Soft Plus Technology Company Limited	1.18	0.14	-	-
K Soft Consulting Company Limited	-	0.20	0.02	-
Sammok Software Company Limited	-	0.17	-	0.03
Soft Square 1999 Company Limited	-	2.57	2.11	2.61
Playtorium Soultions Company Limited	0.53	0.33	0.19	0.08
Data Café Company Limited	0.10	0.17	0.03	-
Subsidiaries held by Prain Fintech (Formerly named Modernform Integration Services Company Limited)				
(Through the ended of the shareholders on August 1, 2018)				
M.I.S. Outsourcing Company Limited	1.54	1.71	3.56	4.54
Subsidiaries held by Soft Square 1999 Company Limited				
Khonkaen Softtech Company Limited	-	0.21	0.06	0.10

2.3 The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.

2.4 The consolidated financial statements are prepared by using uniform accounting policies. So that the transaction and the others event which are the same or the similar circumstances have been used the identical policies to record those transaction.

2.5 Outstanding balances between the Company and the subsidiaries, significant intercompany transactions, investment balance in the Company's books and share capital of the subsidiaries are eliminated from the consolidated financial statements.

2.6 Investments in subsidiaries (at cost) and fair value of the subsidiaries at the date of acquisition have been offset and the difference there of has been shown as asset under the heading of "Goodwill" and to consider impairment loss.

2.7 Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control.

2.8 Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

3. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENT

3.1 Basis for preparation of the financial statements

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E.2547 by complying with the financial reporting standards. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements presentation for public limited company, issued under the Accounting Act B.E.2543.

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

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.

3.2 The financial reporting standards are effective in the current year

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the revised accounting standards, financial reporting standards, and interpretations of accounting and financial reporting standards, which are effective for the fiscal year beginning on or after January 1, 2018 are as follows:

TAS 1 (revised 2017)	Presentation of Financial Statements
TAS 2 (revised 2017)	Inventories
TAS 7 (revised 2017)	Statement of Cash Flows
TAS 8 (revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2017)	Events After the Reporting Period
TAS 11 (revised 2017)	Construction Contracts
TAS 12 (revised 2017)	Income Taxes
TAS 16 (revised 2017)	Property, Plant and Equipment
TAS 17 (revised 2017)	Leases
TAS 18 (revised 2017)	Revenue
TAS 19 (revised 2017)	Employee Benefits
TAS 20 (revised 2017)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2017)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2017)	Borrowing Costs
TAS 24 (revised 2017)	Related Party Disclosures
TAS 26 (revised 2017)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2017)	Separate Financial Statements
TAS 28 (revised 2017)	Investments in Associates and Joint Ventures
TAS 29 (revised 2017)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2017)	Earnings Per Share
TAS 34 (revised 2017)	Interim Financial Reporting
TAS 36 (revised 2017)	Impairment of Assets
TAS 37 (revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2017)	Intangible assets
TAS 40 (revised 2017)	Investment Property
TAS 41 (revised 2017)	Agriculture

TFRS 2 (revised 2017)	Share-Based Payment
TFRS 3 (revised 2017)	Business Combinations
TFRS 4 (revised 2017)	Insurance Contracts
TFRS 5 (revised 2017)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2017)	Exploration for and Evaluation of Mineral Resource
TFRS 8 (revised 2017)	Operating Segments
TFRS 10 (revised 2017)	Consolidated Financial Statements
TFRS 11 (revised 2017)	Joint Arrangements
TFRS 12 (revised 2017)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2017)	Fair Value Measurement
TSIC 10 (revised 2017)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2017)	Operating Leases - Incentives
TSIC 25 (revised 2017)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2017)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2017)	Service Concession Arrangements: Disclosure
TSIC 31 (revised 2017)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (revised 2017)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2017)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2017)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2017)	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2017)	Applying the Restatement Approach under TAS 29 (revised 2017) Financial Reporting in Hyperinflationary Economics
TFRIC 10 (revised 2017)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2017)	Service Concession Arrangements
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 14 (revised 2017)	TAS 19 (revised 2017)-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2017)	Distributions of Non - cash Assets to Owners
TFRIC 18 (revised 2017)	Transfers of Assets from Customers
TFRIC 20 (revised 2017)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2017)	Levies

The management of the Company and its subsidiaries evaluated that these revised accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations do not have any significant impact on the financial statements in current year.

4. SIGNIFICANT ACCOUNTING POLICES

4.1 Revenue and expense recognition

Revenues from sales

Revenues from sales are recognized when the significant risks and rewards of ownership of the goods have been passed to the buyer. Revenues from sales are presented by the value of goods which are delivered after deducting trade discounts in accordance with prices shown on the invoice exclusive of VAT.

Revenues from service

Revenues from service for the system implementation and contract develop system are recognized when the service has been rendered on the basis of percentage of completion. The revenue from unbilled service which has already been rendered is presented under the caption of "Unbilled receivable" in the statement of financial position. The revenue received before it is earned or before service is rendered is presented as "Deferred income" in the statement of financial position.

The revenue from providing equipment maintenance service is recognized by the period of service in the service agreement using the straight line method.

Revenue of service contract other is recognized when the service.

Cost of service

Cost of service is recognized when the service has been rendered in accordance with the percentage of work completed based on the total estimated costs. The difference between the estimated costs and the actual costs are recognized as "cost of woks in process" and "unbilled payable" in the statement of financial position.

A loss provision for the project is provided in full when it is certain that the project will incur loss.

Interest income

Interest income is recognized as income on the accrual basis based on the effective rate method.

Dividends

Dividends are recognized as income when having the rights to receive the dividends.

Other income and other expenses

Other income and other expenses are recognized on an accrual basis.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank, and highly liquid short-term investment with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable and allowance for doubtful

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

4.4 Costs of works in process

Costs of works in process is valued at the lower of cost or net realizable value, the cost by specific method. Cost consists of cost of goods, materials, cost of labor, cost of subcontract work and other related expenses.

The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the goods, such as import duties, transportation charges and other direct costs incurred in acquiring the goods less all trade discounts, allowances or rebates.

The net realizable value of costs of works in process is estimated from the selling price in the ordinary course of business less the estimated costs to complete production and the estimated costs to complete the delivery.

Finished goods

Finished goods are valued at the lower of cost (specifically and average method) or net realizable value. Allowance for obsolete inventories is made for slow-moving and obsolete stocks.

The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties, transportation charges and other direct costs incurred in acquiring the inventories less all trade discounts, allowances or rebates.

The net realizable value of inventory is estimated from the selling price in the ordinary course of business less the estimated costs to complete the sale.

4.5 Investment in associates

Associates are all entities over which the Company has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are stated at cost net from allowance on decline in value (if any).

4.6 Investment in subsidiaries

Subsidiaries are entities over which the Company has the power to control their financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The financial statements of the subsidiaries are

consolidated from the date the Company exercises control over the subsidiaries until the date that control power ceases

Investments in subsidiaries are stated at cost net from allowance on impairment (if any) in the separate financial statements. The Company recognizes gain or loss on sale in the statement of income in the period which sale of investment occurred. In the case of impairment on investment, the Company will recognize loss from impairment of investment as expense in the statement of comprehensive income. The Company recognizes dividends receive when the subsidiaries announce paid dividends.

4.7 Goodwill

Goodwill represents the excess of the cost of investment over the fair value of investment, which the Company shares in the net identifiable assets of the subsidiary or associate at the date of acquisition. Goodwill on acquisition of a subsidiary is presented as a separate line in the consolidated financial statement. Goodwill on acquisition of an associate is included in investments in associates and is tested for impairment as part of the overall balance.

The goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment of goodwill is determined by calculating the realizable value based on the value-in-use calculation or fair value less costs to sell. Such calculation requires the use of estimates made by management. The allowance for impairment loss on goodwill is not reversed.

As for the cost of acquiring an investment that is lower than the fair value of the share of net assets of the subsidiary, the difference is negative goodwill and will be recognized immediately in the statement of comprehensive income.

4.8 Investments in debt securities and marketable equity securities

1. Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded as gains or losses in the statements of comprehensive income.

2. Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholder's equity, and will be recorded as gains or losses in the statement of comprehensive income when the securities are sold.

3. Investments in debt securities held to maturity are recorded at amortized cost by the effective rate method with the amortized amount presented as an adjustment to the interest income.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association. The fair value of unit trusts is determined from their net asset value.

4.9 General investments

Investments in non-marketable equity securities are general investments, which are stated at cost net from allowance on impairment (if any).

The Company records the loss on impairment (if any) of these investments in the statement of comprehensive income.

On disposal of an investment, the difference between the net proceeds and the book value of the investment is recognized as income or expense in the statement of comprehensive income. If partial investments are sold, the book value of the investment is determined by the weighted average method.

4.10 Properly, plant and equipment and depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance on impairment (if any).

Cost is initially recognized upon acquisition of assets along with other direct costs attributing to acquiring such assets in the condition ready to serve the objectives, including the costs of asset demolition, removal and restoration of the asset location, which are the obligations of the company.

Depreciation of plant and equipment is calculated by cost less residual value on the straight-line basis over the following estimated useful lives:

Building	50	years
Leasehold improvements	5	years
Office furniture	5	years
Tools and office equipment	3 - 5	years
Equipment and software project	5	years
Motor vehicles	5	years

The Company has reviewed the residual value and useful life of the assets every year.

The depreciation for each asset component is calculated on the separate components when each component has significant cost compared to the total cost of that asset.

Depreciation is included in determining income.

No depreciation is provided on land, construction in progress and equipment under installation.

Property, plant and equipment are written off at disposal. Gains or losses arising from sale or write-off of assets are recognized in the statement of comprehensive income.

4.11 Intangible assets

Intangible assets that are acquired by the Company with finite useful lives are stated at cost less accumulated amortization and allowance on impairment (if any).

The cost of an internally generated intangible asset comprises all directly attributable cost necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

Intangible assets are amortized in the statement of comprehensive income on a straight-line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives are as follows:

Computer software	5	years
Deferred System software of the project	5	years
Cost of research and development	3-5	years
Software games download	3-6	years

The useful lives are reviewed by the Company every year.

The amortization is included in the determination of income.

Research expenditure is recognized as expense when incurred. Intangible assets involved in new product and service design and development are recognized as assets when it is probable about the success of the project as well as feasible in terms of commerce and technology. Other development expenditure is recognized as expense when incurred.

4.12 Borrowing costs

Borrowing costs directly attributed to the acquisition or construction of an asset that necessarily takes long time to put in ready to use or available for sale state are capitalized as part of the cost of the respective asset until that asset condition is ready for its intended use. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs arising from such borrowing.

4.13 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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

4.14 Operating Lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Leases payments under an operating lease are recognized as an expense on a systematic basis over the lease term.

4.15 Financial leases

The Company and its subsidiaries record assets under finance leases as assets and liabilities at the amounts equal to the fair value of the leased assets at the inception of the lease or the present value of the minimum lease payments, whichever is lower. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease agreements. The interest charge is recorded to the different periods over the entire lease term based on the remaining balance of payable under financial lease agreement in each period.

4.16 Foreign currencies

Transactions in foreign currencies are translated into Baht at the rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currency outstanding at the statement of financial position date are translated into Baht at the rates ruling on the statement of financial date.

Exchange gains and losses are included in determining earnings.

4.17 Impairment of assets

As at the statement of financial position date, the Company assesses whether there is an indication of asset impairment. If any such indication exists, the Company will make an estimate of the asset's recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income. In addition, impairment loss is reversed if there is a subsequent increase in the recoverable amount. The reversal shall not exceed the carrying value that would have been determined net of accumulated depreciation or amortization. The recoverable amount of the asset is the asset's value in use or fair value less costs to sell. In determining fair value costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transactions between knowledgeable, willing parties, after deducting the costs of disposal.

4.18 Employee benefits

Short-term employment benefits

The Company recognizes salary, wage, bonus and contributions to social security fund and provident fund as expenses when incurred.

Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognized as expenses when incurred.

Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments that it must pay to the employees upon retirement under the labor law and other employee benefit plans. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is calculated based on the actuarial principles by a qualified independent actuary using the projected unit credit method. Such estimates are made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rate.

Actuarial gains and losses for post-employment benefits of the employees are recognized immediately in other comprehensive income.

4.19 Share-based payment transactions

The Company recognises the share-based payment transactions at the date on which the options are granted, based on the fair value of the share options. They are recorded as expenses over the expected life of the share options, and a capital reserve for share-based payment transactions is presented in shareholders' equity.

Estimating fair value for share-based payment transactions requires determination relating to appropriate assumptions.

4.20 Income tax expense

Income tax

Income tax comprises current income tax and deferred tax.

Current tax

The Company and eight subsidiaries records income tax expense, if any, based on the amount currently payable under

the Revenue Code at the income tax rates (year 2018, year 2017 : 20%) of net profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exemption or allowable from income tax. And less certain transactions which are exemption or allowable from income tax and two subsidiaries is exempted from corporate income tax on net profit of investment.

The one subsidiary records income tax expense, if any, based on the amount currently payable under the Revenue Code. Income tax is calculated at the tax rates from net profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exemption or allowable from income tax. And less certain transactions which are exemption or allowable from income tax and the subsidiaries is exempted from corporate income tax on net profit of investment. Income tax is calculated at the rates as follows.

Net profit before income tax	Tax rate	
	2018	2017
Less than 300,000 Baht	exempted	exempted
300,000 - 3,000,000 Baht	15%	10%
More than 3,000,000 Baht	20%	10%

Deferred tax

Deferred tax assets and liabilities are provided on the temporary differences between the carrying amount and the tax bases of assets and liabilities at the end of the reporting period. Changes in deferred tax assets and liabilities are recognized as deferred tax income or deferred tax expense which are recognized in the profit or loss except to the extent that it relates to items recognized directly in shareholders' equity or in other comprehensive income.

The deductible temporary differences are recognized as deferred tax assets when it is probable that the Company will have future taxable profit to be available against which the deferred tax assets can be utilized. The taxable temporary differences on all taxable items are recognized as deferred tax liabilities.

Deferred tax assets and liabilities are measured at the tax rates that the Company and its subsidiaries expect to apply to the period when the deferred tax assets are realized or the deferred tax liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

At the end of each reporting period, the carrying amount of deferred tax assets are reviewed and reduced the value when it is probable that the Company will have no longer the future taxable profit that is sufficient to be available against which all or some parts of deferred tax assets are utilized.

Deferred tax assets and deferred tax liabilities are offset when there is the legal right to settle on a net basis and they relate to income taxes levied by the same tax authority on the same taxable entity.

4.21 Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling on the balance sheet. Gains and losses from the translation are included in determining the statement of comprehensive income. Premiums or discounts on forward exchange contracts are amortized on a straight-line basis over the term of the agreement.

4.22 Provision

A liability provision is recognized when there is a present obligation which arises as a result of a past event and 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.

4.23 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting the amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

4.24 Earnings per share

Basic earnings per share is calculated by dividing profit for the year by the weighted average number of ordinary shares which are issued during the year and held by outside party.

Diluted earnings per share is computed by dividing profit for the year by the aggregate amount of weighted average number of ordinary shares which are issued during the year and the weighted average number of ordinary shares which the Company may have to issue for conversion of warrants to ordinary shares.

4.25 Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect amounts reported in the financial statements and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement in evaluating the conditions and details of the agreement whether significant risk and rewards of ownership of the leased asset has been transferred.

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review the estimated useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record the impairment loss when it is determined that the recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

Intangible assets

In recording the initial recognition and measurement of intangible assets as at the acquired date and subsequent impairment testing, This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

Goodwill

In recording the initial recognition and measurement of goodwill as at the acquired date and subsequent impairment testing, the management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows and fair value less costs to sell

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimated future taxable profits.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Litigation

The Company has contingent liabilities as a result of litigation. The management has displayed judgement to assess the results of the litigation and believed that no loss will result. Therefore, no contingent liabilities are recorded as at the end of the reporting period.

Estimated fines from delay delivery

The Company has the provisions that arise from claiming for damages of the delay delivery computer software system development. The management uses judgment to estimate the

finest according to contract and takes into account the duration of the delay occurred. It ensures that there will be damage occurs on the estimated fines from delay delivery until recorded on such provisions as at the date in financial statements. However, the actual results may differ from the estimates provided.

5. RELATED PARTY TRANSACTIONS

During the year, the Company had significant business transactions with its subsidiaries (which have already been eliminated in the preparation of interim consolidated financial statements) and related companies (related by ways of common shareholders and/or common directors). These transactions follow the trade terms and rules agreed between the Company and those companies in the normal course of business.

