

ANNUAL REPORT 2012

Modernform Group Public Company Limited



modernform

รายงานประจำปี 2555
บริษัท โมเดิร์นฟอร์มกรุ๊ป จำกัด (มหาชน)

VISION & MISSION

We strive to create innovative ideas that inspire
the art of living and quality work life

OUR VALUES

Aim for Excellence
Focus on customer satisfaction
Uphold integrity
Promote creativity and innovation
Strive for continuous learning
Succeed through collaboration
Share high entrepreneurial spirit

CONTENTS

01	Vision & Mission
02	Message from the Chairman
03	Financial Highlights for the Year 2012
04	Board of Directors' Report Summary of Performances in 2012 and Future Plans
10	General Information of Company
14	Business Operations of the Company and its Subsidiaries
17	Risk Factors
19	Shareholding & Management Structure
19	Major Shareholders
20	Management Structure
33	Corporate Governance
38	Insider Information Controls
39	Internal Control
42	Dividend Policy
43	Related Transactions
48	Management Discussion & Analysis (MD&A)
50	Financial Ratios
52	Audit Committee Report
54	Summary Report of Directors' Responsibilities to Financial Statements
55	Independent Auditor's Report
56	Financial Statements

Message from the Chairman

The disastrous flood Thailand faced in late 2011 did affect our business during the first and second quarter of 2012. In other words, the company, our suppliers, customers experienced hitch and glitch in delivering and getting furniture while demands and orders kept increasing. However, the situation gradually improved and we were able to manufacture and deliver more products during the last two quarters of the year. In the end, our performance in 2012 was quite impressive despite the obstacles.

As labor shortage is increasingly experienced by the entire Thai industry, the company is in no exception. That's why we resort to hire migrant and foreign workers to reinforce our existing labor force. At the other front, a new minimum wage imposed by the government has not been much a problem for us. In other words, we are able to make more or less the same profit as we did in the previous years.

Likewise, economic recession experienced in certain western countries reflected through declines in their trade and financial activities hardly affected us since most of our markets are internal. The company has also come up with a management plan to be ready for the upcoming market liberalization under the Asean Economic Community (AEC) framework to be realized in late 2015 by seeking and forming more local and overseas partnership.

It is foreseen that, in 2013, the businesses of office furniture, home furniture, interior decoration and architectural accessories and items will continue to grow and the company is ready to answer to these growing demands. We have actively developed and launched new innovative products to the market as well as expanded our investment to match consumer's needs and changing behaviors. In short, we are confident that 2013 will be another growth year for us.

On behalf of the Board of Directors and the management team, we wish to thank our colleagues, customers, suppliers, shareholders and each and every one out there who continue to believe in us and support us through good and bad times.



Mr. Chareon Usanachitt
Chairman



Mr. Thaksa Busayapoka
Chief Executive Director

Financial Highlights for the Year 2012

	2012	2011	2010
TOTAL REVENUES (Baht)	3,162,311,062	2,991,778,761	2,987,448,845
REVENUES FROM SALES AND SERVICES (Baht)	3,024,234,459	2,803,723,416	2,830,476,820
COST OF SALES AND SERVICES (Baht)	1,795,811,967	1,691,697,633	1,724,779,004
GROSS PROFIT (Baht)	1,228,422,492	1,112,025,783	1,105,697,816
EARNING BEFORE MINORITY INTEREST (Baht)	423,588,377	384,199,347	428,355,412
NET PROFIT (Baht)	410,025,064	373,541,355	427,377,144
TOTAL ASSETS (Baht)	3,575,786,164	3,159,304,789	3,018,551,133
TOTAL LIABILITIES (Baht)	1,018,061,145	822,494,704	701,469,002
MINORITY INTEREST (Baht)	34,899,531	24,270,262	14,044,648
NET WORTH (Baht)	2,522,825,488	2,312,539,823	2,303,037,483
PROFITABILITY:			
Gross profit margin (%)	40.6	39.7	39.1
Net profit margin (%)	13.6	13.3	15.1
RETURN ON INVESTMENT :			
Return on total assets (%)	12.2	12.1	13.8
Return on total net worth (%)	16.8	16.1	17.5
LIQUIDITY &STABILITY			
Current ratio (Times)	2.1	2.4	2.4
Debt / Equity ratio (Times)	0.4	0.4	0.3
PER SHARE DATA			
Number of shares (Registered)	859,647,000	892,000,000	892,000,000
Number of shares (Fully paid)	800,000,720	832,353,720	832,353,720
(2009,2010 : 89,200,000 ordinary shares of Baht 10 each)			
Par value (Baht/Share)	1	1	1
Book value (Baht/Share)	3.20	2.81	2.78
(2009,2010 : 83,235,372 ordinary shares of Baht 10 each)			
Net profit(EPS) (Baht/Share)	0.57	0.52	0.56
Dividends (Baht/Share)	0.50*	0.45	0.50

* Note: The Meeting of the Board of Directors of the Company No.1/2013 held on February 21, 2013 passed to pay dividends for the 2012 operating year to shareholders of the company at a rate of 0.50 Baht per share. Hence the interim dividend has been paid at a rate of Baht 0.20 the remaining value of Baht 0.30 per share will be paid to a shareholders as dividend. The matter will be proposed for approval at the Annual Ordinary General Shareholders Meeting No.1/2013 on April 9, 2013.

Board of Directors' Report Summary of Performances in 2012 and Future Plans

In 2012, Europe's debt crisis, the US's much-fragile economic expansion as well as China's economy remained three main factors affecting economic directions of various regions around the world including Thailand. In addition, political uncertainties undergoing in two major economies of the world as the US was about to elect its new president and China was to welcome its new leader also sent a wait-and-see signal to investment decisions and economic activities.

In Thailand, at the beginning of 2012, the Bank of Thailand had to shred down the country's 2012 economic growth to 4.9 per cent after it found that negative impacts from Thailand's most disastrous flood in late 2011 affected Thailand's economic activities in the same period far more than anticipated. The damages accounted for as high as 3.1 per cent of the Gross Domestic Product (GDP) or a total of Baht 340 billion. In addition, the world's economic slowdown and the slump of the Eurozone hit Thailand's export sector very hard in Q4 of the same year. As a result, Thailand ended up suffering the highest negative growth in its history of -7.4 per cent during the last quarter of 2011.

In 2012, the government under the stewardship of Prime Minister Yingluck Shinawatra of the Phue Thai Party continued to pursue its policy to give the poor an opportunity to increase their incomes through access to credit and financial loans as well as through investments in major infrastructure projects. In addition, its priority to manage the country in 2012 was to restore and rehabilitate people and places from the disastrous flood as well as to pursue the water management policy. As a result, the government announced and later on implemented several measures resulted from the enforced policies such as rice pledging, an increase of minimum wage to Baht 300 a day, an increase of civil servant's salary with Bachelor's Degree to Baht 15,000, the giving of progressive allowance to senior citizens, debt moratorium measures for farmers, capacity development of villages and big city communities, tax reduction for first-time car owners and first-time home buyers and reduction of corporate income tax. The government's series of economic-stimulating policies were the main factor driving the growth of the Thai economy in 2012 replacing negative effects Thailand was confronting at the time after the world suffered an economic slowdown, the US economy was very much fragile and the Eurozone found its debt crisis worsening.

In mid-2012, the Bank of Thailand raised Thailand's economic growth rate to 6 per cent after the world's economy was proven stronger than much anticipated and the fact that Thailand's production sector recovered much faster than thought. Previously, it was expected that Thai industry would have been fully recovered only in Q3 of 2012. Yet, several industries were able to reach its peak production capacity much faster. The heavily-affected industries such as automobile, electronic appliances and electronic parts were back at their feet quickly than expected. Besides, the private sector's spending and the public sector's support through various measures to stimulate spending were remarkable. People's ability to earn incomes remained impressive while consumer's confidence was rising. In addition, the loosening monetary policy such as the reduction of the policy rate to 2.75 per cent did help financial institutions and the government stimulating domestic spending. This however put pressure on inflation rate which gradually climbed up and which subsequently forced the Bank of Thailand to raise the general inflation rate to 3.5 per cent as a result of higher costs of production after an increase of minimum wage and higher crude oil prices. The Thai export sector also showed a recovery sign after suffering a negative growth of -2.1 per cent during the first half of the year. The sector was estimated to grow by 4.17 per cent by the end of the year.

Thailand's real estate sector did experience a major shift following 2011's devastating flood. The single detached house and townhouse markets saw their demands clearly falling. During January and September 2012, only 24,000 new units were launched, which was 29 per cent down from the previous year. This somber picture was quite contrasting to the condominium market where 46,000 units were introduced to the market during the same period or a rise by 42 per cent. Overall speaking, the real estate sector stood to benefit from the government's economic-stimulating measures, increase of people's incomes, the loosening fiscal policy, the fall of interest rates, investments in major infrastructure projects as well as expansion of mass transportation projects. On the other hand, there were negative factors affecting the sector such as higher costs of land, construction materials and labor. But in general, the property market in 2012 continued to grow especially in the condominium sector. As a result, the home furniture market very much benefited from such growth especially furniture in residential projects and large condominiums. In addition, the office furniture market clearly bounced back

following the needs to repair and replace flood-damaged furniture in late 2011. Besides, investment atmosphere was very much improving as there was far less clashes or conflicts between various political groups as happened in the past.

In 2013, the Fiscal Policy Office expects the Thai economy to continue expanding to reflect its potential where the rate of expansion is expected to be as high as 5 per cent. Major driving forces will continue to be the private sector's consumption and investment after getting a boost from the government's measures to increase a minimum wage and to reduce corporate income tax as well as the government's own investment projects. Meanwhile, the real estate sector will send a direct impact to the furniture market after new town and country planning rules and regulations come into effect in May 2013 which will change how the land is used in Bangkok since land in the city will be costlier and rarer for the development of large projects. Together with higher labor costs and materials, a condominium unit in the city center will become smaller so that its price remains affordable by would-be buyers. An increase and expansion of mass transportation routes will increase a number of townhouse and single-detached home projects along these lines around Bangkok's vicinity. However, condominium remains dear to young generation of city dwellers as it's convenient and cheaper than a townhouse or a house in the same area. The condominium market will also benefit from the Asean Economic Community (AEC) to be realized in 2015 as the trade and market liberalization will mean more foreigners will come and settle more easily in Thailand and condominiums are far easier to buy and own. The AEC will also induce foreign entities to set up their offices in Bangkok as the city is strategically a center of Asean. This should drive up demands for office furniture in 2013. The property market all over the country will continue to expand especially in provinces with higher economic productions and high income per capita thanks mainly to main stimulations from major infrastructure projects such as high speed train and national highways to be built all over the country. In short, 2013 should be another great year for the furniture business.

Research and development

In 2012, the Product Development Center produced home and office furniture as vertical-based conceptual products and horizontal-based commercial products as follows.

In early 2012, Modernform launched kitchen equipment under the "Home Kitchen by Modernform" Brand, which featured not only durability but also an ability to handle heavy duty and flood with ease of installation. The Home Kitchen by Modernform wishes to penetrate new Modernform's market section to increase sales of all Modernform Kitchen products.

As for office furniture, aside from Modernform's principal products, the firm has developed medical furniture for use in hospitals and health facilities. Together with Dimed Hearing Center Co Ltd, Modernform successfully launched the Audio Matric Booth designed to examine patient's hearing capacity. The product is a beautiful result between advanced medical technology and sophisticated design and is widely used in hospitals and large industries in Thailand and overseas. The Audio Matric Booth is indeed Modernform's additional attempt to enhance its existing ideacoustic Brand by turning it into a truly professional product.

Modernform continues to present the Designer Series products to its customers. This year, the products, which were developed under the concept of Work of Beauty, had Mr. Chaley Wuthanan, Managing Director and Design Director of Textile Gallery Co Ltd who is behind the Pasaya Brand, design a meeting table with Aura Switch; Professor Pansak Chakkapak make a special set of chairs with his stunning water color paintings; and Ms. Priyanee Suputthipong, Deputy Managing Director of Nanmee Co Ltd, express her design talent through a set of executive desks of which the height is adjustable depending on a user's activities during the day.

After Modernform launched a chair-testing lab that allowed our QC team to test the quality of Modernform chairs, this year, we develop a woodwork testing room in which office furniture such as desk and cabinet and home furniture such as sideboard and bed can be tested. The room features the same world-class testing criteria and ISO standards as implemented in the accredited chair-testing lab.

In the field of new materials, aside from cement composite introduced in home kitchen sets, we launched a number of new materials for spraying and covering purposes as well as brought in new imported materials for use with both retail and project products to make sure that our products remain unique.

Modernform was honored by Department of Export Promotion, Commerce Ministry, to receive the Design Excellence Award (Demark) 2012 for its "Wardrobe01" furniture which it had collaborated with Sansiri Public Company Limited. In addition, we also received the Good Design Award (G-mark) 2012 for our best product design from Japan.

Production

In early 2012, Modernform enhanced its production capacity in a preparation for anticipated project workload but we could not run the system up to its full capacity after certain projects were delayed due to the 2011 major flood as well as the shortage of labor in the construction industry. Yet, from mid-2012 to end of the year, as more work flooded in, the system was forced to run to its full capacity which not only allowed us to deliver our work on time but also set Modernform's highest record of our annual production ever made thanks also to our highly-efficient production management.