Detail of relation between the Company and its related parties and companies are summarized as follow:

Company's name	Country of incorporation	Type of relation
Advance Intelligence Modernity Company Limited	Thailand	Subsidiary
Prain Fintech Company Limited (Formerly named Modernform Integration Services Company Limited)	Thailand	Subsidiary
M.I.S. Outsourcing Company Limited	Thailand	Subsidiary held by Prain Fintech Company Limited (Formerly named Modernform Integration Services Company Limited) (Through the end of the shareholders on August 1, 2018)
Motif Technology Public Company Limited	Thailand	Subsidiary
Business Applications Company Limited	Thailand	Subsidiary
Soft Square 1999 Company Limited	Thailand	Subsidiary (The ended of subsidiary on December 28, 2018)
Khonkaen Softtech Company Limited	Thailand	Subsidiary held by Soft Square 1999 Company Limited (The ended of subsidiary on December 28, 2018)
Soft Plus Technology Company Limited	Thailand	Subsidiary *
Soft Professional Company Limited	Thailand	Subsidiary *
Sammok Software Company Limited	Thailand	Subsidiary *
K Soft Consulting Company Limited	Thailand	Subsidiary *
Hongson Software Company Limited	Thailand	Subsidiary
Playtorium Soultions Company Limited	Thailand	Subsidiary
Data Café Company Limited	Thailand	Subsidiary
TIS Inc.	Japan	Shareholders and co-directors
Panjaluck Pasuk Company Limited	Thailand	Shareholders and co-directors
Angstrom Solutions Company Limited	Thailand	An associate company
Promptnow Company Limited	Thailand	An associate company
Fanster Media Company Limited	Thailand	An associate company
Digital Savvy Company Limited	Thailand	An associate company

* On December 18, 2018 merged under the name of Soft Plus Technology Company Limited

Significant transaction with related companies for the year ended December 31, 2018 and 2017, as follows:

(Million Baht)

	Consolidated Financial Statements		Separate Financial Statements		Pricing policy
	2018	2017	2018	2017	
Transactions with subsidiaries:					
Sales of goods and services	-	-	2.20	2.24	Close to market price
Purchases of goods and services	-	-	48.95	23.91	Close to market price
Guarantee fee income	-	-	0.03	0.03	1 percent per annum
Interest income	-	-	0.06	0.28	2018 : MMR per annum (1.95 - 3.75% per annum and 4% per annum) 2017 : MMR per annum (4.75% per annum)
Dividend	-	-	68.80	28.05	As announced
Transactions with associates					
Sales of goods and services	12.44	20.63	11.39	20.63	Close to market price
Sales of office equipment	20.00	-	20.00	-	Close to market price
Purchases of goods and services	4.46	6.87	4.42	6.87	Close to market price
Purchases of assets	0.35	-	0.35	-	Close to market price
Interest income	0.10	-	0.10	-	4% per annum
Rental and related service expenses	-	0.38	-	0.38	Market price adjusted with agreed upon discount
Dividend	-	-	2.39	0.98	As announced
Transactions with related companies:					
Sales of goods and services	11.17	6.23	11.17	6.23	Close to market price
Purchase of goods and services	0.01	-	0.01	-	Close to market price
Interest income	0.07	-	0.07	-	5% per annum

The significant outstanding balances with related parties as at December 31, 2018 and 2017 as follows:

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Amounts due from related parties				
Subsidiaries:				
Advance Intelligence Modernity Company Limited	-	-	22,451	77,572
Prain Fintech Company Limited				
(Formerly named Modernform Integration Services Company Limited)	-	-	32,100	234,508
Playtorium Soultions Company Limited	-	-	201,005	42,146
Data Café Company Limited	-	-	24,824	378,049
Soft Plus Technology Company Limited	-	-	5,328	-
Associates Company:				
Angstrom Solutions Company Limited	5,300,147	7,992,900	5,300,147	7,992,900
Fanster Media Company Limited	1,200,784	12,568,270	1,200,784	12,174,976
Promptnow Company Limited	5,350	10,700	5,350	10,700
Digital Savvy Company Limited	13,015,316	-	13,015,316	-
Related Companies:				
Panjaluck Pasuk Company Limited	11,572,770	3,836,441	11,572,770	3,836,441
Total	31,094,367	24,408,311	31,380,075	-
Less : Reserve for loss of investment	(5,300,147)	-	(5,300,147)	-
Net	25,794,220	24,408,311	26,079,928	24,747,292
Unbilled receivables				
Subsidiaries:				
Motif Technology Public Company Limited	-	-	-	258,219
Associates Company:				
Fanster Media Company Limited	20,601	692,102	20,601	692,102
Digital Savvy Company Limited	702,000	-	702,000	-
	722,601	692,102	722,601	950,321
Loans to related parties				
Loans to related persons	5,093,337	5,163,337	5,093,337	5,163,337
Less : Allowance for doubtful debts	(5,093,337)	(5,163,337)	(5,093,337)	(5,163,337)
Net	-	-	-	-

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Long-term loans to subsidiaries				
Advance Intelligence Modernity Company Limited	-	-	1,500,000	2,695,000
Less : Reserve for loss of investment in subsidiaries (Note 13)	-	-	-	(1,238,600)
	-	-	1,500,000	1,456,400
Amounts due to related parties				
Subsidiaries:				
Prain Fintech Company Limited				
(Formerly named Modernform Integration Services Company Limited)	-	-	-	183,300
Business Applications Company Limited	-	-	605,363	31,008
Soft Plus Technology Company Limited	-	-	20,244,400	-
Playtorium Soultions Company Limited	-	-	6,385,904	5,479,343
Data Café Company Limited	-	-	160,500	-
Associates Company:				
Digital Savvy Company Limited	3,301,835	-	3,301,835	-
Fanster Media Company Limited	5,800	-	5,800	-
Related Companies:				
Panjaluck Pasuk Company Limited	300,720	371,400	300,720	371,400
	3,608,355	371,400	31,004,522	6,065,051
Deferred income				
Related Companies:				
Panjaluck Pasuk Company Limited	311,234	-	311,234	-

Movements of short-term loans to subsidiaries for the year ended December 31, 2018 are as follows:

(In Baht)						
	As at December 31, 2017	Additional during period	Repayment during period	As at December 31, 2018	Type of loans	Due date Interest rate
Long-term loans to subsidiaries						
Advance Intelligence Modernity Company Limited	2,695,000	-	(1,195,000)	1,500,000	Promissory note	Jan 27, 2022 MMF per annum

Movements of loans to related parties for the year ended December 31, 2018 are as follows:

(In Baht)						
	As at December 31, 2017	Additional during year	Repayment during year	Bad debts	Allowance for doubtful debts	As at December 31, 2018
Contract No. 1	2,646,673	-	-	-	(2,646,673)	-
Contract No. 2	2,516,664	-	(70,000)	-	(2,446,664)	-
	5,163,337	-	(70,000)	-	(5,093,337)	-

Loans to related parties have no interest.

Guarantee obligations with related parties

As at December 31, 2018, the Company had outstanding obligations in respect of guarantees on the Advance Intelligence Modernity Limited (Subsidiaries) for credit line book overdraft amount Baht 3 million.

Management benefit expenses

Management benefit expenses represents the benefits paid to the Company's management such as salaries and related benefit including the benefit paid by other means. The Company's management is the persons who are defined under the Securities and Exchange Act.

Management benefit expenses for the year ended December 31, 2018 and 2017, are as follows:

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Management Management benefit expenses				
Short-term employee benefits	65,372,939	74,564,675	38,857,957	48,838,134
Post-employment benefits	9,876,545	3,862,225	6,699,462	2,204,704
Total	75,249,484	78,426,900	45,557,419	51,042,838

6. CASH AND CASH EQUIVALENTS

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Cash on hand	224,900	271,300	40,000	40,000
Cash at bank - current accounts	29,927,503	13,041,124	1,921,687	1,117,149
Cash at bank - savings accounts	295,185,389	174,126,243	235,151,924	105,754,135
Cash at bank - fixed deposit 3 months	666,362	659,806	-	-
Total	326,004,154	188,098,473	237,113,611	106,911,284

Savings accounts carry interest at the floating rates which are set by the bank.

7. SHORT-TERM INVESTMENTS

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Fixed deposit	79,056	49,215	-	-
Unit trusts	68,993,229	146,862,872	-	40,849,185
Add : Unrealized gain from valuation of investment	447,302	884,157	-	13,155
Total unit trusts	69,440,531	147,747,029	-	40,862,340
Net short-term investments	69,519,587	147,796,244	-	40,862,340

8. TRADE AND OTHER ACCOUNTS RECEIVABLE

The aging of outstanding trade accounts receivable balance as at December 31, 2018 and 2017 based on due date, are as follows:

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Not yet due	1,022,556,403	585,483,891	976,889,157	513,633,565
Over due				
Less than 3 months	14,995,710	127,713,483	5,546,730	104,169,768
3 - 6 months	5,431,760	1,936,547	5,404,110	494,800
6 - 12 months	4,959,214	4,713,271	4,929,908	3,349,635
More than 12 months (Note 33.4)	97,971,227	105,145,097	67,253,537	69,423,537
Back to back basis	8,291,990	-	8,291,990	-
Total	1,154,206,304	824,992,289	1,068,315,432	691,071,305
Less: Allowance for doubtful debts	(16,586,999)	(16,682,252)	(15,695,809)	(15,725,809)
Trade accounts receivable - net	1,137,619,305	808,310,037	1,052,619,623	675,345,496
Other accounts receivable				
Receivable revenue department	66,138,348	40,219,948	55,633,076	27,705,783
Accrued rebate	9,338,749	1,388,900	9,338,749	1,388,900
Other (Note 33.3)	16,523,124	3,610,815	16,345,868	2,587,297
Total other accounts receivable	92,000,221	45,219,663	81,317,693	31,681,980
Trade and other accounts receivable - net	1,229,619,526	853,529,700	1,133,937,316	707,027,476

The Company gives its general customers a credit term ranging 30-90 days and its subsidiaries give its general customers a credit term of 30 days.

The movements of the allowance for doubtful debts are as follow :

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Allowance for doubtful debts - beginning	(16,682,252)	(17,603,772)	(15,725,809)	(16,647,329)
Add Additional allowances	-	-	-	-
Less Reversing of allowances	95,253	328,550	30,000	328,550
Bad debts	-	592,970	-	592,970
Allowance for doubtful debts - ending	(16,586,999)	(16,682,252)	(15,695,809)	(15,725,809)

In year 2018, the allowance for doubtful accounts decreased due to the repayment from customers in full amount. And 2017, it was due to the return of Baht 0.33 million and bad debt write-off in the amount of Baht 0.59 million.

9. RECEIVABLE UNDER FINANCIAL LEASE AGREEMENTS

As at December 31, 2018 and 2017, the Company and its subsidiaries have financial leasing agreements. The payment details are follows:

(In Baht)

	Consolidated Financial Statements					
	2018			2017		
	Principal	Interest	Payments	Principal	Interest	Payments
Within one year	2,329,403	238,597	2,568,000	2,715,514	325,361	3,040,875
After one year but within five years	5,548,574	229,426	5,778,000	7,877,977	468,024	8,346,001
Total	7,877,977	468,023	8,346,000	10,593,491	793,385	11,386,876

(In Baht)

	Separate Financial Statements					
	2018			2017		
	Principal	Interest	Payments	Principal	Interest	Payments
Within one year	2,329,403	238,597	2,568,000	2,463,398	318,602	2,782,000
After one year but within five years	5,548,574	229,426	5,778,000	7,877,977	468,023	8,346,000
Total	7,877,977	468,023	8,346,000	10,341,375	786,625	11,128,000

As at December 31, 2018 and 2017, the total receivable under financial lease agreements are not yet due. Receivable under financial lease agreements for the portion due within one year was shown under "current assets" in the statements of financial position.

As at December 31, 2018, the Company and its subsidiaries have 1 outstanding financial leasing agreements are as follows:

In Baht (excluded VAT)

	Outstanding financial lease agreement	Type of financial lease agreement	Term of payment	Amount per period	Total financial lease amount
The Company	1	Equipment and Computers	(60 installment)	214,000.00	12,840,000.00

10. COST OF WORK IN PROCESS

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Finished goods	14,060,853	59,655,459	10,772,365	7,056,448
Work in process	593,159,209	587,145,296	505,233,857	519,858,254
Goods in transit	1,499,063	39,193,097	1,499,063	39,193,097
Total	608,719,125	685,993,852	517,505,285	566,107,799
Less: Allowance for declining value of inventories	(7,070,848)	(7,126,448)	(7,056,448)	(7,056,448)
Cost of work in process	601,648,277	678,867,404	510,448,837	559,051,351

11. PLEDGED DEPOSITS AT FINANCIAL INSTITUTIONS

As at December 31, 2018 and 2017, fixed deposits of one subsidiaries in the amount of Baht 3.30 million. Which are pledged as collateral for bank guarantee, overdrafts and short-term loan from the financial institution.

12. INVESTMENT IN ASSOCIATED

12.1 Investment in associated consisted of investment in share capital, as follows:

(In Baht)

Name of company	Type of business	Paid-up capital (Thousand Baht)	Share-holding (%)		Consolidated Financial Statements		Separate Financial Statements	
			2018	2017	Equity method		Cost method - net allowance for impairment	
					2018	2017	2018	2017
Angstrom Solutions Company Limited	Information & Communication Technology	110,000	40	40	39,809,494	39,629,449	44,000,000	44,000,000
Promptnow Company Limited	Creates entertainment media for electronics devices	18,400	20	20	61,215,500	60,348,392	3,680,000	3,680,000
Fanster media Company Limited	Provides news dissemination of the activities of well known persons through application	67,000	34	30	5,789,450	3,504,550	22,800,000	12,000,000
Digital Savvy Company Limited	Provides sale of tickets and advertising services	30,000	36	36	8,117,915	10,733,850	10,849,500	10,800,000
Total					114,932,359	114,216,241	81,329,500	70,480,000
Less: Allowance for impairment of investment - Angstrom Solutions Company Limited					(39,809,494)	-	(44,000,000)	-
Net					75,122,865	114,216,241	737,329,500	70,480,000

For the year ended December 31, 2018, the Company has provisioned the allowance for impairment of investment in Angstrom Solutions Company Limited in full amount for the reason that the such company did not have any plan for operation. Moreover, the Company's management expects that the such company will be unable to make a profit pay back to the Company.

12.2 Dividend for the yeares ended December 31, 2018 and 2017, are as follows:

(In Baht)

Name of company	Separate Financial Statements	
	Dividend	
	2018	2017
Angstrom Solutions Company Limited	-	-
Promptnow Company Limited	2,392,736	978,880
Fanster media Company Limited	-	-
Digital Savvy Company Limited	-	-
Total	2,392,736	978,880

Fanster Media Company Limited

The Executive Board's Meeting No. 4/2018 dated May 25, 2018 had a resolution to approve the increase of investment in the increase of registered capital of Fanster Media Company Limited. The Company had increased its investment for 2,160,000 shares at the total amount of Baht 10,800,000. After such transaction, the Company will hold 4,560,000 ordinary shares or 34% of all ordinary shares of Fanster Media Company Limited.

On June 13, 2017, the Board of Directors Meeting No.6/2017 had a resolution to approve for the Company to invest in Fanster Media Company Limited which was established on June 20, 2017 with the registered captital of Baht 40 million. The Company has the sharholding proportion 30% of the total ordinary share of Fanster Media Company Limited.

Digital Savvy Company Limited

On September 26, 2017, the Board of Directors Meeting No.9/2017 had a resolution to approve for the Company to invest in Digital Savvy Company Limited which was established on December 15, 2017 with the registered capital of Baht 30 million. The Company has the sharholding proportion 36% of the total ordinary share of Digital Savvy Company Limited.

12.3 Share of profit of associates for the years ended December 31, 2018 and 2017, are as follows:

(In Baht)

	Consolidated financial statements	
	2018	2017
Angstrom Solutions Company Limited	180,045	359,015
Promptnow Company Limited	3,259,844	4,830,822
Fanster media Company Limited	(8,515,099)	(8,495,450)
Digital Savvy Company Limited	(2,665,435)	(66,150)
Total	(7,740,645)	(3,371,763)

12.4 Summarized financial information in respect of Associated company of the material associate:

(In Baht)

Angstrom Solutions Company Limited	2018	2017
Current assets	1,483,309	3,706,506
Non-current assets	121,668,211	103,613,232
Current liabilities	22,139,926	8,246,116
Non-current liabilities	1,496,888	-
Net assets	99,514,706	99,073,622
Revenue	10,363,359	11,420,261
Profit(loss) for the year	483,234	897,536
Other comprehensive income for the year	-	-
Total comprehensive income for the year	483,234	897,536

(In Baht)

Promptnow Company Limited	2018	2017
Current assets	110,442,931	105,182,010
Non-current assets	23,872,360	20,714,968
Current liabilities	10,863,073	8,467,808
Non-current liabilities	2,868,940	1,609,780
Net assets	120,583,278	115,819,390
Revenue	72,649,227	78,522,574
Profit(loss) for the year	16,611,732	23,890,617
Other comprehensive income for the year	(312,512)	263,493
Total comprehensive income for the year	16,299,220	24,154,110
Dividends received from the associate during the year	2,392,736	978,880

(In Baht)

Digital Savvy Company Limited	2018	2017
Current assets	20,466,462	30,000,000
Non-current assets	17,700,860	-
Current liabilities	14,422,160	183,750
Non-current liabilities	16,427	-
Net assets	23,728,735	29,816,250
Revenue	6,408,486	-
Profit(loss) for the year	(6,087,516)	(183,750)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(6,087,516)	(183,750)

12.5 Reconciliation of the above summarized financial information to the carrying amount of the interest in the consolidated financial statements:

(In Baht)

Angstrom Solutions Company Limited	2018	2017
Net assets of the associate company	99,514,706	99,073,622
Proportion of the interest in associate company	40	40
Proportion of equity in net assets	39,805,882	39,629,449
Goodwill	-	-
Other	3,612	-
Carrying amount of the associate company	39,809,494	39,629,449

(In Baht)

Promptnow Company Limited	2018	2017
Net assets of the associate company	120,583,278	115,819,390
Proportion of the interest in associate company	20	20
Proportion of equity in net assets	24,116,656	23,163,878
Goodwill	37,514,182	37,514,182
Other	(415,338)	(329,668)
Carrying amount of the associate company	61,215,500	60,348,392

(In Baht)

Digital Savvy Company Limited	2018	2017
Net assets of the associate company	23,728,735	29,816,250
Proportion of the interest in associate company	36	36
Proportion of equity in net assets	8,542,345	10,733,850
Goodwill	-	-
Other	(424,430)	-
Carrying amount of the associate company	8,117,915	10,733,850

12.6 Aggregate information of associates that are not individually material

(In Baht)

	2018	2017
The share of profit(loss) from continuing operations	(8,515,099)	(8,495,450)
The share of other comprehensive income	(8,515,099)	(8,495,450)
The share of total comprehensive income	(8,515,099)	(8,495,450)
Aggregate carrying amount of the interests in these associates	5,789,450	3,504,550

13. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries consisted of investment in share capital, as follows:

Name of subsidiaries	(Million Baht)		Value of investment under the equity method		Separate Financial Statements		
	Paid up capital				Cost method		Dividend income
	2018	2017	2018	2017	(Net allowance for impairment)	2017	
Advance Intelligence Modernity Company Limited	10.00	10.00	-	-	6,000,001	6,000,000	-
Prain Fintech Company Limited	37.00	64.10	37,646,920	104,653,596	58,084,000	96,050,000	26,289,950
(Formerly named Modernform Integration Services Company Limited)							-
Business Applications Company Limited	10.00	10.00	200,606,123	199,968,077	200,828,330	200,828,330	10,000,000
Motif Technology Public Company Limited	80.00	80.00	96,272,092	232,169,223	291,926,606	291,926,606	6,999,991
Hongson Software Company Limited	5.00	5.00	68,931,925	81,646,687	80,441,387	80,441,387	737,470
Soft Professional Company Limited	-	5.00	-	19,597,586	-	20,628,847	4,999,800
Soft Plus Technology Company Limited	18.00	5.00	51,341,068	22,737,971	68,737,785	20,238,830	1,199,952
K Soft Consulting Company Limited	-	5.00	-	18,927,282	-	17,794,609	399,984
Sammok Software Company Limited	-	3.00	-	14,172,546	-	10,075,499	3,599,760
Soft Square 1999 Company Limited	-	30.00	-	158,974,556	-	144,317,499	1,649,890
Playtorium Solutions Company Limited	5.00	5.00	12,505,192	7,511,441	3,500,000	3,500,000	11,399,924
Data Café Company Limited	8.00	8.00	1,266,439	3,174,511	4,792,000	4,792,000	2,100,000
M.I.S. Outsourcing Company Limited	5.00	5.00	18,552,722	-	14,423,995	-	-
Total			487,122,481	863,533,476	728,734,104	896,593,607	68,801,586
Less : Allowance for impairment of investment					(252,586,833)	(99,976,606)	28,049,534
Net					476,147,271	796,617,001	
Reserve for loss from investment in subsidiaries					-	1,238,600	
Presented as : Allowance for doubtful debts (See Note 5)					-	(1,238,600)	
					-	-	

(In Baht)

Changes in allowance for impairment of investments for the year ended December 31, 2018 and 2017 summarized as follows:
(In Baht)

	Separate financial statements	
	2018	2017
The beginning of the year	99,976,606	99,976,606
Loss on impairment for the year		
- Soft Square Group	33,579,789	-
- Motive Technology Public Company Limited	134,026,352	-
Sale of investment for the year		
- Soft Square Group	(14,995,914)	-
Balance to the end of the year	252,586,833	99,976,606

This regard to, the expected recoverable amount of investments in subsidiaries determined from the higher value between the value in use and the fair value less cost to sells (Note 14).