The shortage of labor, high costs of raw materials and higher management costs will continue to be three major issues of production management in 2013. As a result, Modernform is implementing the "value engineering" concept with our products to better respond to individual customers and businesses in an increasingly competitive business.

Marketing, sales and distribution

Overall speaking, the Thai economy was much recovering from the disastrous flood that hit Thailand hard in late 2011. The government, trying to boost the local economy, advanced various infrastructure projects of mass transportation, utilities and housing both in Bangkok and in the provinces. The government also offered a number of measures ranging from tax reduction for first-time home buyers to reduction of corporate income tax and stable interest rates in order to boost the Thai economy. The measures were proven successful as it managed to increase consumer's spending which led to more financial flows in the system that eventually accelerated performance of the local economy.

Regarding the office furniture market, in major cities, construction of office towers continues to increase to answer to the private sector's needs while rents are gradually climbing. As Thailand is entering the Asean Economic Community (AEC) in 2015, both the public and private sectors are busy enhancing their capacity and refreshing their office to deepen their corporate image.

In the real estate sector, high-rise condominiums seem to expand more than single-detached houses and townhouses due mainly to the 2011's flood. In addition, the property market has expanded to major tourist provinces such as Chonburi, Huahin, Chiangmai, Phuket, Nakhon Ratchasima and Khon Kaen.

Following Thailand's most-damaging flood in 2011, Modernform launched a new kitchen product named "Home Kitchen by Modernform." This new product is not only durable but also designed for heavy duty use in Thai cooking and for Thai lifestyle while being fully functional at the time of flood, the latter of which has become a decisive factor for consumers when buying new furniture.

In addition, we also launched the "Audio Matric Booth," which is a box specially designed to test patient's hearing capacity. The booth was exhibited at the Ministry of Public Health-TITC Healthcare International Forum 2012.

Later in the year, Modernform launched the Modernform Exclusive Living S that offers three different styles of furniture featuring different colors, materials and touches. We also produced the Luxebook, a sales booklet published to introduce the special series to our customers as well as to facilitate our sales force to easily explain distinct characteristics of the three : Modern Classic, Modern Contemporary and Ultra Modern series of this Modernform Exclusive Living S furniture.

We further enhanced our Designer Series products under the "Work of Beauty" concept where collaboration between Modernform and our business partners were formed to showcase our office furniture that was not only outstanding both in design and in function but also adapting to meet customer's desire. At the other end, the Designer Series products helped strengthening our relationship with suppliers.

At the time the world is turning digital, Modernform, too, is turning more and more to digital media and social network such as Facebook and YouTube through which news and information of our products were released and activities were constantly organized to create and reinforce our brand awareness to a wider and younger audience.

Modernform also launched "Moment," an in-house digital-format magazine, to share our experiences and corporate image as a leader and expert in furniture-making through informative and eye-catching articles that readers can easily download and read through iPad, Android tablet and Modernform's website.

Regarding sales promotion activities, aside from our annual sales warmly received by our customers, in 2012, Modernform organized several sales promotion events, one of which was the Living with Color campaign when we teamed up with Berger paint, Pasaya fabric and Interface carpet to provide immediate point-of-sale discounts to customers.

Modernform continues to nurture its strong relationship with customers. We successfully updated our customer information database. We relaunched the “Modernform Be My Guest” membership card that offers special privileges to our members who will also get easy access to regular member-only events and furniture health-check up after-sale service. Wishing to create new experience to our members, Modernform expects that they will spread the news directly to their families and friends, which will not only strengthen their confidence in our brand but will also reinforce the close relationship between us and customers.

As for Modernform’s distribution channels, we continue to emphasize our sales through project-based customers which account for 80 per cent of our total sales while the remaining 20 per cent is from retail sales made mostly through our showrooms. Modernform’s showrooms are constantly on the change especially at the Srinakarin Branch where sales areas and displayed furniture were briefed up to make the display area more intense and distinctive. The Leather Sofa Gallery Zone was added to the showroom to turn the space into a center of world-class design and innovative real-leather sofas. Besides, Modernform also organized the Refreshment of the Month activity where desserts and drinks from Thailand’s leading bakeries and cafés were offered to our customers to give them a more pleasant furniture shopping experience.

In short, the recovery of the Thai economy in 2012 drove up our furniture sales after a sales slump the previous year. We expect that in 2013, office and home furniture will continue to increase especially in the provinces and areas adjacent with our neighbors to respond to increasing trade and investment activities in neighboring countries under the upcoming Asean Economic Community framework.

Service

In early 2012, certain large real estate projects postponed their delivery after their structural and M&E work were delayed. Yet, several insisted that their projects be delivered to clients during the latter half of the year for almost at the same time. With deep commitment and dedication from our service staff, Modernform was able to deliver all the work within schedules.

Our obligation to install furniture for project customers will last throughout 2013. Together with an active expansion of the real estate sector, the volume of both delivery and installation services will be even higher. The Service Department therefore must strengthen its teamwork and enhance capacity to service our business customers while meeting anticipated satisfaction of our individual customers.

International business

In 2012, Modernform’s International Business Department was much ready for the upcoming Asean Economic Community to be realized in 2015. As Modernform’s strategy is to penetrate the AEC markets, we found that suppliers in Asean countries did express interests to invest with us in various forms whether as a joint venture or as an authorized distributor. In early 2012, Modernform visited Indonesia, Cambodia, Myanmar and Laos to assess and talk with various potential suppliers. We took the opportunity to study strengths and advantages that could help us to grow in foreign markets. Based on our study, we intend to appoint authorized sales distributor in Laos during 2013’s first quarter.

The International Department also sets up the new Overseas Procurement Division to purchase raw materials for various divisions within Modernform in a move to save operating costs and reduce long-term importing expenses. We expect to do so through our bargaining power and through a more extensive network of our OEM & ODM suppliers. This division will not only reduce Modernform’s costs but will also search specialized products for us while effectively handling large projects within tight deadlines.

Based on our strong fundamentals, our readiness to handle the liberalization of the Asean markets under the AEC framework and our initiated cost-cutting strategy, we really believe that Modernform will be able to compete in the world market.

Import and sales of furniture fittings and interior products under the Home Decorative Products Business

Modernform’s 2012 strategy to sell our new products through the provincial Modern Trade channel was remarkably successful as it increased our sales significantly. This was especially true with new decorative architectural hardware where we offered more varieties to our customers who warmly embraced wider choices of; for example, door handles, lever handles, slide door handles, locking and security and door bumper. At the other end, sales of floor and Interface carpet, floor materials, Verona stone, FeelFloor products constantly increased in both office and residential projects which recorded a strong growth in Bangkok and the provinces.

Modernform continued to update the look of its three showrooms in Sukhumvit, CDC and Premium Outlet. This year, we renovated the CDC Showroom especially the entire zone of materials and furniture and accessories to introduce new products and innovations to architects, interior designers, contractors, furniture factories, home owners and real estate developers. We also updated our catalogue to make it easier for readers to navigate through information.

Modernform continues to commit to a policy set to look for new innovative and quality products. In 2013, we plan to import new flooring innovative material from Switzerland. We will expand our distribution channels to cover domestic and neighboring markets in a preparation for the upcoming AEC. We aim to enhance our staff's capacity to offer better services in each product category to answer to customer's needs in a comprehensive manner as soon as they decide to choose our product.

Information Technology Development

In 2012, Modernform continued to upgrade the Modernform Operation System to increase work efficiency and to reduce work redundancy as follows.

- Online approval system – Once done in paper, work approval can now be executed online to shorten work process and reduce paper. The approval can be done outside business hours and out of the office through iPad, tablets and smart phones.
- Call Center – The Call Center receives complaints and feedbacks from customers before forwarding them to related departments to improve the quality of our work. The Call Center makes Modernform's response to customers better and faster.
- M-Pay – The system focuses at internal disbursements once made through paper by allowing payments to be done instead through a computerized system. The system will submit related documents and suggest payment date, which makes the whole payment process faster and more convenient.
- Ledger system – The system keeps accounting data in an electronic soft file format rather than having everything printed out on paper. As a result, the system helps reducing the use of paper and storage space while making the search for right information easier and quicker.
- Asset system – This is a system that manages Modernform's hardware and software. The system is designed to increase management efficiency, to manage procurement and for repairing computers and accessories. Barcode was also introduced to make the counting of assets faster and more accurate.
- Security system – In this regard, a data center was revamped and a new electricity reserve system was installed. An automatic fire-fighting device was also installed to achieve an international security standard.
- Storage center system – Modernform has installed IBM Storwize V7000 to help manage corporate data and to enable the system to handle a huge amount of work securely and speedily.
- Improvement of the IT policy – The IT policy is tightened up so that contents cover safety and security issues for Modernform's IT system while ensuring that employees comply with the policy to reduce IT risks and to correspond with relevant IT laws.

In 2013, Modernform intends to continue developing its IT system in the following areas:

- Asset system – this system will be further expanded to manage Modernform's other assets.
- Costing system – the system will be introduced to Modernform's Sales and Marketing Department to speed up cost calculations for Modernform's better competition with competitors.
- Video conference system – the system will answer communication needs between the head office, branches and the Production Department while reducing travel expenses and time.
- The company's disaster recovery plan will be tested to check the system's readiness in case any disaster or damage strikes the computer system at Modernform's head office.
- Network management system – the system should handle the entire work of Modernform in no time while help increasing the efficiency of the company's working system.
- IT risk management – the system is designed to handle new hardware and technology that keeps changing rapidly with a view to be in compliance with international standards.

HR Development

In 2012, Modernform's HR adjusted itself a lot especially after wage increase which resulted in fiercer competition to lure qualified staff through offers of even higher returns. As a result, Modernform intended to increase skills of our employees, put the right man to the right job, plan workforce in a precise manner, implement the HR management tool that mainly answered to the organization's mission and being aware of the importance of quality of life and happiness at workplace to retain excellent and creative employees with us for our sustainable growth.

Modernform continues to enhance the capacity of our employees in all departments. For example, in the Production Department, supervisors were trained to increase their leadership skills through various courses such as Dynamics for mid-level supervisors and Aim for Excellent or AFEX designed to create a committed supervisor who will drive his team members. In addition, Modernform also organized a course entitled "Leaders and participatory work" and "Collaborations through different generations" to make people realize that age gaps and lifestyle differences can be an impediment to team-working.

Modernform also invested in employees with management potentials by increasing their management capacity, allowing them to learn and participate in corporate strategic planning and formulating the company's business plan with the management since we were aware that this group of staff will be our major force in the future.

Modernform came up with an annual corporate theme each year. The theme functions as a guideline for everyone to work together and also to nurture Modernform's corporate culture. In 2012, the theme was "Fighting together, building together for our success." Every department encouraged staff to work together to overcome obstacles and to come up with new creations for Modernform to achieve its goal. In 2013, the corporate theme was "Different thinking, New creations," which urges employees to think differently with a hope that the new thinking will bring in new creation that will lead to new innovation in the company since innovation will principally allow Modernform to compete and grow in a sustainable manner.

CSR Activities

Modernform continues to give back to community and the Thai society especially in the education area as we believe that supporting education is very important and needs to be done on a continuous basis for the country's sustainable growth. In 2012, we organized the following projects:

- The Modernform scholarship held for the 18th year through which Baht 100,000 scholarship was given to each of the 30 outstanding but needy university students selected from all over the country.
- The annual M Award Project which acts as a forum for design students to show off their product designs; in 2012, the theme of the contest was "Transforming sofa" where winners would receive a fund to study product design in the UK.
- The Sharing Dream, Sharing Love project held for the fourth consecutive year through which new library furniture was given to primary and secondary schools to set up a library where students could read and learn in a better learning opportunity. Modernform gave furniture worth more than Baht 2 million to 25 schools in eight provinces.
- A team of speakers from Modernform visited universities that offered design courses nationwide to share knowledge relating to furniture design and materials used for furniture production. At the same time, the company welcomed students who visited us for design and production information hoping that they may apply what they learn in the real world.
- Due to the 2011 flood, several schools suffered from the flood and their school buildings needed to be renovated. The Service Department organized a project to help restoring schools after the flood where staff went to restore school buildings to normalcy. They used their much-needed skills to repair floor, change doors, paint buildings and restore damaged furniture. Modernform also gave away learning and teaching tools and sports equipment to students and schools based on their needs.
- Support Assumption University's ACC School of Commerce's Learn@Site program where a business workshop was held at Modernform's Head Office and where our management shared knowledge and corporate management ideas with the students who were allowed to have first-hand experience with furniture in our showroom. The activity enabled students to learn business concepts and strategies and helped enhancing their knowledge horizon beyond their normal classroom learning experience.

Modernform strongly commits to expand education opportunity for our children as we believe that education is a crucial element in making our society happy and in the development of our country.