M.I.S. Outsourcing Company Limited

The Board of Directors' Meeting No. 3/2018 dated July 3, 2018 had a resolution to approve the investment in M.I.S. Outsourcing Company Limited from Prain Fintech Company Limited as a subsidiary of the Company for the benefit of the direct management of the Company for 374,994 shares or 75% at the book value as at June 30, 2018 at the total amount of Baht 14.42 million. The Company had paid on July 20, 2018. It is resulting in the shareholding proportion from holding indirectly through Prain Fintech Company Limited in the proportion of 80% to be a direct holding 75% of the total ordinary shares of M.I.S. Outsourcing Company Limited.

As for the change in the ownership interests in the subsidiary that does not cause to lose control of the subsidiary, the difference between the increasing amount by which the non-controlling interests was adjusted and consideration received was recognized directly in shareholders' equity. Such differences can be calculated as follow:

(In Baht)

	Consolidated Financial Statements
Consideration received from sales of subsidiary shares	500,000
(Less) Carrying amount of any non - controlling interest	(974,196)
Difference from changes in ownership interests in the subsidiary	(474,196)

Group of Soft Square 1999 Company Limited

During year 2018, the Company recognizes the loss on impairment of investment in group of Soft Square 1999 Company Limited totaling Baht 41.94 million in the separate financial

statements as a result of recoverable amount of investment was less than the carrying amount of investment. The recoverable amount from group of Soft Square 1999 Company Limited was determined based on business value using the discounted cash flow method under the discount rate assumption on the basis of the weighted average cost of capita ("WACC") at the rate of 8.27% and 8.71%.

According to the Board of Directors' Meeting MFEC Public Company Limited No.5/2018 held on September 25, 2018, it had the resolution to restructure the business by merging with Soft Square group of 4 companies which consist of Soft Plus Technology Company Limited, K Soft Consulting Company Limited, Soft Professional Company Limited and Sammok Software Company Limited merged under the name of Soft Plus Technology Company Limited. It will be registered for company dissolution for 3 companies within 2018 for the benefit in the management and service adjustment for product of future growth business. After the merger, the name has changed to Msyne Innovations Company Limited with effect from the date of January 2, 2562 onwards. The subsidiary has registered to the Department of Business Development, Ministry of Commerce on January 2, 2019.

According to the Board of Directors' Meeting of MFEC Public Company Limited No. 12/2018 dated December 26, 2018, it had a resolution to sell the ordinary shares of Soft Square 1999 Company Limited at 99.99% of the registered capital to the third parties who have no relationship and/or connected with directors, executives, major shareholders or controlling person of the Company. The Company has assessed the value by using the Discounted Cash Flow approach with the total value between Baht 66.30 - 99.34 million. On December 26, 2018, the Company has negotiated and signed in the ordinary shares trading agreement of Soft Square 1999 Company Limited by selling the ordinary shares of Soft Square 1999 Company Limited for 299,998 shares at Baht 257 per share at the total value of Baht 77.10 million and paid in cash within December 28, 2018.

(In Baht)

	Consolidated Financial Statements	Separate Financial Statements
Fair value received from sales of subsidiary shares	77,099,486	77,099,486
(Less) Net assets (including goodwill) in consolidated financial statements/investment in separate financial statements	(138,001,193)	(129,321,585)
(Loss) From sales investment in subsidiary	(60,901,707)	(52,222,099)

Prain Fintech Company Limited

According to the Extraordinary General Meeting of Shareholders' No. 1/2018 of Prain Fintech Company Limited dated March 5, 2018, it had a resolution to decrease its registered capital from Baht 64,130,000 to Baht 30,000,000 for the benefit of the suitable new business management. The remaining share capital is 3,000,000 ordinary shares at Baht 10 per share. The subsidiary has registered with the Department of Business Development, Ministry of Commerce on April 11, 2018.

According to the Extraordinary Meeting of the shareholders No.2/2018 of Prain Fintech Company Limited held on July 13, 2018, it had the resolution to increase the registered capital from Baht 30,000,000 to Baht 42,850,000 to support the issuance of ordinary shares to directors/executives in order to reward and encourage the push for organizational growth in line with the target. The remaining registered capital is the ordinary share of 4,285,000 shares at the value of Baht 10 per share. The subsidiary has registered with the Department of Business Development, Ministry of Commerce on July 25, 2018.

According to the Board of Directors' Meeting No.4/2018 of Prain Fintech Company Limited held on September 18, 2018, it had the resolution to allocate the ordinary shares of 700,000 shares to the directors and executives. The remaining number of shares that director and executive have not exercised the share purchase rights for 585,000 shares were approved to be cut off and the extraordinary meeting of the shareholders is to be held for registering capital reduction. The subsidiary has registered with the Department of Business Development, Ministry of Commerce on October 1, 2018. From such capital increase share allocation, the investment proportion in Prain Fintech Company Limited of the Company has changed from the previous holding of 99.99% to 81.08%.

According to the Board of Directors' Meeting MFEC Public Company Limited No.5/2018 held on September 25, 2018, it had the resolution to sell shares of Prain Fintech Company Limited to J Ventures Company Limited totaling 350,000 shares at Baht 30 per share within October 2018. After the sell of some shares, the Company continues to hold ordinary shares of Prain Fintech Company Limited holding of 71.62%, which remains a subsidiary

of the Company. After such transaction, the Company has gain from sale of investment amounting Baht 6.66 million.

On September 26, 2018, the Company and director/executive of Prain Fintech Company Limited have entered into the shares buying/selling agreement of Prain Fintech Company Limited to J Ventures Company Limited totaling 700,000 shares or 18.92% of the registered capital of Prain Fintech Company Limited at Baht 30 per share. The schedule for payment and ownership transfer in the shares is on October 2 and 24, 2018.

As for the change in the ownership interest in the subsidiary that does not cause to lose control of the subsidiary, the difference between the ownership interests before and after increasing in shares and sale shares of subsidiary was recognized directly in shareholders' equity. Such difference can be calculated as follows:

(In Baht)

	Changes in ownership interests 1
The ownership interests before	
increasing in shares of subsidiary	37,252,790
The ownership interests after increasing	
in shares of subsidiary	37,242,306
Difference from changes in ownership interests in subsidiary	(10,484)

(In Baht)

	Changes in ownership interests 2
Consideration received from sales	
of subsidiary shares	10,500,000
(Less) Carrying amount	
of any non-controlling interest	(4,282,724)
Difference from changes in ownership interests in subsidiary	6,217,276

Advance Intelligence Modernity Company Limited

According to the Board of Directors' Meeting of MFEC Public Company Limited No. 12/2018 dated December 26, 2018, it had a resolution to purchase the ordinary shares of Advance Intelligence Modernity Company Limited from small group of shareholders at 38.2% of the registered capital for 382,000 shares at the amount of Baht 1. As a result, the increase of the shareholding proportion of ordinary shares from 60% to 98.20% of the registered capital in order for the benefit of managing the subsidiaries and driving the organization to grow in the future.

13.1 The subsidiaries that have material non-controlling interests

The Company has consolidated five subsidiaries is 1) Advance Intelligence Modernity Company Limited 2) M.I.S. Outsourcing Company Limited 3) Playtorium Solutions Company Limited 4) Data Café Company Limited and 5) Prain Fintech Company Limited that have material non-controlling interest:

(In Baht)

Name of Company	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2018	2017	2018	2017	2018	2017
M.I.S. Outsourcing Company Limited	25.00	20.00	1,503,588	1,479,289	6,089,394	6,611,790
Advance Intelligence Modernity Company Limited	1.80	40.00	28,424	-	28,424	-
Playtorium Solutions Company Limited	30.00	30.00	3,040,179	1,731,093	5,359,368	3,219,189
Data Café Company Limited	40.10	40.10	(1,272,048)	(1,078,326)	857,626	2,129,674
Prain Fintech Company Limited	28.38	-	(1,422,801)	-	11,424,638	-
Total			1,877,342	2,132,056	23,759,450	11,960,653

The summarized financial information represents amounts before intragroup eliminations as follows:

(In Baht)

M.I.S. Outsourcing Company Limited	2018	2017
Current assets	49,516,240	56,316,870
Non-current assets	1,628,472	1,738,717
Current liabilities	23,807,534	22,046,807
Non-current liabilities	3,019,792	2,955,971
Non-controlling interests	6,089,394	6,611,790
Revenue	120,261,700	135,307,793
Dividends paid to non-controlling interests	3,000,180	1,000,060
Net cash inflow (outflow) from operating activities	13,178,343	1,808,812
Net cash inflow (outflow) from investing activities	(247,953)	(78,501)
Net cash inflow (outflow) from financing activities	(15,000,000)	(5,000,000)
Net cash inflow (outflow)	(2,069,610)	(3,269,689)

(In Baht)

Prain Fintech Company Limited	2018	2017
Current assets	46,646,243	63,638,360
Non-current assets	16,833,492	25,239,814
Current liabilities	21,455,892	8,464,953
Non-current liabilities	1,104,447	661,381
Non-controlling interests	11,424,638	-
Revenue	30,110,828	28,727,732
Dividends paid to non-controlling interests	-	-
Net cash inflow (outflow) from operating activities	9,385,342	14,024,856
Net cash inflow (outflow) from investing activities	52,533,305	(3,844,435)
Net cash inflow (outflow) from financing activities	(52,000,709)	(939,238)
Net cash inflow (outflow)	9,917,938	9,241,183

14. GOODWILL

Movements of goodwill for the years ended December 31, 2018 and 2017 are as follow :

(In Baht)

	Consolidated Financial Statements	
	2018	2017
Goodwill	574,489,233	574,489,233
Increase	-	-
Less : Allowance for impairment of investment	(234,378,327)	(73,679,100)
Disposal of investment	(82,137,751)	-
Net goodwill	257,973,155	500,810,133

Impairment of goodwill

For the year ended December 31, 2018, the Company has tested for impairment of goodwill that arises from the acquisition of the subsidiary business and allocation of Cash Generating Unit ("CGU"), consisted of Motif Technology Public Company Limited, Business Applications Company Limited and group of Soft Square 1999 Company Limited by comparing the carrying amount of the unit includes the goodwill, with the recoverable amount. The recovery amount was based on its value in use, determined by future cash flows to be generated from the continuing use of the unit projected over a period of 5 years before a terminal growth rate or based on its fair value less cost to sell.

Group of Soft Square 1999 Company Limited

The carrying amount of the cash generating unit may be considered to have higher value than the recoverable amount based on value in use, which may indicate an impairment of asset. As at June 30, 2018, the Company has recognized the loss from impairment in the statement of comprehensive income for the year ended December 31, 2018, in the amount of Baht 37.33 million.

The key assumptions used in estimating the value in use are as follows:

Key assumption	Value	Approach used to determine the value
- Discount rate	8.27%	External source of information
- Terminal Value Growth Rate	3.00%	Constant inflation rate
- Average budgeted EBITDA growth	5.27%	Experience and industry

Hongson Software Company Limited

The carrying amount of the cash generating unit may be considered to have higher value than the recoverable amount based on value in use, which may indicate an impairment of asset. As at December 31, 2018, the Company has recognized the loss from impairment in the statement of comprehensive income for the year ended December 31, 2018, in the amount of Baht 2.64 million.

The key assumptions used in estimating the value in use are as follows:

Key assumption	Value	Approach used to determine the value
- Discount rate	8.71%	External source of information
- Terminal Value Growth Rate	3.00%	Constant inflation rate
- Average budgeted EBITDA growth	5.71%	Experience and industry

Motif Technology Public Company Limited

The carrying amount of the cash generating unit may be considered to have higher value than the recoverable amount based on fair value less cost to sell which may indicate an impairment of asset. As at December 31, 2018, the Company has recognized the loss from impairment in the statement of comprehensive income for the year ended December 31, 2018, in the amount of Baht 120.73 million.

However, the key assumptions used in estimating the value in use are as follows:

Key assumption	Value	Approach used to determine the value
- Discount rate	8.71%	External source of information
- Terminal Value Growth Rate	2.00%	Constant inflation rate
- Average budgeted EBITDA growth	6.71%	Experience and industry

Business Applications Company Limited

The management has considered and believed that the goodwill of Business Applications Company Limited is not impaired.

Disposal of goodwill

For the year ended December 31, 2018, the Company has disposed goodwill of Soft Square 1999 Company Limited due to the sale of investment in Soft Square 1999 Company Limited. The goodwill has the book value of Baht 82.14 million.

15. PROPERTY, PLANT AND EQUIPMENT

(In Baht)

Consolidated Financial Statements									
	Land	Building	Leasehold improvements	Office furniture	Tools and office equipment	Equipment and software system	Motor vehicles	Construction in progress	Total
At cost									
January 1, 2018	17,831,600	36,273,036	29,816,681	191,468,128	243,166,423	33,892,788	12,852,197	1,513,900	566,814,753
Acquisitions	-	-	8,021,221	21,463,744	14,937,826	-	543,887	1,039,352	46,006,030
Disposals	-	-	(4,336,683)	(44,288,584)	(18,425,636)	(7,707,338)	(1,205,794)	-	(75,964,035)
Decrease from sales of investment in subsidiary	(17,831,600)	(36,273,036)	(1,538,898)	(18,183,399)	(2,811,890)	-	(3,021,266)	-	(79,660,089)
Transfer in (out)	-	-	1,513,900	-	2,988,151	-	-	(1,513,900)	2,988,151
December 31, 2018	-	-	33,476,221	150,459,889	239,854,874	26,185,450	9,169,024	1,039,352	460,184,810
Accumulated depreciation									
January 1, 2018	-	16,097,593	22,518,844	151,224,675	213,355,007	26,556,971	10,121,297	-	439,874,387
Depreciation for the years	-	608,559	2,540,947	16,277,182	20,840,002	444,905	1,069,544	-	41,781,139
Depreciation for disposals	-	-	(4,336,587)	(44,070,299)	(16,255,736)	(7,449,484)	(1,007,710)	-	(73,119,816)
Decrease from sales of investment in subsidiary	-	(16,706,152)	(1,431,952)	(17,299,231)	(2,370,066)	-	(1,976,132)	-	(39,783,533)
Transfer in (out)	-	-	-	-	-	-	-	-	-
December 31, 2018	-	-	19,291,252	106,132,327	215,569,207	19,552,392	8,206,999	-	368,752,177
Allowance for declining value									
January 1, 2018	-	-	-	10,150,104	-	6,599,581	-	-	16,749,685
Allowance for declining value for the year	-	-	-	-	-	-	-	-	-
Allowance for declining value (reversal)	-	-	-	-	-	-	-	-	-
December 31, 2018	-	-	-	10,150,104	-	6,599,581	-	-	16,749,685
Net book value									
December 31, 2018	-	-	14,184,969	34,177,458	24,285,667	33,477	962,025	1,039,352	74,682,948
December 31, 2017	17,831,600	20,175,443	7,297,837	30,093,349	29,811,416	736,236	2,730,900	1,513,900	110,190,681

(In Baht)

Consolidated Financial Statements									
	Land	Building	Leasehold improvements	Office furniture	Tools and office equipment	Equipment and software system	Motor vehicles	Construction in progress	Total
At cost									
January 1, 2017	17,831,600	36,273,036	31,582,299	181,708,397	228,864,480	45,482,401	13,226,963	-	554,969,176
Acquisitions	-	-	1,735,062	19,916,725	16,186,137	247,179	-	1,513,900	39,599,003
Disposals	-	-	(3,500,680)	(10,156,994)	(1,884,194)	(11,836,792)	(374,766)	-	(27,753,426)
Transfer in (out)	-	-	-	-	-	-	-	-	-
December 31, 2017	17,831,600	36,273,036	29,816,681	191,468,128	243,166,423	33,892,788	12,852,197	1,513,900	566,814,753
Accumulated depreciation									
January 1, 2017	-	15,489,034	23,909,403	146,897,866	191,903,487	35,054,597	9,263,572	-	422,517,959
Depreciation for the years	-	608,559	1,789,623	13,952,209	22,168,249	2,193,441	1,232,490	-	41,944,571
Depreciation for disposals	-	-	(3,180,182)	(9,625,400)	(716,729)	(10,691,067)	(374,765)	-	(24,588,143)
Transfer in (out)	-	-	-	-	-	-	-	-	-
December 31, 2017	-	16,097,593	22,518,844	151,224,675	213,355,007	26,556,971	10,121,297	-	439,874,387
Allowance for declining value									
January 1, 2017	-	-	-	10,174,273	-	7,260,700	-	-	17,434,973
Allowance for declining value for the year	-	-	-	-	-	-	-	-	-
Allowance for declining value (reversal)	-	-	-	(24,169)	-	(661,119)	-	-	(685,288)
December 31, 2017	-	-	-	10,150,104	-	6,599,581	-	-	16,749,685
Net book value									
December 31, 2017	17,831,600	20,175,443	7,297,837	30,093,349	29,811,416	736,236	2,730,900	1,513,900	110,190,681
December 31, 2016	17,831,600	20,784,002	7,672,896	24,636,258	36,960,993	3,167,104	3,963,391	-	115,016,244

As at December 31, 2018 and 2017, certain equipment of the Company and its subsidiaries have been fully depreciated but still in use. The costs of those assets amounted to Baht 341.02 million and Baht 322.95 million, respectively.