General Information of Company

Head Office, Production Units and Branch

Company Name	: Modernform Group Public Company Limited
Major Activity	: Manufacturer, Importer and Distributor of Knocked-Down Furniture
Registered Capital	: 859,647,000 Baht.
Paid-up capital	: 800,000,720 Baht.
Par value	: Bht. 1
As at	: 31st December, 2012
Head Office Location	: 699 Srinakarindr Road, Kwang Suanluang , Khet Suanluang, Bangkok 10250 Tel. 0-2708-9600 Fax. 0-2708-9950 www.modernform.com E-mail : enquiry@modernform.co.th
Production Plants	: Production 1 33/2, 33/5 Bangna-trad Highway, Tambon Bangchalong, Amphoe Bangplee, Samutprakarn 10540 Tel. 0-2337-0222 Fax. 0-2337-0839 : Production 2 Plant A 5 Bangkhuntien Road, Kwang Sa-Mae-Dam, Khet Bangkhuntien Bangkok 10150 Tel. 0-2416-9802 Fax. 0-2416-4683 Plant B 622 Bangkhuntien Road, Kwang Ta-Kam, Khet Bangkhuntien, Bangkok 10150 Tel. 0-2897-2201-4 Fax. 0-2897-3739
Home Decorative Products	: 1207-1213 Sukhumvit Road, Kwang North Klongton, Khet Wattana, Bangkok 10110 Tel. 0-2391-4051-2 Fax. 0-2381-1726

Modernform's Showrooms and Distribution Outlets in Bangkok



Modernform Workplace Showrooms

Modernform Furniture Shopping Gallery, Srinakarindr Road	Central World
Modernform Furniture Shopping Gallery, Crystal Design Center	Future Park Rangsit (outlet)
Modernform Furniture Shopping Gallery (Phuket) Premium Outlet	Modernform Homeworks, South Pattaya



Modernform Exclusive Living Showrooms

Modernform Furniture Shopping Gallery, Srinakarindr Road	Modernform Furniture Shopping Gallery (Phuket) Premium Outlet
Modernform Furniture Shopping Gallery, Crystal Design Center	Modernform Homeworks, South Pattaya



Modernform Kitchen Showrooms

Modernform Furniture Shopping Gallery, Srinakarindr Road	Modernform Furniture Shopping Gallery (Phuket) Premium Outlet
Modernform Furniture Shopping Gallery, Crystal Design Center	Modernform Homeworks, South Pattaya



"ideacoustic" Showrooms

Modernform Furniture Shopping Gallery, Srinakarindr Road	Central World
Modernform Furniture Shopping Gallery, Crystal Design Center	Future Park Rangsit (outlet)
Modernform Furniture Shopping Gallery (Phuket) Premium Outlet	



"LIFE" Household Furniture Showrooms

Modernform Furniture Shopping Gallery, Srinakarindr Road
Modernform Furniture Shopping Gallery, Crystal Design Center
Modernform Homeworks, South Pattaya



"Xteria" Outdoor Furniture Showrooms

Modernform Furniture Shopping Gallery, Srinakarindr Road
Modernform Furniture Shopping Gallery, Crystal Design Center
Modernform Furniture Shopping Gallery (Phuket) Premium Outlet
Modernform Homeworks, South Pattaya



"Kruaban" Kitchen Furniture Showrooms

Modernform Furniture Shopping Gallery, Srinakarindr Road
Modernform Furniture Shopping Gallery, Crystal Design Center



"bathique" Bathroom Furniture Showrooms

Modernform Furniture Shopping Gallery, Srinakarindr Road
Modernform Furniture Shopping Gallery, Crystal Design Center



Home Decorative Products Showrooms

Showroom Sukhumvit Road
Modernform Furniture Shopping Gallery, Crystal Design Center
Modernform Furniture Shopping Gallery (Phuket) Premium Outlet

Modernform's Dealers in the Regional

Chiangmai, Northern Dealer

Chiangmai Modernform Ltd.,Part (Dealer)

107/1-8 Chiangmai -Lampang Road, Tambon Patan, Amphoe Muang, Chaingmai 50300

Tel. (053) 212-222 Fax. (053) 872-451

Email : modernform@tananuwat.com

Khonkaen, North-Eastern Dealer

Phum Modern Furniture Limited Partnership

1/69-72 Mitrapap Road, Tambon Nai Muang, Amphoe Muang, Khonkaen 40000

Tel. (043) 243-428-9 Fax. (043) 243-430

Email : phummodern@hotmail.com

Udonthani, North-Eastern Dealer

Nanovation Co., Ltd.

77/20 Phonphisai Rd.Tambon Markkhang, Amphoe Muang, Udonthani 41000

Tel. (042) 212-710-11 Fax. (042) 212-709

Email : moderformudon@gmail.com

Suratthani, Southern Dealer

DFL Co., Ltd.

140/1 M.2 Tambon Makhamtia, Amphoe Muang, Suratthani 84000

Tel. (077) 272-555 Fax. (077) 288-655

Email : dfl.modernform@gmail.com

(A) Share Registrar

Thailand Securities Depository Company Limited

62 The Stock Exchange of Thailand Building Rachadapisek Road, Klongtoey, Bangkok 10110.

Tel. 0-2229-2800

Fax. 0-2359-1259

(B) Debenture holders

None

(C) Auditor

Mrs. Runghana Lertsuwankul CPA No. 3516

Mr. Chayapol Suppasdtanon CPA No. 3972

Mrs. Pimjai Manitkajohnkit CPA No. 4521

Ernts And Young Office Limited

193/136 - 137 Fl. 23 Lake Rachada Building , Bangkok 10110

Tel. 0-2264-0777

Fax 0-2264-0790

(D) Solicitor

Sahakarn Law Office Co., Ltd.

16 Tesabalnimitr Nua Rd. Soi 6, Ladyao, Jatuchak, Bangkok 10900

Tel. 0-2954-3090-4

Fax. 0-2953-8225

Business Operations of the Company and its Subsidiaries

Modernform Group Public Company Limited operates a comprehensive furniture business which produces office furniture Modernform Workplace, residential furniture Modernform Exclusive Living and Life by Modernform, Modernform Kitchen and Kruabaan by Modernform, bathroom furniture bathique by Modernform and outdoor furniture Xteria by Modernform. It domestically distributes these products through projects sales teams, company showroom network throughout the country, and authorized dealers in different regions; in addition to exporting them to foreign markets. Furthermore, the Company imports furniture fittings and interior decorative products.

There are 3 subsidiary companies under Modernform Group Public Company Limited; they are the following:

1. **Modernform Tower Company Limited** was founded in 1991 by Modernform Group Public Company Limited who invested 100 percent in the company. Presently, the Modernform Tower Company has a registered share capital of Baht 220 million, owns the title deed to the property of “Modernform Tower” building on Srinakarin Road. The building is situated on a 3-0-35 rai plot, rises 28 floors, and has a net area of 26,000 square meters. The building was completed and fully operational on May of 1995 and served not only as the head office of the Modernform Group Public Company Limited, its subsidiary companies, and affiliated companies, but also a showroom for all lines of products. The remaining space was to be leased out as office space to non-related persons.
2. **Modernform Health and Care Company Limited** was founded in 2005 to manufacture, distribute, import, export as well as provide maintenance services to healthcare products for hospital, rehabilitation center and household uses. Modernform Group Public Company Limited holds 60 percent of baht 16 million of paid-up capital with a par value of Baht 10 per share. Modernform Health and Care Co., Ltd. is located at 699 Modernform Tower Srinakarindr Rd. Suan Luang Bangkok.
3. **Rafa Associated Company Limited** was founded in 2006 to provides design consulting services and supervises construction projects and holds shares in limited partnerships, limited companies and public companies (Holdings Company). The firm is registered with Baht 30 million paid-up capital at Baht 10 par value. Modernform Group Public Company Limited holds 75 percent of its registered capital. The company holds common shares in 2 subsidiary and affiliated companies; namely, Rafa Design Office Co., Ltd and Rafa Plus Architect Co., Ltd, all of which are involved in architectural design business.

The 3 subsidiary companies do not hold shares between or in each other in anyway.

Revenue structure of different business groups

The revenue structure for the years 2010 to 2012 from the operations of the Company and its 3 subsidiary companies can be divided into 3 business groups.

Product Range/ Business Group	Operated by	Shares (%)	2012		2011		2010	
			Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Furniture Business	Modernform Group Public Company Limited	–						
– Office furniture and Residential furniture			2,192	70	2,047	68	2,156	73
– Furniture fittings :composite stones, carpet tile and engineering wood			577	18	533	18	544	18
Health Care furniture	Modernform Health & Care Co.,Ltd.	60	162	5	151	5	55	2
Space rental and services	Modernform Tower Co., Ltd.	100	70	2	68	2	66	2
Architectural	Rafa Associates Co., Ltd.	75	78	2	52	2	47	2
Miscellaneous*	–	–	83	3	141	5	119	3
Total			3,162	100	2,992	100	2,987	100

* Miscellaneous revenues of the Company and subsidiary companies includes gain on sale of investment, service income, gain on sale of asset, sales of raw material scraps and gain on sales of investment in associated company.

Business objectives

Modernform continues to focus on new innovations to create valuable uniqueness and to maintain our status as a design leader in locally-made and imported office furniture, kitchen furniture, accessories and interior decoration items. This innovation also extends to customer service and Modernform's operating system, which is designed to satisfy customers, to create brand recognition and to formulate unique sales and marketing strategies where innovation is introduced to continue strengthening the plans. Modernform also nurtures the formation of business allies to maintain our growth and at the same time tries to retain and development our personnel, which has led to improvement of employee welfare, allocations of budget for team development and recruitments of mid-level managers to strengthen Modernform's management.

Operation of each product division

As for the revenue of the Company and its subsidiaries in 2012, the major revenue of the Company has come from furniture business. Operations of each product division is stated below.

Furniture business

These are the main products of the Company and are divided in to 6 groups as follows:

Office Furniture Products

- **"Modernform Workplace"**, products include office desks, shelves, filing cabinets, office chairs, workstation partitions, meeting tables, reception tables, and reception chairs. A portion of Modernform Workplace's consumer group includes architects, contractors, interior decorators, and developers who play a significant part in specifying and placing substantial amounts of orders throughout the year, especially at the beginning and end of each year. The government sector, hospitals and educational institutes are also another large consumer group, possessing a substantial budget in purchasing a significant volume of office furniture and equipment. Another group of consumers is individual customers or end users or SME company owners who desire quality products and services. Their orders are usually placed throughout the year, with high volume at the beginning and end of the year, and directly through showrooms.
- **The ideacoustic by Cylence|Modernform** is a result of a collaboration between Modernform and Siam Fiberglass, Siam Cement Group (SCG)'s subsidiary in its construction material business. The ideacoustic office furniture is able to absorb echo through its fiber optic while exuding sophisticated design that results in a nice balance between aesthetics and functionality.

Residential Furniture Products

- **"Modernform Exclusive Living"** is luxury, in-style, modern and premium household furniture with elegant design; products include bed sets, closets, dressers, showcases, sideboards, sofas, day beds, and dining table set.
- **"life by modernform"** under the slogan "There's more to life" An ideal customer of the "life by modernform" furniture is the C to B+ group of consumers. The furniture itself focuses at modern look, vertical space utility and an ability to transform or readjust itself to suit available space.

Kitchen Furniture Products

- **"MODERNFORM KITCHEN"** is kitchen set which can be fitted to customers' kitchens according to the available space and varying designs.

- **Home Kitchen by Modernform** has been designed to accommodate heavy Thai-styled cooking. With this in mind, the Home Kitchen by Modernform is tough, resistant to flood, mold and termite and can be fully installed in a short time.

The Exclusive Living and Modernform Kitchen retail customer groups are private and new home, townhouse, and condominium owners with medium to high income. Other groups of customers include designers, architects, contractors, and developers of service apartments and condominiums, who place high-value orders for big projects.

Bathroom Furniture Products “Batique by Modernform” the products included luxurious and premium modern-designed bathroom furniture consisting of counter top, washbasin, cabinet, hanging cabinet, and under basin cabinet. High humidity resistance materials are selected to produce cabinet structures and panels. All doors and drawers are equipped with the soft close system for opening and closing smoothness.

Outdoor furniture products “Xteria by modernform,” outdoor furniture included desks, chairs, swings, pavilion, sun-bath beds, overflow ponds and other kinds of furniture made of cement, fiber, real woods, synthetic woods or synthetic rattan with modern styles to meet customer lifestyles and harmonize with the environment.

Imported furniture fittings and interior decorative products “Home Decorative Products” imports furniture fittings from Germany, Italy, Denmark, Spain, Austria, United States of America, China, Singapore and Malaysia for its own furniture production and distribute them throughout the country to other furniture manufacturers and end-users. Furniture fitting include cabinet and door handles and locks, drawer runners and hinges, sliding door, laminating material, furniture decorative trims and composite stones, as well as, sinks and faucets, basin, bathtub, composite marble Verona Stone and LG Hi-Macs solid surface, Stanley tools and architectural products such as door closer, hinge, latch, door handle and door knob for both wooden door and glass door, auto doors and flooring material products e.g. Interface carpet tiles and “Feel Floor” engineered wood.

Overview of the ready-made furniture industry and competitions

During the first half of 2012, several furniture makers were to regain their manufacturing capacity after being heavily affected by the disastrous flood in late 2011. A lot of companies had to repair their machines, replace the old with the new and increase production capacity to deliver what had not yet been delivered or to simply replace their inventories damaged by the flood. 2012 was also a year that the furniture industry had to confront with two major problems. Firstly, as the government raised a minimum wage to Baht 300, business owners were forced to manage a higher cost of production to stay competitive. Secondly, affected from the minimum wage increase, the entire industry experienced an acute shortage of labor. In almost any industry, companies competed for the existing labor force. Besides, there was labor who returned home seasonally and permanently.