As at December 31, 2018 and 2017, the Company and its subsidiaries have motor vehicles and office equipment under the financial lease agreements amounted to net book value of Baht 1.04 million and Baht 1.86 million, respectively.

(In Baht)

	Separate Financial Statements						
	Leasehold improvements	Office furniture	Tools and office equipment	Equipment and software system	Motor vehicles	Asset in progress	Total
At cost							
January 1, 2018	20,782,706	157,446,425	207,274,649	32,964,165	6,308,459	-	424,776,404
Acquisitions	5,468,691	20,277,010	13,069,082	-	543,888	207,156	39,565,827
Disposals	(3,623,338)	(39,189,743)	(4,576,118)	(6,905,179)	(74,766)	-	(54,369,144)
Transfer in (out)	-	-	2,988,151	-	-	-	2,988,151
December 31, 2018	22,628,059	138,533,692	218,755,764	26,058,986	6,777,581	207,156	412,961,238
Accumulated depreciation							
January 1, 2018	13,940,737	118,839,899	181,370,796	26,022,852	5,447,379	-	345,621,663
Depreciation for the years	2,093,814	15,800,072	18,716,435	332,724	408,976	-	37,352,021
Depreciation for disposals	(3,623,244)	(39,014,808)	(2,935,047)	(6,905,124)	(35,948)	-	(52,514,171)
Transfer in (out)	-	-	-	-	-	-	-
December 31, 2018	12,411,307	95,625,163	197,152,184	19,450,452	5,820,407	-	330,459,513
Accumulated depreciation							
January 1, 2018	-	10,150,104	-	6,599,581	-	-	16,749,685
Allowance for declining value for the year	-	-	-	-	-	-	-
Allowance for declining value (reversal)	-	-	-	-	-	-	-
December 31, 2018	-	10,150,104	-	6,599,581	-	-	16,749,685
Net book value							
December 31, 2018	10,216,752	32,758,425	21,603,580	8,953	957,174	207,156	65,752,040
December 31, 2017	6,841,969	28,456,422	25,903,853	341,732	861,080	-	62,405,056

(In Baht)

	Separate Financial Statements					
	Leasehold improvements	Office furniture	Tools and office equipment	Equipment and software system	Motor vehicles	Total
At cost						
January 1, 2017	22,495,105	147,588,746	195,450,658	34,305,080	6,308,459	406,148,048
Acquisitions	1,375,562	19,271,865	13,687,064	209,379	-	34,543,870
Disposals	(3,087,961)	(9,414,186)	(1,863,073)	(1,550,294)	-	(15,915,514)
Transfer in (out)	-	-	-	-	-	-
December 31, 2017	20,782,706	157,446,425	207,274,649	32,964,165	6,308,459	424,776,404
Accumulated depreciation						
January 1, 2017	14,974,198	114,136,387	162,156,003	26,217,297	4,932,274	322,416,159
Depreciation for the years	1,734,005	13,600,579	19,910,402	494,577	515,105	36,254,668
Depreciation for disposals	(2,767,466)	(8,897,067)	(695,609)	(689,022)	-	(13,049,164)
Transfer in (out)	-	-	-	-	-	-
December 31, 2017	13,940,737	118,839,899	181,370,796	26,022,852	5,447,379	345,621,663
Accumulated depreciation						
January 1, 2017	-	10,174,273	-	7,260,700	-	17,434,973
Allowance for declining value for the year	-	-	-	-	-	-
Allowance for declining value (reversal)	-	(24,169)	-	(661,119)	-	(685,288)
December 31, 2017	-	10,150,104	-	6,599,581	-	16,749,685
Net book value						
December 31, 2017	6,841,969	28,456,422	25,903,853	341,732	861,080	62,405,056
December 31, 2016	7,520,907	23,278,086	33,294,655	827,083	1,376,185	66,296,916

As at December 31, 2018 and 2017, certain equipment of the Company has been fully depreciated but still in use. The costs of those assets amounted to Baht 284.94 million and Baht 280.98 million, respectively.

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Depreciation charged to the statements of comprehensive income				
Cost of sales and services	25,339,530	29,632,062	23,978,453	26,867,796
Administrative expenses	16,441,609	12,312,509	13,373,568	9,386,872
Total	41,781,139	41,944,571	37,352,021	36,254,668

16. INTANGIBLE ASSETS

(In Baht)

	Consolidated Financial Statements					
	Computer software	Deferred of project system software	Games for download development of products	Work in progress - cost of research and development of product	Work in progress - development of products	Total
At cost						
January 1, 2018	60,799,270	32,235,934	9,856,662	10,272,883	1,640,826	114,805,575
Acquisitions/Internal cost	3,695,861	-	-	3,201,064	2,235,000	9,131,925
Amortization	(20,146,136)	(212,450)	-	-	-	(20,358,586)
Decrease from sales of investment in subsidiary	(141,319)	-	-	-	-	(141,319)
Transfer in (out)	3,671,648	-	-	(3,322,404)	-	349,244
December 31, 2018	47,879,324	32,023,484	9,856,662	10,151,543	3,875,826	103,786,839
Accumulated Amortization						
January 1, 2018	34,630,188	20,450,537	8,356,662	1,144,837	-	64,582,224
Amortization for the year	4,004,257	6,579	-	825,791	-	4,836,627
Amortization for disposals	(1,752,499)	(212,448)	-	-	-	(1,964,947)
Decrease from sales of investment in subsidiary	(141,309)	-	-	-	-	(141,309)
Transfer in (out)	-	-	-	-	-	-
December 31, 2018	36,740,637	20,244,668	8,356,662	1,970,628	-	67,312,595
Allowance for declining value						
January 1, 2018	3,357,183	11,762,715	1,500,000	-	-	16,619,898
Allowance for declining value for the year	-	-	-	1,429,705	-	1,429,705
Allowance for declining value (reversal)	-	-	-	-	-	-
December 31, 2018	3,357,183	11,762,715	1,500,000	1,429,705	-	18,049,603
Net book value						
December 31, 2018	7,781,504	16,101	-	6,751,210	3,875,826	18,424,641
December 31, 2017	22,811,899	22,682	-	9,128,046	1,640,826	33,603,453

(In Baht)

Consolidated Financial Statements						
	Computer software	Deferred of project system software	Games for download development of products	Work in progress - cost of research and development of product	Work in progress development of products	Total
At cost						
January 1, 2017	59,661,669	32,203,025	9,856,662	13,650,628	-	115,371,984
Acquisitions/Internal cost	1,807,870	32,909	-	19,011,454	1,640,826	22,493,059
Amortization	(16,092,002)	-	-	-	-	(16,092,002)
Transfer in (out)	15,421,733	-	-	(22,389,199)	-	(6,967,466)
December 31, 2017	60,799,270	32,235,934	9,856,662	10,272,883	1,640,826	114,805,575
Accumulated Amortization						
January 1, 2017	43,425,633	18,872,439	8,356,662	579,147	-	71,233,881
Amortization for the year	5,002,217	1,578,098	-	565,690	-	7,146,005
Amortization for disposals	(13,797,662)	-	-	-	-	(13,797,662)
Transfer in (out)	-	-	-	-	-	-
December 31, 2017	34,630,188	20,450,537	8,356,662	1,144,837	-	64,582,224
Allowance for declining value						
January 1, 2017	5,612,520	10,461,680	1,500,000	-	-	17,574,200
Allowance for declining value for the year	-	1,301,035	-	-	-	1,301,035
Allowance for declining value (reversal)	(2,255,337)	-	-	-	-	(2,255,337)
December 31, 2017	3,357,183	11,762,715	1,500,000	-	-	16,619,898
Net book value						
December 31, 2017	22,811,899	22,682	-	9,128,046	1,640,826	33,603,453
December 31, 2016	10,623,516	2,868,906	-	13,071,481	-	26,563,903

(In Baht)

	Separate Financial Statements				
	Computer software	Deferred of project system software	Work in progress - cost of research and development of product	Work in progress - development of products	Total
At cost					
January 1, 2018	53,545,292	29,325,836	6,534,066	1,640,826	91,046,020
Acquisitions/Internal cost	3,690,071	-	455,856	2,235,000	6,380,927
Amortization	(20,146,136)	(212,450)	-	-	(20,358,586)
Transfer in (out)	3,671,649	-	(3,322,404)	-	349,245
December 31, 2018	40,760,876	29,113,386	3,667,518	3,875,826	77,417,606
Accumulated Amortization					
January 1, 2018	28,059,179	19,183,742	-	-	47,242,921
Amortization for the year	3,748,244	6,579	-	-	3,754,823
Amortization for disposals	(1,752,500)	(212,448)	-	-	(1,964,948)
December 31, 2018	30,054,923	18,977,873	-	-	49,032,796
Allowance for declining value					
January 1, 2018	3,357,183	10,113,660	-	-	13,470,843
Allowance for declining value for the year	-	-	-	-	-
Allowance for declining value (reversal)	-	-	-	-	-
December 31, 2018	3,357,183	10,113,660	-	-	13,470,843
Net book value					
December 31, 2018	7,348,770	21,853	3,667,518	3,875,826	14,913,967
December 31, 2017	22,128,930	28,434	6,534,066	1,640,826	30,332,256

(In Baht)

	Separate Financial Statements				Total
	Computer software	Deferred of project system software	Work in progress - cost of research and development of product	Work in progress - development of products	
At cost					
January 1, 2017	52,445,789	29,292,927	12,405,058	-	94,143,774
Acquisitions/Internal cost	1,769,771	32,909	16,518,208	1,640,826	19,961,714
Amortization	(16,092,002)	-	-	-	(16,092,002)
Transfer in (out)	15,421,734	-	(22,389,200)	-	(6,967,466)
December 31, 2017	53,545,292	29,325,836	6,534,066	1,640,826	91,046,020
Accumulated Amortization					
January 1, 2017	37,393,378	17,611,397	-	-	55,004,775
Amortization for the year	4,463,463	1,572,345	-	-	6,035,808
Amortization for disposals	(13,797,662)	-	-	-	(13,797,662)
December 31, 2017	28,059,179	19,183,742	-	-	47,242,921
Allowance for declining value					
January 1, 2017	5,612,520	8,812,625	-	-	14,425,145
Allowance for declining value for the year	-	1,301,035	-	-	1,301,035
Allowance for declining value (reversal)	(2,255,337)	-	-	-	(2,255,337)
December 31, 2017	3,357,183	10,113,660	-	-	13,470,843
Net book value					
December 31, 2017	22,128,930	28,434	6,534,066	1,640,826	30,332,256
December 31, 2016	9,439,891	2,868,906	12,405,058	-	24,713,854

As at December 31, 2018 and 2017, certain computer software and project system software of the Company has been fully amortized but still in use. The cost of those assets amounted to Baht 22.45 million and Baht 21.21 million, respectively.

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	For the years ended December 31,		For the years ended December 31,	
	2018	2017	2018	2017
Amortization charged to the statements of comprehensive income				
Cost of sales and services	3,606,579	2,438,549	6,579	1,572,345
Administrative expenses	1,230,048	4,707,456	3,748,244	4,463,463
Total	4,836,627	7,146,005	3,754,823	6,035,808

17. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES**17.1 Deferred tax assets and deferred tax liabilities as follows:**

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Deferred tax assets	32,572,954	22,521,851	30,284,799	20,008,595
Deferred tax liabilities	-	(1,649,007)	-	-
	32,572,954	20,872,844	30,284,799	20,008,595

17.2 Changes in deferred tax assets and deferred tax liabilities for the years ended December 31, 2018 and 2017 are summarized as follows:

(In Baht)

	Consolidated Financial Statements				
	Balance as at Dec. 31, 17	Revenue (expenses) during the year In profit or loss	In other comprehensive income	Decrease from sales of investment in subsidiary	Balance as at Dec. 31, 18
Deferred tax assets:					
Trade account receivables	3,158,212	1,057,309	-	-	4,215,521
Cost at work in process	1,418,702	(7,412)	-	-	1,411,290
Loans to related parties	1,032,667	(14,000)	-	-	1,018,667
Property, plant and equipment	3,994	-	-	-	3,994
Intangible assets	260,216	(260,205)	-	-	11
Provisions for employee benefits	12,470,797	7,097,886	506,984	(798,062)	19,277,605
Provision for loss of project	1,741,619	4,117,751	-	-	5,859,370
Provision for delayed penalty	2,563,562	(1,761,310)	-	-	802,252
Total	22,649,769	10,230,019	506,984	(798,062)	32,588,710
Deferred tax liabilities:					
Unrealized gain on remeasuring available for sale investments	123,870	-	102,467	5,647	15,756
Financial lease agreement	4,048	(9,547)	-	13,595	-
Fair value adjustment of assets in business combinations	1,649,007	47,552	-	1,601,455	-
Total	1,776,925	38,005	102,467	1,620,697	15,756
Net	20,872,844	10,268,024	609,451	822,635	32,572,954

(In Baht)

	Consolidated Financial Statements			
	Balance as at Dec. 31, 16	Revenue (expenses) during the year		Balance as at Dec. 31, 17
		In profit or loss	In other comprehensive income	
Deferred tax assets:				
Trade account receivables	3,342,516	(184,304)	-	3,158,212
Cost at work in process	1,418,702	-	-	1,418,702
Loans to related parties	1,064,667	(32,000)	-	1,032,667
Property, plant and equipment	1,385,345	(1,381,351)	-	3,994
Intangible assets	395,002	(134,786)	-	260,216
Provisions for employee benefits	10,584,215	1,886,582	-	12,470,797
Provision for loss of project	-	1,741,619	-	1,741,619
Provision for delayed penalty	-	2,563,562	-	2,563,562
Total	18,190,447	4,459,322	-	22,649,769
Deferred tax liabilities:				
Unrealized gain on remeasuring available for sale investments	430,656	-	306,786	123,870
Financial lease agreement	(2,094)	(6,142)	-	4,048
Fair value adjustment of assets in business combinations	1,696,559	47,552	-	1,649,007
Total	2,125,121	41,410	306,786	1,776,925
Net	16,065,326	4,500,732	306,786	20,872,844

(In Baht)

	Separate Financial Statements			Balance as at Dec. 31, 18
	Balance as at Dec. 31, 17	Revenue (expenses) during the year		
		In profit or loss	In other comprehensive income	
Deferred tax assets:				
Trade account receivables	3,145,162	1,054,029	-	4,199,191
Cost at work in process	1,411,290	-	-	1,411,290
Loans to related parties	1,032,667	(14,000)	-	1,018,667
Property, plant and equipment	3,994	-	-	3,994
Intangible assets	260,216	(260,205)	-	11
Provisions for employee benefits	9,852,716	6,093,953	1,043,355	16,990,024
Provision for loss of project	2,563,562	(1,761,310)	-	802,252
Provision for delayed penalty	1,741,619	4,117,751	-	5,859,370
Total	20,011,226	9,230,218	1,043,355	30,284,799
Deferred tax liabilities:				
Unrealized gain on remeasuring available for sale investments	2,631	-	2,631	-
Total	2,631	-	2,631	-
Net	20,008,595	9,230,218	1,045,986	30,284,799

(In Baht)

	Separate Financial Statements				
	Balance as at Dec. 31, 16	Revenue (expenses) during the year			Balance as at Dec. 31, 17
		In profit or loss	In other comprehensive income		
Deferred tax assets:					
Trade account receivables	3,329,466	(184,304)	-	3,145,162	
Cost at work in process	1,411,290	-	-	1,411,290	
Loans to related parties	1,064,667	(32,000)	-	1,032,667	
Property, plant and equipment	1,385,345	(1,381,351)	-	3,994	
Intangible assets	395,002	(134,786)	-	260,216	
Provisions for employee benefits	8,410,338	1,442,378	-	9,852,716	
Provision for loss of project	-	2,563,562	-	2,563,562	
Provision for delayed penalty	-	1,741,619	-	1,741,619	
Total	15,996,108	4,015,118	-	20,011,226	
Deferred tax liabilities:					
Unrealized gain on remeasuring available for sale investments	369,210	-	366,579	2,631	
Total	369,210	-	366,579	2,631	
Net	15,626,898	4,015,118	366,579	20,008,595	

18. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2018 and 2017, the Company and its subsidiaries had credit lines from short-term loans from financial institutions as follows:

(In Baht)

	Financial institutions		Credit line		Used credit line		Interest rate (percent per annum)
	(Place)		(Million Baht)		(Million Baht)		
	As at December 31, 2018	As at December 31, 2017	As at December 31, 2018	As at December 31, 2017	As at December 31, 2018	As at December 31, 2017	
Bank Overdrafts							
The Company	7	7	83	78	-	-	MOR per annum
The subsidiarie	2	2	51	63	-	-	MOR per annum
							(MOR per annum (2018 : Rate 7.25 - 8.25 per annum) (2017 : Rate 7.12 - 8.80 per annum)
Short-term loans and trust receipts							
The Company	8	8	1,740	1,950	-	-	- 2018 and 2017 : MRR per annum (2018 : 1.95 - 3.75 per annum)
The subsidiaries	2	2	90	151	-	-	- 2018 : MMR, MLR per annum 2017 : MLR-1 , Market rate per annum (2018 and 2017 : Rate 3.00 - 6.50 per annum)
Credit card							
The Company	1	1	1	1	-	-	-
The subsidiaire	1	1	2	2	-	-	-
Letter of guarantee							
The Company	8	8	1,560	1,695	204.66	239.20	-
The subsidiaire	2	2	231	245	30.40	35.04	-

As at December 31, 2018 and 2017, the Company and its subsidiaries have no obligations on such line item above.

The Company and its subsidiaries have to comply with the covenants and adhere to the terms under the financial institutions overdraft and short-term loan agreements.

19. TRADE AND OTHER ACCOUNTS PAYABLE

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Trade accounts payable - not related parties	580,441,160	595,395,171	511,730,157	510,461,469
Revenue department payable	25,629,608	25,912,582	25,041,349	24,042,459
Other accounts payable	29,443,480	11,093,323	8,335,963	10,867,127
Total trade and other accounts payable	635,514,248	632,401,076	545,107,469	545,371,055

20. LIABILITIES UNDER FINANCIAL LEASE AGREEMENT

As at December 31, 2018 and 2017, the subsidiaries have liabilities under financial lease agreement were leasing of motor vehicles and office equipment. The payment details are as follows:

(In Baht)

	Consolidated Financial Statements					
	2018			2017		
	Principal	Interest	Payments	Principal	Interest	Payments
Within one year	-	-	-	776,097	59,794	835,891
After one year but within five years	-	-	-	645,008	20,693	665,701
Total	-	-	-	1,421,105	80,487	1,501,592

Under the terms of the lease agreement referred to above, subsidiaries shall have the right to purchase the assets upon the expiry of the lease agreement and subsidiaries shall have to comply with certain conditions and restrictions as specified in the lease agreement.

Liabilities under financial lease agreement for the portion due within one year were shown under "current liabilities" in the statements of financial position.

21. EMPLOYEE BENEFIT OBLIGATIONS

Movement of employee benefit obligations for the years ended December 31, 2018 and 2017 shown as follow:

(In Baht)

The statements of financial position	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Employee benefit obligations, beginning of the year	68,751,898	57,248,563	49,263,581	42,051,693
Current Service costs and interest	19,106,851	16,172,025	12,604,720	10,980,578
Previous service costs	20,384,597	-	17,865,047	-
Employee benefit obligations paid	(428,000)	(4,668,690)	-	(3,768,690)
Employee benefit obligations reversal	(3,191,764)	-	-	-
Loss (gain) estimation over actuarial principles	(1,021,558)	-	5,216,774	-
Decrease from sales of investment in subsidiary	(4,279,931)	-	-	-
Employee benefit obligations, ending of the period	99,322,093	68,751,898	84,950,122	49,263,581

The Company and its subsidiaries recognized actuarial gain or loss in the statements of other comprehensive income.

Revenues and expenses recognized in the statement of comprehensive income for the years ended December 31, 2018 and 2017 are as follows:

(In Baht)

The statement of comprehensive income	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Recognized in profit or loss				
Current service costs and previous service costs				
Cost of sales and services	19,962,941	7,050,215	14,964,568	4,594,886
Selling expenses	212,454	163,147	-	-
Administrative expenses	7,766,369	3,697,776	7,496,973	3,079,472
Management benefit expenses	9,876,545	3,862,225	6,699,462	2,204,704
Interest on obligation	1,673,139	1,398,662	1,308,764	1,101,516
Total	39,491,448	16,172,025	30,469,767	10,980,578
Recognized in other comprehensive income				
Loss (gain) estimation over actuarial principles	(1,021,558)	-	5,216,774	-
Total	(1,021,558)	-	5,216,774	-
Total	38,469,890	16,172,025	35,686,541	10,980,578

Gain and loss from the estimate based on actuarial principles recognized in the statement of comprehensive income for the year ended December 31, 2018 arise from

Recognize in the statement of comprehensive income

(In Baht)

	Consolidated Financial Statements	Separate Financial Statements
Improvement from experience	(23,165,672)	(16,328,474)
Population assumption	28,565,927	26,852,331
Financial assumption	(6,421,813)	(5,307,083)
Total	(1,021,558)	5,216,774

The main assumptions in the assessment financial assumptions

	Percentage	
For the year ended December 31, 2018	Consolidated Financial Statements	Separate Financial Statements
Discount rate	2.80 - 3.37	3.02
Salary increase rate	5.00 - 6.00	6.00
Employee turnover rate	1.91 - 34.38	2.87 - 25.79
Mortality rate	105 of Table of death B.E.2017	105 of Table of death B.E.2017

	Percentage	
For the year ended December 31, 2017	Consolidated Financial Statements	Separate Financial Statements
Discount rate	2.00 - 3.56	2.66
Salary increase rate	4.00 - 10.00	7.00
Employee turnover rate	0.00 - 45.00	10.00 - 20.00
Mortality rate	100 of Table of death B.E.2008	100 of Table of death B.E.2008

Sensitivity analysis

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, 2018 and 2017 are summarized below:

(In Million Baht)

	2018			
	Consolidated Financial Statements		Separate Financial Statements	
	Increase	Decrease	Increase	Decrease
Discount rate (percentage of change 1)	(10.23)	11.87	(8.59)	9.93
Future salary increase rate (percentage of change 1)	10.81	(9.54)	8.98	(7.95)
Staff turnover rate (percentage of change 20)	(10.97)	14.72	(10.29)	12.80

(In Million Baht)

	2017			
	Consolidated Financial Statements		Separate Financial Statements	
	Increase	Decrease	Increase	Decrease
Discount rate (percentage of change 1)	(7.03)	8.20	(5.15)	5.99
Future salary increase rate (percentage of change 1)	8.49	(7.47)	6.23	(5.43)
Staff turnover rate (percentage of change 10)	(7.13)	8.08	(5.90)	6.87

On December 13, 2018, the National Legislative Assembly passed a resolution approving the draft of a New Labour Protection Act, which is in the process being enacted in the Royal Gazette. The Labour Protection Act includes a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. When the labour law comes into force, the Company and its subsidiaries will recognize the increase in the employee benefits obligations approximately Baht 20.38 million (for the Company : Baht 17.87 million), resulting in the decrease in profit approximately Baht 16.30 million (for the Company : Baht 14.30 million).

22. 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 to the consolidated statements of financial position as at December 31, 2018 and 2017, the Company and its subsidiaries's debt-to-equity ratio was 0.92 : 1 and 0.70 : 1, respectively.

According to the separate statements of financial position as at December 31, 2018 and 2017, the Company's debt-to-equity ratio was 0.85 : 1 and 0.63 : 1, respectively.

23. STATUTORY RESERVE

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

Under the terms of the Civil and Commercial Code, nine subsidiaries are required to set aside as statutory reserve at least 5 percent of its net income at each dividend declaration as the statutory reserve until the statutory reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

24. APPROPRIATION OF RETAINED EARNINGS - DIVIDEND**The Company**

On April 23, 2018, the Annual General Meeting No. 1/2018 of the Company's shareholders passed the resolutions to approved payment of the annual dividend payment for 2017 to the shareholders of the Company. The shareholders eligible for dividend payment was set on May 4, 2018. The book closing date was scheduled on May 5, 2018 for 441,453,555 shares at the rate of Baht 0.25 per share, at the amount of Baht 110.36 million. The dividend had been paid on May 18, 2018.

On April 21, 2017, the Annual General Meeting No. 1/2017 of the Company's shareholders passed the resolutions to approved payment of the annual dividend payment to the shareholders of the company. The shareholders eligible for dividend payment was set on May 2, 2017. The book closing date was scheduled on May 3, 2017 for 441,453,555 shares, the rate of Baht 0.35 per share, at the amount of Baht 154.51 million. The dividend had been paid on May 15, 2017.

Subsidiaries

According to the Annual General Meeting of its subsidiary, it had approved to pay the annual dividend for the year 2017 including the dividends which had been paid as interim dividends by resolution of the Board of Company's Directors. The details are shown as follows:

Company's name	BODs/Shareholders' meeting date	Baht per share	Amount (Million Baht)	Dividend payment date
Prain Fintech Company Limited (Formerly named Modernform Integration Services Company Limited)	February 13, 2018	1.37	8.80	February 19, 2018
Soft Square 1999 Company Limited	July 13, 2018	5.83	17.49	July 23, 2018
Hongson Software Company Limited	February 2, 2018*	17.75	5.32	April 19, 2018
Soft Professional Company Limited	April 19, 2018*	14.75	0.74	April 19, 2018
Soft Plus Technology Company Limited	March 27, 2018*	95.00	4.75	March 28, 2018
K Soft Consulting Company Limited	March 27, 2018*	98.00	4.90	March 28, 2018
Sammok Software Company Limited	March 27, 2018*	82.00	4.10	March 28, 2018
Motif Technology Public Company Limited	March 27, 2018*	120.00	3.60	March 28, 2018
Business Applications Company Limited	April 17, 2018*	0.0875	7.00	April 30, 2018
Playtorium Solutions Company Limited	April 26, 2018*	100.00	10.00	May 7, 2018
	April 18, 2018*	6.00	2.10	May 11, 2018
Total			68.80	

* Date of the Annual General Meeting of Shareholders

According to the Annual General Meeting of its subsidiary, it had approved to pay the annual dividend for the year 2016 including the dividends which had been paid as interim dividends by resolution of the Board of Company's Directors. The details are shown as follows:

Company's name	BODs/Shareholders' meeting date	Baht per share	Amount (Million Baht)	Dividend payment date
Business Applications Company Limited	April 9, 2017	80.00	8.00	May 8, 2017
Soft Square 1999 Company Limited	April 17, 2017*	38.00	11.40	May 8, 2017
Hongson Software Company Limited	April 17, 2017*	100.00	5.00	May 8, 2017
Soft Professional Company Limited	April 18, 2017*	24.00	1.20	May 8, 2017
Soft Plus Technology Company Limited	April 17, 2017*	8.00	0.40	May 8, 2017
K Soft Consulting Company Limited	April 18, 2017*	8.00	0.40	May 8, 2017
Sammok Software Company Limited	April 21, 2017*	55.00	1.65	May 8, 2017
Total			28.05	

* Date of the Annual General Meeting of Shareholders

25. SHARE - BASED PAYMENT

Prain Fintech Company Limited (subsidiary)

On September 18, 2018, the Board of Directors' Meeting No.4/2018 of Prain Fintech Company Limited, it had the resolution to allocate the increase ordinary shares of 700,000 shares to the directors and executives at book value price per share as at September 26, 2018 amounting to Baht 12.40 per share with criteria and conditions as follows:

Criteria for the rights entitled to sell ESOP shares

1. Director, management/employee who have purchased the capital increase shares will be able to sell their own shares with the criteria and conditions as follows:

- (1.1) Having completed 1 year of employment from the capital increase share purchase, they are entitled to sell not more than 50 percent of their own total shares.
- (1.2) Having completed 2 years of employment from the capital increase share purchase, they are entitled to sell the total remaining shares.
- (1.3) In case of resigning from employment 2 years before the term from the share purchase date, the Company is solely entitled to buy back ESOP shares whether fully or partially from the director, management/employee at the book value as at the transaction date.
- (1.4) Sale of shares: after 2 years term from the share purchase date, they will be entitled to sell shares for the portion held totally by offering shares for sale in respective order as follows: 1. Company 2. previous shareholders 3. other person or juristic entity that is not a trade competitor of the Company.

2. Besides the adherence to number 1, if any investor agrees to buy the shares of the Company from MFEC Public Company Limited director and management/employee are entitled to offer the capital increase shares for sale to the investor in accordance with the criteria and conditions as follows:

- (2.1) In case the investor agrees and consents to buy the shares of the subsidiary from MFEC Public Company Limited at the price not less than 1.5 times of the book value as at the transaction date, directors and executives/employees will be entitled to sell the shares not over 50 percent of the total shares eligible and held and must first be approved for the share sale from the board of directors.
- (2.2) After the purchase/sale in accordance with 2.1 is completed, if investor agrees and consents to purchase additional shares of the subsidiary from MFEC Public Company Limited at the price not less than 1.5 times of the book value as at the transaction date, directors and executives/employees are entitled to sell the total remaining shares and must first be approved to sell the shares from the board of directors.

Details of fair value measurement

The fair value of the ordinary shares of Prain Fintech Company Limited was calculated by independent valuer with the fair value at grant date at approximate Baht 18.40 per share which was higher than the exercise price at Baht 6 per share. Therefore, the subsidiary recognized as expense arising from share-based payment in profit or loss and recognized or surplus on share-based payment in shareholder's equity in the amount of Baht 4.20 million.

M.I.S. Outsourcing Company Limited (subsidiary)

On July 13, 2018, the Extraordinary Shareholders' Meeting No.2/2018 of Prain Fintech Company Limited (former parent company) had a resolution to approve selling the investment in M.I.S. Outsourcing Company Limited to the employees of M.I.S. Outsourcing Company Limited at 5 percent of the registered capital, or 25,000 ordinary shares, at the selling price of Baht 20 per share, totaling Baht 500,000 for the benefit in motivating employees' involvement in the ownership of the business and together pushing for organizational growth in the future. The criteria and conditions are as follows:

1. The employee agrees to be bound by the contract and renders performance to the Company for a period of three years, starting on July 21, 2018 until July 20, 2021 ("Commitment Period").
2. The employee agrees and acknowledges that they are entitled to sell or transfer their shares at the agreed and appropriate price. The employee agrees to offer the shares for sale fully or partially, respectively, as follows: (1) MFEC Public Company Limited, (2) other shareholders as per the list of shareholders as at July 20, 2018 (3) if MFEC Public Company Limited and other shareholders refused the purchase of shares, then employees are entitled to sell the shares to other persons except person or juristic person who is a trade competitor to the Company.
3. In the event of resignation from the status of the Company's employees caused by the fault of the employees and unable to perform work to the Company before the commitment period, the employees need to sell all shares back to MFEC Public Company Limited (the parent company starting on August 1, 2018) at a reasonable price and agreed upon by both parties.

Information on the method of fair value valuation

The fair value of M.I.S. Outsourcing Company Limited's ordinary shares is calculated by the discounted cash flow approach by an independent appraiser, with the value as at the grant date Baht 64 per share, which is higher than the exercise price to buy the shares by Baht 44 per share. Therefore, the Company recognizes expense from the share-based payment according to the average of the commitment period for performance under the employment contract in profit or loss as well as recognizing the surplus from share-based payment in shareholder's equity in the amount of Baht 0.18 million.

26. Tax expense (income)**26.1 Major components of tax expense (income)**

For the years ended December 31, 2018 and 2017 consisted of:

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Income tax expense (income) shown in profit or loss :				
Current tax expense:				
Income tax expense for the year	28,648,895	39,394,112	19,520,189	29,581,173
Deferred tax expense (income):				
Changes in temporary differences relating to the original recognition and reversal	(10,408,344)	(4,531,530)	(9,230,218)	(4,015,118)
Revaluation of the deferred tax resulting from changing in tax rates	140,320	30,798	-	-
Total	18,380,871	34,893,380	10,289,971	25,566,055
Income tax relating to components of other comprehensive income :				
Deferred tax relating to :				
Remeasuring available for sale investments	(91,322)	(297,423)	(2,631)	(366,579)
Gain eatimation over actuarial principle	(503,176)	-	(1,043,355)	-
Revaluation of the deferred tax resulting from changing in tax rates	(14,953)	(9,363)	-	-
Total	(609,451)	(306,786)	(1,045,986)	(366,579)

26.2 A numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate

For the years ended December 31, 2017 and 2018 which are summarized as follows:

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2018	2017	2018	2017
Accounting profit (loss) for the period	(146,705,216)	191,020,317	(72,706,697)	166,910,005
The applicable tax rate (%)	20	20	20	20
Tax expense (income) at the applicable tax rate	(29,341,043)	38,204,063	(14,541,339)	33,382,001
Reconciliation items:				
Tax effect of expenses that are not deductible in determining tax profit:				
- Expenses not allowed as expenses in determining taxable profit	48,857,604	2,545,039	40,440,445	1,736,885
Tax effect of income or profit that are not required in determining taxable profit:				
- Exemption of non-taxable dividend income	-	-	(14,238,864)	(5,805,683)
- The exemption of profit of the promoted business (BOI)	-	(33,473)	-	-
- Others	(1,650,986)	(2,614,924)	(1,370,271)	(3,747,148)
Revaluation of the deferred tax resulting from changing in tax rates	26,426	30,798	-	-
Effect of deferred tax from tax rates for the subsidiaries	804,343	1,479,315	-	-
Tax losses not recognized in prior periods but used to reduce current tax expense	(315,473)	(3,780,862)	-	-
Others	-	(936,576)	-	-
Total reconciliation items	47,721,914	(3,310,683)	24,831,310	(7,815,946)
Total tax expense (income)	18,380,871	34,893,380	10,289,971	25,566,055

26.3 A numerical reconciliation between the average effective tax rate and the applicable tax rate

For the years ended December 31, 2018 and 2017 are summarized as follows:

	Consolidated Financial Statements			
	2018		2017	
	Tax amount (In Baht)	Tax rate (%)	Tax amount (In Baht)	Tax rate (%)
Accounting profit (loss) before tax expense for the year	(146,705,216)		191,020,317	
Tax expense (income) at the applicable tax rate	(29,341,043)	20.00	38,204,063	20.00
Reconciliation items	47,721,914	(32.53)	(3,310,683)	(1.73)
Tax expense (income) at the average effective tax rate	18,380,871	(12.53)	34,893,380	18.27

	Separate Financial Statements			
	2018		2017	
	Tax amount (In Baht)	Tax rate (%)	Tax amount (In Baht)	Tax rate (%)
Accounting profit (loss) before tax expense for the year	(72,706,697)		166,910,005	
Tax expense (income) at the applicable tax rate	(14,541,339)	20.00	33,382,001	20.00
Reconciliation items	24,831,310	(34.15)	(7,815,946)	(4.68)
Tax expense (income) at the average effective tax rate	10,289,971	(14.15)	25,566,055	15.32

27. EXPENSES BY NATURE

Significant expenses by nature are follow:

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	For the years ended December 31,		For the years ended December 31,	
	2018	2017	2018	2017
Changes in finished goods and work in process (increase) decrease	61,936,468	(150,254,095)	10,908,480	(101,847,571)
Purchase of inventories and service	2,166,136,588	2,081,148,015	1,829,359,605	1,826,400,182
Employee costs	877,183,553	805,043,281	716,043,346	625,801,279
Depreciation and amortization	46,617,766	49,090,576	41,106,844	42,290,476
Gain (loss) on exchange rate	1,555,747	(3,620,396)	1,484,370	(3,828,470)
Impairment loss on investment in subsidiary and goodwill	202,380,680	-	210,367,541	-
Loss from sales of investment in subsidiary	60,901,707	-	45,558,099	-

28. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing profit for the year attributable to equity holders of the parent company for the year by the weighted average number of ordinary shares which are issued during the year and held by outside party.