Yet, the furniture market remained very much buoyant thanks to new condominiums and single detached housing projects. Retail sales through showrooms were also very aggressive since companies often organized sales promotions to attract would-be customers. As a result, businesses had to adjust their competition strategy to stay strong in the upcoming Asean Economic Community (AEC) when markets all over Asean will become one. Yet, the regional market’s rapid growth and expansion should also mean new sales and distribution channels for Modernform as well as a need to reinforce our servicing teams to cope with the new development.

The company has set up risk management measures, scopes and practices for executives and staff to comply with to minimize potential business risks. In 2011, the company evaluated possible risks that could occur and may affect our operations as follows.

Risk from economic uncertainty

The company expects that the 2012 economy will continue to grow. However, the world's increasingly fragile economy reflecting through what has happened in the Eurozone as well as local industry's ability to rebound from the country's worst flood in its history will be major factors affecting the state of Thailand's economy. Yet, the parent company and subsidiaries are currently generating incomes from a variety of businesses ranging from office furniture to home and kitchen furniture, furniture accessories, carpet, stone and wooden flooring, rental of office space, healthcare products and medical appliances as well as architectural and landscape architectural design. Together with incomes from subsidiaries, we are able to minimize some business cyclical risks as each industry has its own different business cycle. In addition, we plan to invest or co-invest in other business to reduce over-dependency in our main business.

Competition risk

At present, various businesses that we run witness fierce competitions both in terms of pricing and increasing manufacturers, distributors or new players. Yet, we are able to develop sophisticated products, select and import unique items that answer to the desires of our customers, deliver quality services and continued to improve our sales, production and service processes. The result is we continue to lead in each market we are in and this reduces competition risk that may affect our profitability.

Investment risk in subsidiaries and affiliates

Since we have a policy to invest in our subsidiaries and affiliates, therefore, there is an investment risk involved since it's possible that these subsidiaries and affiliates may not generate as many profits as we expect. Modernform minimizes this risk by appointing its directors to sit as directors of the subsidiaries and affiliates to oversee the shareholders' interests. So far, Modernform has enjoyed a good investment return from both its subsidiary and affiliated companies.

Financial risk

Modernform's financial risk can be categorized into two types as follows.

- Foreign exchange risk

Modernform is exposed to a foreign exchange risk since we have debtors and creditors in foreign currencies, which we minimize by buying a short-term forward contract of no more than one year. However, to do so, Modernform takes into consideration both the prevailing situation and opportunities in order to achieve maximum risk benefit from the foreign exchange risk.

- Credit Risks related to credit sales

Modernform is very prudent when extending credit to customers to minimize bad debts where credit sales will be made only when appropriate. We have no policy to extend credit to small-time customers who are in fact required to pay the entire sum before we deliver our product. For a project client, we allow payments to be made in three installments where we request that the first two payments be made before Modernform starts installing the product. This has greatly reduced our risk. In addition, to extend a credit to a new customer, we analyze the client's financial standing from its financial statements. For existing customers, the Company has closely coordinated and monitored the situation to reduce collection risk and to shorten collection period.

Risks on Raw Materials

The Company set a policy on consumption of high proportion of local high-quality raw materials. Their prices are moving along with the markets. Although the material prices increase sharply, there are a number of manufacturing plants. Therefore, the Company mitigates risks by comparing prices from several suppliers before ordering. In addition, with high volume of raw materials used, the Company wields bargaining power in negotiation with the manufacturing plants for the best conditions. It always monitors price movement.

In the year of 2012, it is expected that there will be small risks in fluctuation of raw material prices. The product costs are estimated to increase by no more than 5% next year. This is in accordance with the estimated inflation rate of 3.0–4.0%. With these, the Company will review the situation and make price adjustment as deemed appropriate.

The fittings and supplies used in furniture production, such as finishing foil, hinges, drawer tracks, locks and other hardware items are mostly imported. Prices may fluctuate in response to foreign manufacturers or currency exchange rates, however, in recent periods such problems have not arisen as the Company imports its own fittings and supplies. As such, large order volumes placed enabled the Company to have high bargaining power and gain discounts from the foreign producers. Furthermore, the Company is aware of price changes several months in advance, allowing it sufficient time to adjust costs and prices accordingly.

IT risk

Modernform has adopted the Disaster Recovery Plan for use in case of emergency that could prevent our main system from malfunctioning. This back-up system can replace the main one for a short period of time and effectively prevent damage to the business. The system covers all offices and main production units of Modernform. Besides, a data center room has been developed in which an automatic fire-fighting device was installed and a new electricity cable system was upgraded to provide internationally-recognized safety standard.

Modernform has also updated our IT policy so that the contents cover safety and security issues of the IT system and that employees may comply with the conditions to reduce the IT System risk while the updated policy corresponds with relevant IT system laws and regulations.

Natural Disaster Risk

Modernform has secured insurance for its main assets to protect itself from natural disaster risk. We also realize that it's important to develop a business continuity plan in case a natural disaster disrupts our normal business operation. This is especially in the case where business units proven crucial to our continued operation such as production, finance, IT and building and infrastructure could be heavily affected and that's why they have been requested to prepare an emergency plan for use when necessary to reduce Modernform's business risk.