(In Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	For the years ended December 31,		For the years ended December 31,	
	2018	2017	2018	2017
Profit (loss) for the years to equity holders (Baht)				
Profit (loss) attributable to equity holders of the parent company	(166,149,177)	153,994,881	(82,996,668)	141,343,950
Weighted average number of ordinary shares (shares)	441,453,555	441,453,555	441,453,555	441,453,555
Basic earnings (loss) per share of the parent company				
Profit (loss) for the years (Baht per share)	(0.38)	0.35	(0.19)	0.32

29. FINANCIAL INFORMATION BY SEGMENT

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The businesses of the Company and its subsidiaries involve the systems integration, maintenance service and IT professional service with the main operation in the single geographic area in Thailand. Segment performance is considered by revenue and gross profit, and is also measured based on the group operating profit or loss, on a basis consistent with used to measure operating profit or loss in the financial statement. The Company and its subsidiaries information for the years ended December 31, 2018 and 2017 by segments are as follows:

(Million Baht)

	Consolidated Financial Statements							
	For the years ended December 31,							
	Systems intergration		Maintenance service		IT Professional service		Elimination	Total
	2018	2017	2018	2017	2018	2017	2018	2017
External revenue	1,357	1,441	1,029	871	953	650	-	3,339
Inter-segment revenues	38	-	-	3	48	67	(86)	-
Total revenues	1,395	1,441	1,029	874	1,001	717	(86)	2,962
Segment income	192	145	218	244	204	237	-	614
Unallocated income and expenses:								
Other income								52
Selling expenses								(97)
Administrative expenses								(707)
Finances costs								(2)
Share of profit (loss) of associates								(3)
Income tax (income) expense								(7)
								(18)
Profit (loss) for the years							(165)	156
Other comprehensive income (expense)							1	(1)
Total comprehensive income (expense) for the years							(164)	155
As at December 31,								
Property, plant and equipment							75	110
Intangible assets							18	34
Other assets							3,237	3,226
Total assets							3,330	3,370

Transfer prices between business segment are as set out in Note 5 to the financial statements.

30. PROMOTIONAL PRIVILEGES

On September 26, 2016, the Company was granted the following tax privileges for its software business under the category of ENTERPRISE SOFTWARE, DIGITAL CONTENT and EMBEDDED SOFTWARE under the Investment Promotion Act B.E. 2520 issued by the Board of Investment as follows:

- Exemption from corporate income tax on net profit for a period of five years commencing as from the date of first earning of operating income.
- Dividends paid from promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.
- Exemption from import duty on machinery as approved by the Board of Investment.

To be entitled to these rights and privileges, the Company must comply with the conditions specified in the promotional certificate.

Two subsidiaries receive tax privileges for the software business. The privileges are corporate income tax exemption, import duty on machinery, tax exemption on dividend income from the promoted business, etc.

As a promoted business, the Company and subsidiaries have to comply with the terms and conditions as specified in the promotion certificate.

The Company and its subsidiaries's results of operations classified by the promoted and non-promoted activities for the years ended December 31, 2018 and 2017 are as follows:

(In Baht)

Consolidated Financial Statements						
For the year ended December 31,						
Promoted operations		Non-promoted operations		Total		
2018	2017	2018	2017	2018	2017	
Sales and service income						
(Program development)	47,583,507	56,521,568	3,291,901,571	2,905,381,394	3,339,485,078	2,961,902,962

(In Baht)

Separate Financial Statements						
For the year ended December 31,						
Promoted operations		Non-promoted operations		Total		
2018	2017	2018	2017	2018	2017	
Sales and service income						
(Program development)	-	-	2,844,799,080	2,537,731,092	2,844,799,080	2,537,731,092

31. PROVIDENT FUND

The Company, the subsidiaries and their employees have jointly established a provident fund as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The fund is contributed by the Company, the subsidiaries and their employees at the rate of 3 - 7 percent of their basic salaries. The fund is managed by a licensed Fund Manager and will be paid to employees upon termination of employment in accordance with the rules of the provident fund.

The Company and subsidiaries's contributions for the years ended December 31, 2018 and 2017 amounted to Baht 24.92 million and Baht 24.62 million, respectively.

The Company's contributions for the years ended December 31, 2018 and 2017 amounted to Baht 22.09 million and Baht 20.85 million, respectively.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in the liabilities arising from financing activities for the years ended December 31, 2018 and 2017 are as follows:

(In Baht)

	Consolidated financial statements				Balance as at December 31, 2018
	Balance as at January 1, 2018	Cash flows increase (decrease)*	Non-cash transaction		
			Increase	Reverse from selling of subsidiaries	
Bank overdrafts and short-term loans from financial institutions	-	82,104	-	(82,104)	-
Liabilities under a finance lease agreement	1,421,105	(673,959)	-	(747,146)	-
Total	1,421,105	(591,855)	-	(829,250)	-

(In Baht)

	Consolidated financial statements			
	Balance as at January 1, 2018	Cash flows increase (decrease)*	Non-cash transaction	Balance as at December 31, 2018
			Increase	
Liabilities under a finance lease agreement	4,941,229	(4,034,187)	514,063	1,421,105
Total	4,941,229	(4,034,187)	514,063	1,421,105

(In Baht)

	Separate Financial Statements			
	Balance as at January 1, 2018	Cash flows increase (decrease)*	Non-cash transaction	Balance as at December 31, 2018
			Increase	
Liabilities under a finance lease agreement	2,121,047	(2,121,047)	-	-
Total	2,121,047	(2,121,047)	-	-

* Financing cash flows included net proceed and repayment cash transactions in the statements of cash flows

33. COMMITMENTS AND CONTINGENT LIABILITIES**33.1 Bank guarantees**

As at December 31, 2018, there were outstanding bank guarantees issued by the bank on behalf of the Company of Baht 204.66 million (December 31, 2017 : Baht 239.20 million) and on behalf of the subsidiaries of Baht 30.40 million (December 31, 2017 : Baht 35.04 million) in respect of certain performance obligations required in the normal course of business of the Company and its subsidiaries.

33.2 Commitments on long-term lease agreement

33.2.1 As at December 31, 2018, the Company and its subsidiaries had commitments in respect of office rental agreements. Future rental payments are as follows:

(Million Baht)

	Consolidated Financial Statements	Separate Financial Statements
Payable within:		
2019	31.67	22.55
2020	24.61	16.76
2021	12.47	9.37

33.2.2 For commitment on sale or service under the agreement as at December 31, 2018 and 2017, the Company and its subsidiary have product/service selling agreement that has not been rendered to the costomer at Baht 2,327 million and Baht 1,882 million, respectively. The separate company only has the product/service selling agreement that has not been rendered to the customer as at December 31, 2018 and 2017 at Baht 2,085 million and Baht 1,689 million, respectively

32.3 Contingent liabilities on lawsuit

On June 7, 2010, a governmental client cancelled the buy-sell and installation of system development agreement, dated September 1, 2008, in the amount per agreement of Baht 326.99 million. (The project is undertaken by a group of working team, under a specific agreement. The proportion of works to be performed by the parties are clearly specified. For the investment in this project, the Company has invested in a part of computer system installation in amount of Baht 113.79 million of agreement and the process of installations was completed). But the opinion of the management is that the client does not have right to cancel the such agreement. The buy-sell and installation of work system agreement is still obligated. The cancellation of the agreement of the client is an action to prevent the delivery of work to client within the time as specified by agreement, including an order to take the hardware back. It deems to be a violation of agreement by the client. So that, the Company use the right to cancel the buy-sell and installation of work system agreement as letter on October 14, 2010.

On April 30, 2012, the Company had filed lawsuit against the client to the Intellectual Property and International Trade Center Court, by interpleading into this case and claiming damages in the aggregate amount of Baht 161.27 million. On May 21, 2012, the Company was filed by the customer in a Civil case against the Intellectual Property and International Trade Center as a first defendant, and the four defendants from the breach of contract and installation system with the capital Baht 326.99 Million and on June 25, 2012 the Company has attested to the Court by

denying the claim of the plaintiff for being not breaching the contract but it is from the plaintiff's side. So it is not liable for damages as filed.

On March 26, 2015, the Civil case against the Intellectual Property and International Trade Center ordered the Company to return the prepaid wage to the customer amounting to Baht 32.70 million with interest rate 7.5% per annum from the date of receipt until the date of filing amounting to Baht 8.94 million totaling Baht 41.64 million and the damage compensation to the customer amounting to Bath 5 million with interest rate 7.5% per annum from the date of filing onwards until the payment is settled. And On July 23, 2015, the Company has appealed.

On March 27, 2018, the Supreme Court has ordered to change the judgment of Intellectual Property and International Trade Court for the Company to pay Baht 41.64 million with interest at 7.5% per annum in the principal of Baht 32.70 million from the suing date (May 21, 2012) until payment to customer is completed. The Company has recorded the damage that occurred from the lawsuit of Baht 56.27 million (interest calculated until April 30, 2018) as presented under "short-term provision". The Company has entered into a memorandum of agreement with a company for working agreement to repay the advance money to the Company in the credit line Baht 32.70 million and agrees to be responsible for the damage, fine, and all expense in accordance with the court judgment. Therefore, the Company records the damage collected from the above party with the same amount presented under "trade and other accounts receivable".

On June 11, 2018, the Company has placed a sum with the court to fully settle debt according to the court ruling. The case is final. The amount can be claimed for refund with the Company entered into the group affiliate agreement. As at December 31, 2018, the Company has other receivable balance in the amount of Baht 9.27 million.

33.4 Contingent liabilities from the lawsuit of the subsidiary**Case 1**

A subsidiary may have contingent liabilities from the penalty of a service agreement with a government agency. Under the term of the Agreement, in case of the party has delayed work delivery, the other party has the right to charge the penalty fee for such delay at the rate as specified in the agreement. The subsidiary has completed delivery of work in delay which exceeds the period as specified in the agreement.

In all events, the management of subsidiary has indicated the details and documentary evidences in relation with work delivery for clarification of such delivery case that it is not the fault of the subsidiary to the other party. The management of the subsidiary has reserved the damages at the aggregate amount of Baht 4.93 million, in which the management has believed that it is adequate for settlement of the damages.

As at August 30, 2016, the subsidiary filed to the Central Administration Court to claim damage from the above customer with the capital of Baht 93.93 million with interest at 7.5% per annum. The party filed a statement to the court on April 20, 2017.

Later, on July 24, 2017 the government agency above filed a suit against the subsidiary for the another case to the Administrative Court for work delay and claimed the penalty damage in the amount of Baht 38.75 million. The subsidiary has objected against the testimony on August 24, 2017.

Later, on May 18, 2018, the subsidiary submitted additional testimony to the court. Currently, the case is under consideration by the court.

As at December 31, 2018, the subsidiary has arranged the summary of the debtor in connection with the service agreement in the amount of Baht 29.83 million and the provision for delayed penalty in the amount of Baht 4.93 million.

Case 2

On May 13, 2016, the customer of one state enterprise had cancelled the buy/sell and system development agreement with the contract value of Baht 34.25 million. The subsidiary filed a suit to the Civil Court on August 16, 2016 on the breach of contract and claimed for damage from early contract termination (contract due May 31, 2017) and claimed for payment in accordance with the letter of guarantee which is misuse of rights.

On July 27, 2017, the court have a judgement, the customer not to be responsible for such damages due to contract termination legally and the customer is entitled to confiscate the collateral under the contract at the amount of Baht 3.42 million. Later, August 2, 2017, the court protection was sought for the letter of guarantee. On December 13, 2017, the Subsidiary has

filed the petition again and the court has already accepted the appeal. Later, on February 21, 2018, the customer has filed a petition to court and the case is under consideration of the Appeal Court. The court has scheduled for the hearing of the appeal court decision on September 12, 2018. The Appeal Court ordered to uphold to the ruling of the Court of First Instance and the subsidiary submitted a request for the court to further issue temporary protection. The subsidiary filed a petition on December 11, 2018. Presently, it is waiting the petition amendment.

As at December 31, 2018, the subsidiary has provided a project loss estimate in the amount of Baht 3.42 million.

34. FINANCIAL INSTRUMENTS**34.1 Accounting policies**

Details of significant accounting policies and methods adopted, including criteria for recognition of revenues and expenses relating to financial assets and financial liabilities are disclosed in note 4.

34.2 Financial risk management for financial instruments

The Company and its subsidiaries manage its financial risk exposure on financial assets and financial liabilities in the normal business by its internal management and control system, and the Company does not hold or issue any derivative financial instruments except forward exchange contracts that are used as risk management tools. The Company does not have a policy to engage in any derivative financial transactions for speculative or trading purposes.

34.3 Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable and receivable under finance lease agreement. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statements of financial position.

34.4 Interest rate risk

The exposure of the Company and its subsidiaries to interest rate risk relates primarily to their cash at banks, bank overdrafts and short-term loans from financial institutions trust receipts and liabilities under finance lease agreements long-term loans. However, since most of their financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at December 31, 2018 and 2017 classified by type of interest rates are summarized as follows:

(In Baht)

	Consolidated Financial Statements			
	As at December 31, 2018			
	Floating interest rate	Fixed interest rate	No interest	Total
Financial assets				
Cash and cash equivalents	295,185,389	666,362	30,152,403	326,004,154
Short-term investment	-	79,056	69,440,531	69,519,587
Trade and other accounts receivable	-	-	1,229,619,526	1,229,619,526
Receivable under financial lease agreements	-	7,877,977	-	7,877,977
Amount due from related parties	-	-	25,794,220	25,794,220
Unbilled receivable	-	-	566,520,400	566,520,400
Pledged deposits at financial institutions	3,300,000	-	-	3,300,000
Long-term investments	-	-	75,122,865	75,122,865
Financial liabilities				
Amounts due to related parties	-	-	614,517,067	614,517,067
Trade and other payable	-	-	3,608,355	3,608,355
Accrued expenses	-	-	156,153,043	156,153,043
Unbilled payable	-	-	198,829,231	198,829,231

(In Baht)

	Consolidated Financial Statements			
	As at December 31, 2017			
	Floating interest rate	Fixed interest rate	No interest	Total
Financial assets				
Cash and cash equivalents	174,126,243	659,806	13,312,424	188,098,473
Short-term investment	-	49,215	147,747,029	147,796,244
Trade and other accounts receivable	-	-	853,529,700	853,529,700
Receivable under financial lease agreements	-	10,593,491	-	10,593,491
Amount due from related parties	-	-	24,408,311	24,408,311
Unbilled receivable	-	-	634,597,623	634,597,623
Pledged deposits at financial institutions	3,300,000	-	-	3,300,000
Long-term investments	-	-	114,216,241	114,216,241
Financial liabilities				
Trade and other payable	-	-	632,401,076	632,401,076
Amounts due to related parties	-	-	371,400	371,400
Accrued expenses	-	-	133,082,013	133,082,013
Unbilled payable	-	-	162,654,290	162,654,290
Liabilities under financial lease agreements	-	1,421,105	-	1,421,105

(In Baht)

	Separate Financial Statements			
	As at December 31, 2018			
	Floating interest rate	Fixed interest rate	No interest	Total
Financial assets				
Cash and cash equivalents	235,151,924	-	1,961,687	237,113,611
Trade and other accounts receivable	-	-	1,133,937,316	1,133,937,316
Receivable under financial lease agreements	-	7,877,977	-	7,877,977
Amount due from related parties	-	-	26,079,928	26,079,928
Unbilled receivable	-	-	541,330,372	541,330,372
Long-term investments	-	-	513,476,771	513,476,771
Financial liabilities				
Trade and other payable	-	-	545,107,469	545,107,469
Amounts due to related parties	-	-	31,004,522	31,004,522
Accrued expenses	-	-	125,977,365	125,977,365
Unbilled payable	-	-	197,348,043	197,348,043

(In Baht)

	Separate Financial Statements			
	As at December 31, 2017			
	Floating interest rate	Fixed interest rate	No interest	Total
Financial assets				
Cash and cash equivalents	105,754,135	-	1,157,149	106,911,284
Short-term investment	-	-	40,862,340	40,862,340
Trade and other accounts receivable	-	-	707,027,476	707,027,476
Receivable under financial lease agreements	-	10,341,375	-	10,341,375
Amount due from related parties	-	-	24,747,292	24,747,292
Unbilled receivable	-	-	603,419,726	603,419,726
Long-term investments	-	-	867,097,001	867,097,001
Financial liabilities				
Trade and other payable	-	-	545,371,055	545,371,055
Amounts due to related parties	-	-	6,065,051	6,065,051
Accrued expenses	-	-	118,178,803	118,178,803
Unbilled payable	-	-	160,256,236	160,256,236

34.5 Foreign currency risk

The exposure of the Company and its subsidiaries to foreign currency risk relates primarily to its trade accounts payable that are denominated in foreign currencies. The Company and its subsidiaries utilizes forward exchange contracts, mostly with maturities of no more than one year, in order to hedge the foreign currency risk related to these payables.

As at December 31, 2018 and 2017, the Company and its subsidiaries have assets and liabilities denominated in foreign currency are as follows:

	Consolidated Financial Statements	
	As at December 31, 2018	As at December 31, 2017
The value of foreign currency assets - USD	USD 10,843 thousand	USD 3,560 thousand
The value of foreign currency liabilities - USD	USD 3,858 thousand	USD 8,670 thousand

	Separate Financial Statements	
	As at December 31, 2018	As at December 31, 2017
The value of foreign currency assets - USD	USD 10,843 thousand	USD 3,560 thousand
The value of foreign currency liabilities - USD	USD 3,757 thousand	USD 8,515 thousand

As at December 31, 2018, the Company had forward exchange contracts of USD 9.33 million with the exchange rates of Baht 31.23 to Baht 32.85 per USD 1, to be mature within 6 - 12 months.

34.6 Liquidity risk

The Company and its subsidiaries manages its liquidity risk by maintaining adequate level of cash and cash equivalents to support the Company's operations as well as securing short-term credit facilities from financial institutions for reserve as necessary and to reduce the impact of fluctuations in cash flow.

34.7 Fair value

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 latest market price or by using an appropriate valuation basis, depending on the nature of the instrument.

Since the majority of the financial assets and liabilities of the Company and its subsidiaries are short-term in nature, their fair values are not expected to differ materially from the amounts presented in the statements of financial position.

The fair values of significant financial assets and financial liabilities do not differ from their carrying values.

35. FAIR VALUE OF FINANCIAL INSTRUMENT

The Company and its subsidiaries uses the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

Level 1 - Use of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Use of inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices).

Level 3 - Use of unobservable inputs such as estimates of future cash flows.

As at December 31, 2018 and 2017, the Company and its subsidiaries had the following assets and liabilities that were measured at fair value using different levels of inputs as follows:

(In Baht)

	Consolidated Financial Statements			
	2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Current investments				
- Unit trust	-	69,440,531	-	69,440,531

(In Baht)

	Consolidated Financial Statements			
	2017			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Current investments				
- Unit trust	-	147,747,029	-	147,747,029

(In Baht)

	Separate Financial Statements			
	2017			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Current investments				
- Unit trust	-	40,862,340	-	40,862,340

Valuation techniques on fair value and inputs for Level 2 valuations

(a) The fair value of investments in non-listed investment units on the Stock Exchange of Thailand, is calculated by using the net assets value per unit as announced by the fund managers.

During the current period, there were no transfers within the fair value hierarchy.

36. EVENTS AFTER THE REPORTING PERIOD

On February 5, 2019, the Board of Directors Meeting No.6/2017 had a resolution to approve for proceed as follow:

1) Shares repurchase from employees who hold shares in Digital Savvy Company Limited of 9,550 shares at book value of Baht 79.10 per share, amounting to Baht 0.72 million, resulting in the shareholding proportion of the Company's ordinary shares from 36 percent increased to 39.18 percent of the registered capital. The proportion of the total investment of the Company together with the Company's employees is 49 percent of the registered capital by proceed in February 2019.

2) Investment in new business with outsiders who have expertise in doing business, consulting and providing cloud development services by registering as an associated company within March 2019 under the name of "Undefined Company Limited" in which the Company will invest in the proportion of 40 percent of the registered capital (Baht 10 million), amounting to Baht 4 million.

37. THE NEWLY ISSUED AND REVISED FINANCIAL REPORTING STANDARDS AND EFFECTIVE IN THE FUTURE

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of accounting standards, financial reporting standards, and interpretations of accounting and financial reporting standards that are newly issued and revised.

These newly issued and revised financial reporting standards which are effective for the fiscal year beginning on or after January 1, 2019 are as follows:

TAS 1 (revised 2018)	Presentation of Financial Statements
TAS 2 (revised 2018)	Inventories
TAS 7 (revised 2018)	Statement of Cash Flows
TAS 8 (revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2018)	Events After the Reporting Period
TAS 12 (revised 2018)	Income Taxes
TAS 16 (revised 2018)	Property, Plant and Equipment
TAS 17 (revised 2018)	Leases
TAS 19 (revised 2018)	Employee Benefits
TAS 20 (revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2018)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2018)	Borrowing Costs
TAS 24 (revised 2018)	Related Party Disclosures
TAS 26 (revised 2018)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2018)	Separate Financial Statements
TAS 28 (revised 2018)	Investments in Associates and Joint Ventures
TAS 29 (revised 2018)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2018)	Earnings Per Share
TAS 34 (revised 2018)	Interim Financial Reporting
TAS 36 (revised 2018)	Impairment of Assets
TAS 37 (revised 2018)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2018)	Intangible assets
TAS 40 (revised 2018)	Investment Property

TAS 41 (revised 2018)	Agriculture
TFRS 1	First-time Adoption of International Financial Reporting Standards
TFRS 2 (revised 2018)	Share-Based Payment
TFRS 3 (revised 2018)	Business Combinations
TFRS 4 (revised 2018)	Insurance Contracts
TFRS 5 (revised 2018)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2018)	Exploration for and Evaluation of Mineral Resource
TFRS 8 (revised 2018)	Operating Segments
TFRS 10 (revised 2018)	Consolidated Financial Statements
TFRS 11 (revised 2018)	Joint Arrangements
TFRS 12 (revised 2018)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2018)	Fair Value Measurement
TFRS 15	Revenue from Contracts with Customers
TSIC 10 (revised 2018)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2018)	Operating Leases - Incentives
TSIC 25 (revised 2018)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2018)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2018)	Service Concession Arrangements: Disclosure
TSIC 32 (revised 2018)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2018)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2018)	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2018)	Applying the Restatement Approach under TAS 29 (revised 2018) Financial Reporting in Hyperinflationary Economics
TFRIC 10 (revised 2018)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2018)	Service Concession Arrangements
TFRIC 14 (revised 2018)	TAS 19 (revised 2018)-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 17 (revised 2018)	Distributions of Non - cash Assets to Owners
TFRIC 20 (revised 2018)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2018)	Levies

Newly financial reporting standards which are effective for the fiscal year beginning on or after January 1, 2020 are as follows.

TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The management of the Company and its subsidiaries believe that these accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standards interpretations which are newly issued and revised will not have any significant impact on the financial statements for the year when they are initially applied.

38. AUTHORIZATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on February 27, 2019.



Interrelated Transactions

Normal Business Transactions.

MFEC has business transactions made by the company, its subsidiaries and associate companies on trade of products and services in the ordinary and usual course of trade conditions of the group.

Individual/ Juristic Persons Connected	Relationship	Transaction	Value (Mil. Bt)		Necessity & Reason
			2018	2017	
PFT	Subsidiary of MFEC with a stake of 71.62% (Earlier MIS)	Sale of products & services (Computer)	-	0.10	MFEC sold computers and computer maintenance services at the prices close to the market prices.
		Administrative	0.37	0.50	MFEC provided accounting-financial and general administrative services at the agreed prices, based on proper workload amount.
		Purchase of products & services	-	0.16	Purchased office equipment.
MISO	Subsidiary of MFEC with a stake of 75%	Purchase of products & services (Professional Service)	-	-	MFEC purchased program development service at the price close to the market price.
		Purchase of products & services	0.22	0.19	MFEC purchased rental service of computer equipment at the price close to the market price.
MOTIF	Subsidiary of MFEC with a stake of 99.99%	Sale of products & services (Professional Service)	0.39	1.02	MFEC sold the work system with hardware/software procurement services and maintenance services at the prices close to the market prices.
MOTIF	Subsidiary of MFEC with a stake of 99.99%	Purchase of products & services (Professional Service)	0.02	0.11	MFEC purchased MA service at the price close to the market price.
BAC	Subsidiary of MFEC with a stake of 99.99%	Sale of products & services (Professional Service)	-	-	MFECให้บริการงาน Consulting Technical และบริการอื่น ราคา ดังกล่าวใกล้เคียงราคาตลาด
		Purchase of products & services (Professional Service)	0.06	0.30	MFEC purchased program development service at the price close to the market price.

Individual/ Juristic Persons Connected	Relationship	Transaction	Value (Mil. Bt)		Necessity & Reason
			2018	2017	
AIM	Subsidiary of MFEC with a stake of 98.20%	Administrative services	0.11	0.12	MFEC provided accounting-financial and general administrative services at the agreed prices, based on proper workload amount.
		Purchase of products & services (Professional Service)	-	0.50	MFEC purchased program development service at the price close to the market price.
PTS	Subsidiary of MFEC with a stake of 70%	Administrative services	1.15	0.53	MFEC provided accounting-financial and general administrative services at the agreed prices, based on proper workload amount.
		Purchase of products & services	39.54	22.08	MFEC purchased program development service at the price close to the market price.
DATA CAFÉ	Subsidiary of MFEC with a stake of 59.90%	Sale of products & services	0.01	0.52	MFEC sold software & assets at the prices close to the market prices.
		Administrative services	0.14	0.03	MFEC provided accounting-financial and general administrative services at the agreed prices, based on proper workload amount.
		Purchase of products & services	0.65	-	MFEC purchased training service and other services at the prices close to the market prices.
SPT	Subsidiary of MFEC with a stake of 99.99%	Sale of products & services	0.11	-	MFEC sold software & assets at the prices close to the market prices.
		Administrative services	0.02	-	MFEC provided accounting-financial and general administrative services at the agreed prices, based on proper workload amount.
		Purchase of products & services	7.16	-	MFEC purchased training service and other services at the prices close to the market prices.

Individual/ Juristic Persons Connected	Relationship	Transaction	Value (Mil. Bt)		Necessity & Reason
			2018	2017	
ANGSTROM	Associate company of MFEC with a stake of 40%	Sale of products & services (Professional Service)	-	0.37	MFEC provided program system development service and maintenance services as program for investment in sale at the price close to the market price.
TIS	Shareholder of MFEC with a stake of 20% and Mr. Kiyotaka Nakamura as Director/Co-Executive	Sale of products & services (Professional Service)	-	-	MFEC provided program system development service at the price close to the market price.
		Purchase of products & services	0.01	-	MFEC purchased software maintenance service at the price close to the market price.
Panjaluck Pasuk	Mr. Siriwat Vongjarukorn as Co-Director	Sale of products & services (Professional Service)	11.17	6.23	MFEC provide maintenance service and PANDAPASS service at the prices close to the market prices.
Fanster Media	Associate company of MFEC with a stake of 30%	Sale of products & services (Professional Service)	4.61	19.72	MFEC sold the transfer rights of software and provided Cloud/ Outsource services at the prices close to the market prices.
		Administrative service	0.51	0.49	MFEC provided accounting-financial and general administrative services at the agreed prices, based on the proper workload amount.
		Purchase of products & services	0.35	-	MFEC purchased assets at the price close to the market price.
Digital Savvy	Associate company of MFEC with a stake of 36%	Sale of products & services (Professional Service)	25.74	-	MFEC sold transfer rights of software and provided Cloud/ Outsource services at the prices close to the market prices.
		Administrative service	0.48	-	MFEC provided accounting-financial and general administrative services at the agreed prices, based on the proper workload amount.
		Purchase of products & services	4.09	-	MFEC purchased maintenance services and PANDAPASS service at the prices close to the market prices.

Individual/ Juristic Persons Connected	Relationship	Transaction	Value (Mil. Bt)		Necessity & Reason
			2018	2017	
Promptnow	Subsidiary of MFEC with a stake of 20%	Administrative service	0.06	-	MFEC provided document receiving-sending services at the agreed prices, based on proper workload amount.
		Purchase of products & services	0.33	-	MFEC purchased products and services at the prices close to the market prices.

Financial Assistance

Individual/ Juristic Persons Connected	Relationship	Transaction	Value (Mil. Bt)		Necessity & Reason
			2018	2017	
Panjaluck Pasuk	Mr. Siriwat Vongjarukorn as Co-Director.	Interest receivable	0.07	-	MFEC charged PJL the lending rate at 5% per annum, the normal lending rate commercial banks charge their prime customers, on the borrowings for investment in project management.
AIM	Subsidiary of MFEC with a stake of 98.20%	Interest receivable	0.06	0.28	MFEC extended AIM the borrowings for investment in project management at the MMR (1.95-3.75% per annum), the normal lending rate commercial banks charge their prime customers.
		Bank loan guarantee	0.03	0.03	Fee rate is charged at 1% per year
ANGSTROM	Associate company of MFEC with a stake of 40%	Interest receivable	0.10	-	MFEC charged ANGSTROM the lending rate of 4% per annum, the normal lending rate commercial banks charge their prime customers, on the borrowings for investment in project management.

With reference of No. 5 in Notes to Financial Statements for the year ending 31 December 2018.

Approval Measure or Procedures for Connected Transactions

Connected transactions shall be proposed to the Board of Directors' Meeting for consideration and approval. The Audit Committee shall attend the meeting to consider and approve such transactions. Such transactions shall be complied with the Securities and Exchange laws, regulations, announcements, notifications or regulatory requirements of the Stock Exchange of Thailand. Those who may have conflicts of interest or be at stakes in connected transactions have no voting rights in the connected transactions.

The Policy or Trend for Connected Transactions between Persons with Likely Conflicts of Interest in the Future

Connected Transaction Policy

Connected transactions which may take place in the future can be grouped into two (2) categories: 1) normal, continuous connected transactions; and 2) special, occasional connected transactions with the following approval procedures.

1. Normal, continuous connected transactions

The company will determine the principles and guidelines for the normal, continuous connected transactions with general trade conditions, fair, reasonable and traceable prices. The principles and guidelines will be proposed to the Audit Committee for approval and comments on rationale of each connected transaction as the Audit Committee deems appropriate.

2. Special, occasional connected transactions

The Audit Committee will be assigned to make comments on appropriateness of each connected transaction. If the Audit Committee does not have expertise in any connected transaction, the company will assign an expert such as an auditor or an asset evaluator or a law office, etc. who is independent from the company and persons who may have conflicts of interests to make comments on such connected transaction. The comments will be used as information for the committees or the shareholders as the case may be.

Connected Transactions/Future Trend

1. As for a connected transaction between the company and MTC on rental office and parking space, the transactions will continue in the future. If the rental fee, and/or rental conditions fee is changed, the company will make proper consideration and implement according to the rules and guidelines that the Audit Committee considers and approves. Entering into connected transactions with a company that may have conflicts in the future will be subject to appropriateness and necessity of each connected transaction. If such connected transaction takes place, the company will abide by the Connected Transaction Policy the Audit Committee considers and approves.

2. As for connected transactions on guarantee. If the company puts up collaterals against credits requested by its subsidiaries, the company has a policy to put up the amount of collaterals in accordance with its stake in the subsidiaries. In the case that the company can not comply with such policy, the company will proceed in accordance with the Securities and Exchange Commission's announcement on information disclosure and connected transactions of the listed companies.



Financial Status and Corporate Performance

Explanations and Analysis on Financial Status and Corporate Performance

Corporate Performance

The year 2018 was the year of business transformation and changes in the competition environment spanning from adjustment to cope with customers' competition, rapid technological changes and organizational development for swift competition. Such rapid changes have affected basic business foundations and corporate performance in 2018 in the following explanations.

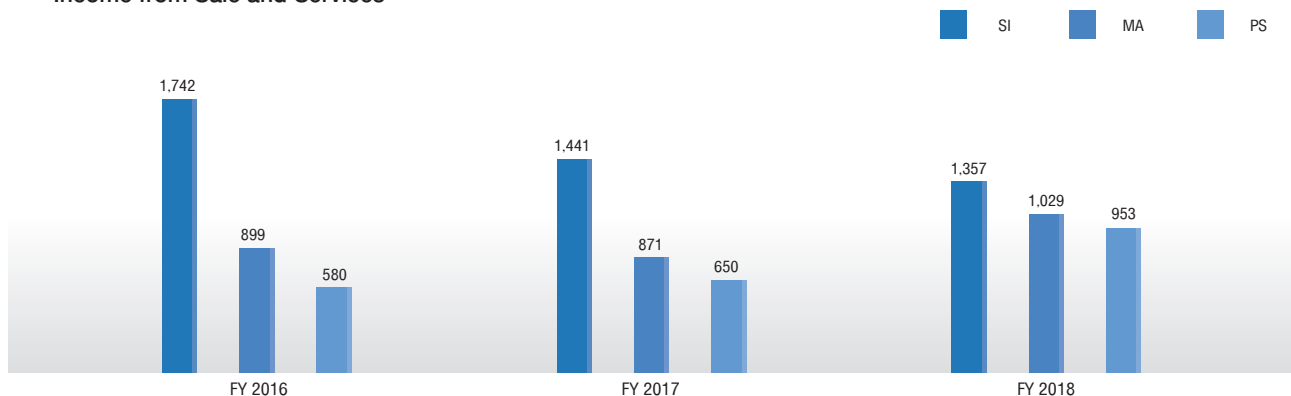
MFEC's net profit in 2018 declined 207.9% from the previous year. On a consolidated basis, the company booked total income of 3,372 million baht, 3,016 million baht and 3,391 million baht, down 0.3%, 10.6% and up 12.4% in 2016, 2017 and 2018, respectively. Net profit was 222 million baht and 154 million baht in 2016 and 2017, respectively, while net loss was 166 million baht in 2018. Net profit margin increased 6.6% and 5.1% in 2016 and 2017, respectively, and decreased 4.90% in 2018. Expenses in non-recurring items were cited for drops in the consolidated income and net profit in 2018. Such non-recurring items extended from Bt202 million baht in the estimated impairment of investment in MFEC's subsidiaries and associate companies to 61 million baht in losses from divestiture of MFEC's subsidiaries. Besides, on 13 December 2018, the National Legislative Assembly passed a drafted bill on labor protection which is awaiting for an announcement in the royal decree. The new bill on labor protection determines

additional compensation in a case of an employer's termination of employment of employee who works for 20 consecutive years or more. That employee is entitled to receive compensation at no less than the rate the employee receives on the last 400 working days. Such legal amendment is regarded as adjustment of benefits to the employees after termination of employment and MFEC recorded the impact from such change by realizing costs of services in the past as the expense of 20 million baht in the profit/loss statement instantly. The expense did not come from the company's main businesses and did not affect the cash flow in 2018.

As of 31 December 2018, on a consolidated basis, the company had total assets of 3,330 million baht, total liabilities of 1,598 million baht and total shareholders' equity of 1,732 million baht. Of total assets, 86% or 2,851 million baht were current assets and the remaining 14% or 479 million baht were non-current assets. Of total liabilities, the amount of 1,499 million baht was current liabilities and the amount of 99 million was liabilities as provision for the employees' long-term benefits. Of total shareholders' equity, the amount of 1,708 million baht was of the controlling interest and the amount of 24 million baht was of the non-controlling interest.

Income

Income from Sale and Services



The company generated income from sale and services from three (3) groups: system integration (SI); maintenance service (MS); and professional service (PS). On a consolidated basis, income from sale and services totaled 3,221 million baht, 2,962 million baht and 3,339 million baht, down 3.4% and 8.0%

in 2016 and 2017, respectively, but up 12.7% in 2018. Rises in the MS and PS workloads and more purchase orders in light of IT changes – the catalyst for rapid shift in consumer behavior for the rise in 2018 income. Each income category had the following changes.

Analysis on Income Changes by Product & Service

- Income from System Integration (SI) declined 11%, 17.3% and 5.8% to 1,742 million baht, 1441 million baht and 1,357 million baht in 2016, 2017 and 2018, respectively. In 2018, the SI-based income contributed 40% to total income, lower than the previous year's figure of 48% after less orders from the government sector and public enterprises.
- Income from Maintenance Service (MS) decreased 0.01% and 3.11% to 899 million baht and 871 million baht in 2016 and 2017, respectively, and rose 18.14% to 1,029 million baht in 2018. The MS-based income contributed 30% to total income, an increase in 2018.
- Income from Professional Service (PS) increased 23%, 12.1% and 46.6% to 580 million baht, 650 million baht and 953 million baht in 2016, 2017 and 2018, respectively. The PS-based income contributed 28% to total income and the rise in the PS-based income came from the company's business transformation that satisfied the market demand, technology trend with a focus on technology service to upgrade customers' businesses.

Other Income

The company had other income, most of which came from marketing promotion of product distributors. The company earned income from marketing promotion of product distributors, based on volume of purchase orders as targeted. MFEC also gained other income from interest receivables, gains from asset sale, foreign exchange gains and other miscellaneous income. Other income dropped 17% to 40 million baht in 2016, rising 37.50% to 55 million baht and falling 5.45% to 52 million baht. Other income contributed 1.5% to total income, most of which came from marketing promotion from product distributors of each product.

Expenses

Costs of Goods Sold

The company registered 2,527 million baht, 2,335 million baht and 2,725 million baht, down 0.5%, 7.6% and up 16.7%, in costs of goods sold for 2016, 2017 and 2018, respectively. Costs of goods sold accounted for 78.47%, 78.85% and 81.6% of total income from sale and services in 2016, 2017 and 2018, respectively. The company's costs of goods sold rose in 2018

due to relatively high competition in SI as a result of less technology investment than market supply in light of the Thai economic slowdown.

Sale & Administrative Expenses

The company had 567 million baht, 484 million baht and 803 million baht, down 2.42%, 14.64% and up 66%, in its sale and administrative expenses for 2016, 2017 and 2018, respectively. Sale and administrative expenses accounted for 16.8%, 16.0% and 23.70% of total income. The significant rise in sale and administrative expense in 2018 came from non-recurring items including 202 million baht in estimated impairment of investment in the subsidiaries and associate companies, 61 million baht in a loss from divestiture of investment in the subsidiary and the new labor protection law. On 13 December 2018, the National Legislative Assembly passed a drafted bill on labor protection which is awaiting for an announcement in the royal decree. The new bill on labor protection determines additional compensation in a case of an employer's termination of employment of employee who works for 20 consecutive years or more. That employee is entitled to receive compensation at no less than the rate the employee receives on the last 400 working days. Such legal amendment is regarded as adjustment of benefits to the employees after termination of employment and MFEC recorded the impact from such change by realizing costs of services in the past as the expense of 20 million baht in the profit/loss statement instantly. The expense did not come from the company's main businesses and did not affect the cash flow in 2018.

Costs of Financing

The company recorded 3 million baht, 2.8 million baht and 2.2 million baht, down 46%, 6.7% and 21.43%, in costs of financing for 2016, 2017 and 2018, respectively. Given faster project delivery management and payment collection, the company had higher liquidity and used less working capital which was financed by borrowings.

Corporate Income Tax

The company booked 55 million baht, 35 million baht and 18 million baht, up 6.16%, but down 36.36% and 48.57%, in the corporate income tax for 2016, 2017 and 2018, respectively. The corporate income tax lowered in 2018 following decline in the corporate performance.

Net Profit (Loss)

The company had net profit of 222 million baht and 154 million baht in 2016 and 2017, respectively, but suffered net loss of 166 million baht in 2018. Net profit margin stayed at 6.6%, 5.1% and (4.9%) in 2016, 2017 and 2018, respectively. With regard to the main business, the company generated more income from the previous year and made profit from the main business as usual. The company's net loss in 2018 was attributable to the non-recurring items including 202 million baht in estimated impairment of investment in the subsidiaries and associate companies, 61 million baht in a loss from divestiture of investment in the subsidiary and the new labor protection law. On 13 December 2018, the National Legislative Assembly passed a drafted bill on labor protection which is awaiting for an announcement in the royal decree. The new bill on labor protection determines additional compensation in a case of an employer's termination of employment of employee who works for 20 consecutive years or more. That employee is entitled to receive compensation at no less than the rate the employee receives on the last 400 working days. Such legal amendment is regarded as adjustment of benefits to the employees after termination of employment and MFEC recorded the impact from such change by realizing costs of services in the past as the expense of 20 million baht in the profit/loss statement instantly. The expense did not come from the company's main businesses and did not affect the cash flow in 2018.

Financial Status**Assets**

As of 31 December 2016, 2017 and 2018, the company recorded total assets of 3,328 million baht, 3,370 million baht and 3,330 million baht, up 5.98%, 1.26% and 1.18%, respectively. In 2018, the significant changes in total assets extended from a decrease of 78 million baht in current investment – short-term cash left and used to invest in low-risk mutual funds with higher return than deposit rates, an increase of 376 million baht in net trade accounts receivable and other accounts receivable, and a decrease of 68 million baht in accrued income. Meanwhile, the said transactions were normal and most of the trade accounts receivable were not due for collection yet. The accrued income which would be realized in line with the project completion has not yet been due for collection.

Cash, Cash Equivalent & Current Investment

As of 31 December 2016, 2017 and 2018, the company had cash, cash equivalent and current investment of 950 million baht, 336 million baht and 395 million baht, accounting for 29%, 10%

and 12% of total assets, respectively. This item was used as the working capital. The company used the cash left, as current investment, to invest in low-risk mutual funds with higher return than deposit rates.

Trade Accounts Receivable & Other Accounts Receivable

As of 31 December 2016, 2017 and 2018, the company registered 636 million baht, 854 million baht and 1,230 million baht in trade accounts receivable and other accounts receivable after provision, accounting for 19.1%, 25.3% and 36.9% of total assets, respectively. About 83% of them have not reached due for collection, and the remaining 17% were being in the collection process. Of the in-collection-process receivable, 8% were more than one (1) year overdue and 47% awaiting for the court process. The company set its loan loss provision according to each receivable status according to the criteria to assess receivable quality. At the end of 2016, 2017 and 2018, the company had 18 million baht, 17 million baht and 17 million baht in the provision, or 2.8%, 2% and 1.3% of total trade accounts receivable and other accounts receivable. These figures were not high compared to the amount of receivables.

Accrued Income & Work-In-Process Costs

As of 31 December 2016, 2017 and 2018, the company had accrued income and work-in-process costs of 931 million baht, 1,313 million baht and 1,168 million baht, or 28%, 39% and 35% of total assets. The accrued income which would be realized in line with project completion has not yet been due for collection. The work-in-process costs were parts of each project in the integration process.

Non-Current Assets

As of 31 December 2016, 2017 and 2018, total current assets consisted of investment of 96 million baht, 114 million baht and 75 million baht in the associate companies, respectively. The rise in this investment came from additional investment with two (2) associate companies. Goodwill amounted to 501 million baht, 501 million baht and 258 million baht, respectively.

Land, building and equipment amounted to 115 million baht, 110 million baht and 75 million baht, respectively, while non-tangible assets accounted for 27 million baht, 34 million baht and 18 million baht. The non-tangible assets came partly from transactions transferred from deferred program development projects. Most of them involved program development for intellectual properties for future income generation. At the end of 2018, the company had 5.5 million baht in financial lease receivable due over one (1) year, down from 2.3 million baht in 2017, due to more product distribution channels with payment term of 3-5 years.

Liquidity

Cash Flow Statement

	2018 Mil.Bt	2018 Mil.Bt	2016 Mil.Bt
Net cash received from (used by) operating activities	139	(384)	711
Net cash received from (used by) investment activities	95	492	(415)
Net cash received from (used by) financing activities	96	(162)	(156)
Net increase (decrease) in cash & cash equivalent	138	(55)	141

In 2016, the company registered 284 million baht in profit before changes in operating assets and liabilities. After the changes, the company had 711 million baht in cash flow received from (used by) operating activities as a result of decrease (increase) of 363 million baht, (95) million baht, 18 million baht and 66 million baht in trade accounts receivable and other accounts receivable, accrued income, work-in-process costs, and trade accounts payable, respectively. The company had 415 million baht in net cash flow from investing activities. Among them, the company registered 448 million baht in cash for acquisition of current investment – working capital for short-term investment with higher return than bank deposit rates, 12 million baht in cash for capital increase in an associate company, 54 million baht in cash for asset improvement and equipment purchase for normal operations. And the company booked 156 million baht in net cash flow used by financing activities due to a decrease of 4 million baht in short-term borrowings and trust receipts payable, a decline of 4 million baht in liabilities under financial lease agreements, 147 million baht in 2015 dividend payment from normal operations without impact to business liquidity and 1.7 million baht in interest expense. Thus, the company recorded net decrease of 141 million baht in cash and cash equivalent.

In 2017, the company registered 274 million baht in profit before changes in operating assets and liabilities. After the changes, the company had (384) million baht in cash flow received from (used by) operating activities as a result of decrease (increase) of (214) million baht, (212) million baht, (164) million baht and 43 million baht in trade accounts receivable and other accounts receivable, accrued income, work-in-process costs, and trade accounts payable, respectively.

The company had 492 million baht in net cash flow from investing activities. Among them, the company registered 564 million baht in cash for sale of current investment, 23 million baht in cash for acquisition of investment in associate companies, 62 million baht in cash for asset improvement and equipment purchase for normal operations.

And the company booked 162 million baht in net cash flow used by financing activities due to a decrease of 5 million baht in short-term borrowings and trust receipts payable, a decline of 4 million baht in liabilities under financial lease agreements, 155 million baht in 2016 dividend payment from normal operations without impact to business liquidity and 1.7 million baht in interest expense. Thus, the company recorded net decrease of 55 million baht in cash and cash equivalent.

In 2018, the company registered 215 million baht in profit before changes in operating assets and liabilities. After the changes, the company had 139 million baht in cash flow received from (used by) operating activities as a result of decrease (increase) of (398) million baht, 65 million baht, 72 million baht and (2) million baht in trade accounts receivable and other accounts receivable, accrued income, work-in-process costs, and trade accounts payable, respectively.

The company had 95 million baht in net cash flow from investing activities. Among them, the company registered 80 million baht in cash for sale of current investment, 11 million baht in cash for acquisition of investment in associate companies, 55 million baht in cash for asset improvement and equipment purchase for normal operations.

And the company booked 96 million baht in net cash flow used by financing activities due to an increase of 80,000 baht in short-term borrowings and trust receipts payable, a decline of 600,000 baht in liabilities under financial lease agreements, 114 million baht in 2017 dividend payment from normal operations without impact to business liquidity and 600,000 baht in interest expense. Thus, the company recorded net decrease of 138 million baht in cash and cash equivalent.

Liquidity Ratio

Financial Ratios				
		Consolidated Financial Statements		
		2018	2017	2016
Liquidity Ratio				
Current ratio	(Time)	1.90	1.96	1.99
Quick ratio	(Time)	1.10	0.93	1.24
Inventory turnover	(Time)	4.26	3.94	4.81
Average number of days sales	(Days)	84.58	91.48	74.81
Receivable turnover ratio	(Time)	2.00	1.89	2.06
Collection days	(Days)	179.73	190.00	174.73
Account payable turnover	(Time)	3.38	3.58	3.87
Payment days	(Days)	106.49	100.53	92.91
Cash Cycle	(Days)	157.82	180.95	156.64

Most of liquidity ratios remained steady in 2018. at the end of 2016, 2017 and 2018, the current ratios were 1.99, 1.96 and 1.90 times, quick ratios at 1.24, 0.93 and 1.10 times, respectively. These ratios were regarded as sufficiently favorable for business operations. Although the company had slower inventory turnover, its average number of day sales increased with less collection days. It had longer payment days. Therefore, the company had cash cycle of 156, 180 and 157 days in 2016, 2017 and 2018, respectively.

Source of Capital**Liabilities**

As of 31 December 2016, the company had total liabilities of 1,344 million baht, up 119 million baht from 2015 yearend. About 6 million baht of total liabilities were overdraft amount and short-term borrowings from financial institutions, 592 million baht as trade accounts payable and other accounts payable, 171 million baht as accrued expenses – current liabilities for normal operations and not due for collection yet, 166 million baht as accrued costs - items with costs record in line with project completion which product sellers and service providers have not yet made collection, and 306 million baht as deferred income – transactions the company received payment for services from customers in advance according to collection conditions prior to services provided to customers.

As of 31 December 2017, the company had total liabilities of 1,383 million baht, up 38 million baht from 2016 yearend. About 632 million baht of total liabilities were trade accounts payable and other accounts payable, 133 million baht as accrued expenses – current liabilities for normal operations and not due for collection yet, 162 million baht as accrued costs - items with costs record in line with project completion which product sellers and service

providers have not yet made collection, and 309 million baht as deferred income – transactions the company received payment for services from customers in advance according to collection conditions prior to services provided to customers.

As of 31 December 2018, the company had total liabilities of 1,598 million baht, up 216 million baht from 2017 yearend. About 635 million baht of total liabilities were trade accounts payable and other accounts payable, 156 million baht as accrued expenses – current liabilities for normal operations and not due for collection yet, 199 million baht as accrued costs - items with costs record in line with project completion which product sellers and service providers have not yet made collection, and 429 million baht as deferred income – transactions the company received payment for services from customers in advance according to collection conditions prior to services provided to customers.

Shareholders' Equity

As of 31 December 2016, 2017 and 2018, the shareholders' equity totaled 1,984 million baht, 1,987 million baht and 1,732 million baht, up 4% and 0.2% but down 12.9%, respectively. The shareholders' equity increased or decreased due to the increase or decrease in the retained earnings.

Appropriateness – Structure of Capital

As of 31 December 2016, 2017 and 2018, the company had debt to equity ratios of 0.68, 0.70 and 0.92 time, respectively. The D/E ratio in 2018 increased slightly from 2017 but remained favorable due to higher efficiency for customers' payment improvement. Meanwhile, all of the company's liabilities arose from normal trade operations and most of them had the repayment period of less than one (1) year.

Audit Fee

The company paid audit fee of 3.6 million baht to the auditors' auditing office for the year 2018.

Non - Audit Fee

- None -

Dividend Policy

The dividend payment policy was set after the change from the equity method to the cost method. The company set itself and its subsidiaries to pay dividend at no less than 50% of net profit after tax and legal provision on a consolidated basis for the company and on a non-consolidated basis for each of its subsidiaries.

During 2013, 2014, 2015, 2016, 2017 and 2018, the company paid dividend of 145 million baht, 199 million baht, 221 million baht, 146 million baht, 155 million baht and 110 million baht at the rates of 0.33 baht, 0.45 baht, 0.50 baht, 0.33 baht, 0.35 baht and 0.25 baht per share, respectively.

For the 2018 operating performance, the Board of Directors' Meeting No. 1/2019 resolved to propose the AGM to pay dividend of 0.20 baht per share.

Factors that May Affect Financial Status or Corporate Performance in the Future

- None -

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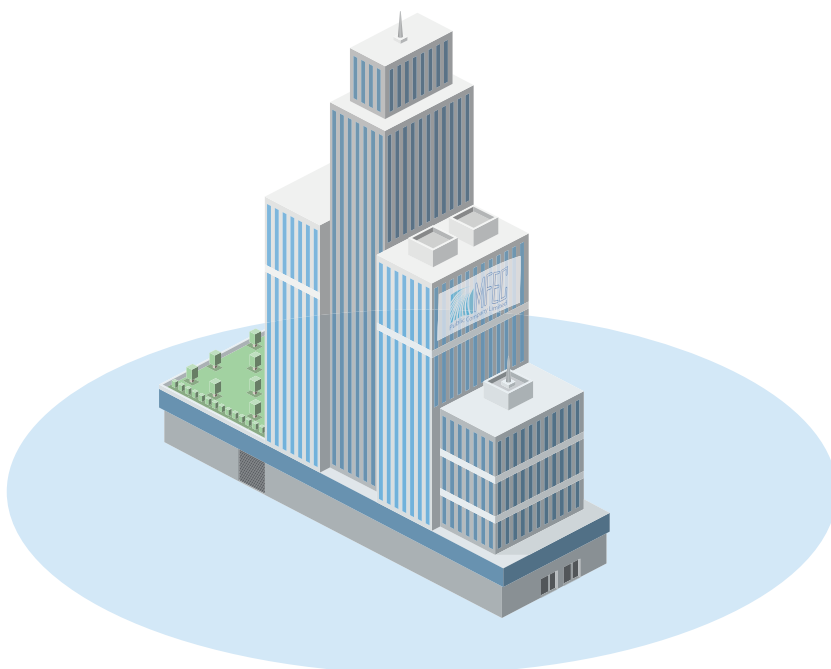
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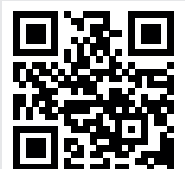
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