Shareholding & Management Structure

List of top 10 major shareholders as of October 12, 2012

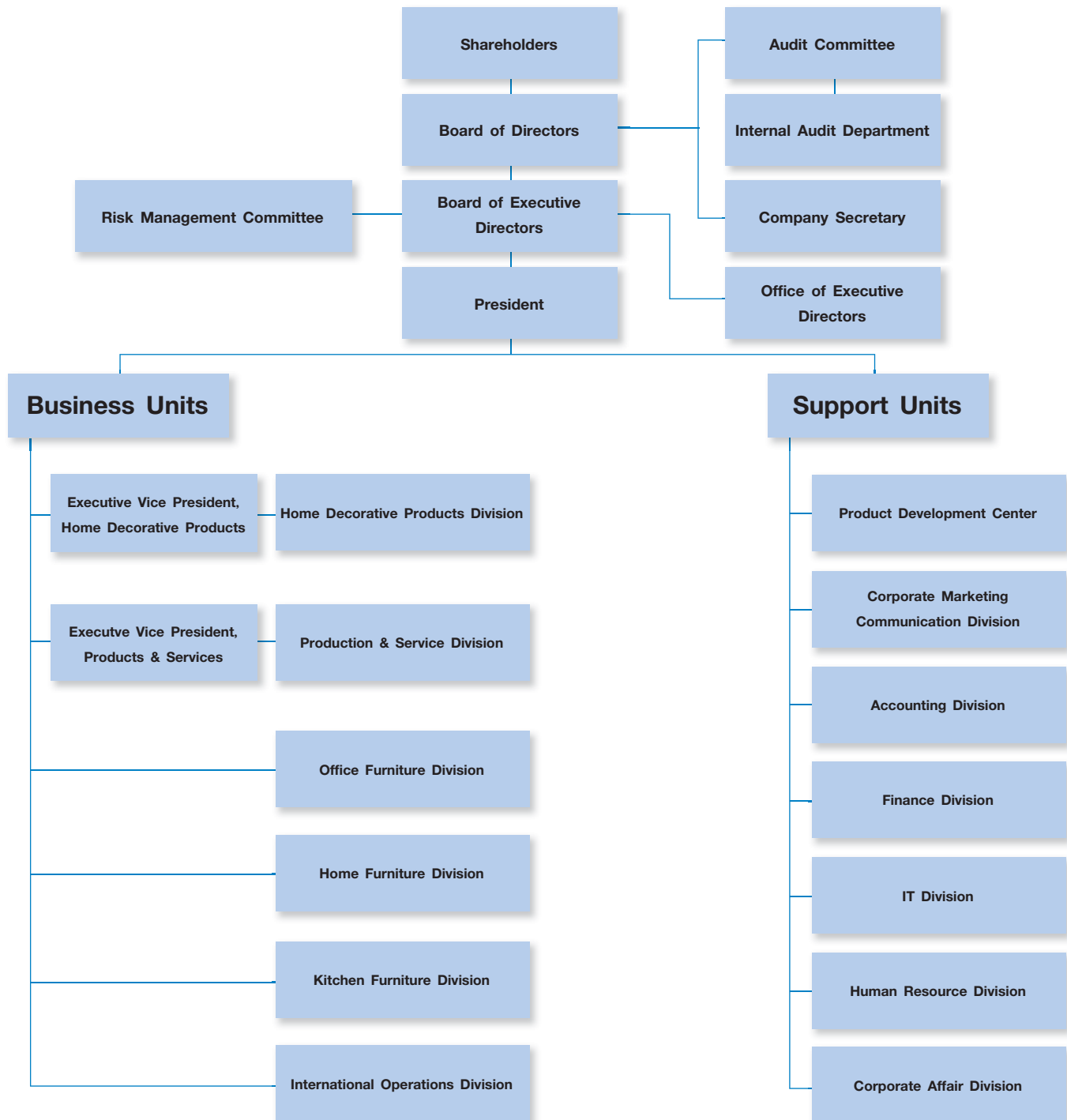
	Name of Shareholders	No. of shares	% of total shares
1.	THE BANK OF NEW YORK MELLON	76,000,000	9.50
2.	Mr.Por Paporn	51,837,120	6.48
3.	Mr.Thaksa Busayapoka	46,022,000	5.75
4.	Krungsri Long Term Equity Fund	34,929,300	4.37
5.	RBC DEXIA INVESTOR SERVICES TRUST	32,500,000	4.06
6.	Mr.Yothin Nerngchamnong	31,788,420	3.97
7.	Mrs.Chuleewan Vivaddhanakasem	31,054,840	3.88
8.	Mr.Kavivud Nerngchamnong	27,504,000	3.44
9.	Mrs.Jintana Thananitaporn	21,543,860	2.69
10.	Mr.Chareon Usanachitt	18,408,000	2.30

Note : – No. of shares includes shareholders in accordance with Section 258 as well
 – Paid-up capital as of October 12, 2012 total 800,000,720 baht (800,000,720 shares)

Management Structure

In 2012, the Executive Director Committee still maintained the operational and management structure of 6 independent business units and 7 support units for a more efficient, clear-cut, and flexible chain of command.

Organization Chart



The Board of Directors

Board of Directors as of 31 December 2012		
1.	Mr. Chareon Usanachitt ****	Chairman
2.	Mr. Jajjai Dhammarungruang ***	Vice Chairman
3.	Mr. Thaksa Busayapoka ***	Director
4.	Mr. Yothin Nerngchamnonng ***	Director
5.	Mr. Somsak Varikarn ***	Director
6.	Mr. Kavivud Nerngchamnonng****	Director
7.	Mr. Chaiyot Paporn **	Independent Director
8.	Mr. Suchart Thammapitagkul *	Independent Director
9.	Mr. Supparerk Mallikamarl*	Independent Director
10.	Mr. Kittichai Lattisophonkul *	Independent Director
11.	Mr. Patana Usanachitt ***	President
	Mrs. Somrak Chotibhongs	Company Secretary

Remark * Independent Director and Audit Committee

** Independent Director

*** Executive Director

**** Non-Executive Director

In addition to the conditions as stipulated in Section 4 of the Company's Articles of Association concerning directors, the Board of Directors comprising of 4 independent directors, whereas the rest are executive and non-executive directors. Relevant definitions are provided as follows:

Independent Directors: means outside directors who are not executives independent from major shareholders, executive or other relevant parties and shall have the following qualifications as prescribed by SEC and SET :

1. Hold not more than 1% shares with voting of the Company, subsidiary or affiliate company or other juristic persons whose interest may be adversary to the Company. Shares belonging to the related persons are also counted.
2. Is not participate in the management and not or used to be executive director, employee, staff, advisers with regular monthly salary, or has been a person having the authority to control the Company, subsidiary or affiliate of the Company, or other juristic persons whose interest may be adversary to the Company, unless a period of not less than 2 years has lapsed.
3. Is not a person of direct next of kin or by marriage as being parents, spouse, brothers and sisters, or descendants, including spouse of descendants of the executive, major shareholder, a person having the supervisory authority, or a person who is being nominated to be an executive, or person having the supervisory authority of the Company or of the subsidiaries.
4. Has no business relationship with the Company, the Company's subsidiary or affiliate or other juristic person whose interest may be adversary to the Company in a manner that may prejudice independent decision making.
5. Is not a director appointed to represent directors of the Company, major shareholders or shareholders who are related to the major shareholders.
6. Non-Executive of any professional to the company.
7. Has no other characteristics which may obstruct him from making independent opinions concerning the operation of the Company's activities.

Executive Directors : means directors who manage the affairs of the Company on a regular basis

Authorized Director : means directors authorized to sign for the Company with the common seal in appliance

Non-Executive Directors : means outside directors who are not executive directors or directors with power to bind upon the Company, and who are not executive nor regular employees of the Company. The number of non-executive directors may be determined according to the ratio of investment from each group of shareholders.

The Company's Board of Directors will make selection of persons with suitable qualification, and free from such proscribed characteristics as stipulated in the Public Company Act and Securities and Exchange Commission Act, including having no characters that will indicate that they could not be trusted to manage a public company whose shares were held by the public according to the announcements made by the Securities and Exchange Commission and the Stock Exchange of Thailand. by considering their perspective, skill, experience, and diversity of knowledge which will be beneficial to the Company's business. The selection will also focus on their understanding of the Company's business, and are not directors or executive of an enterprise whose interest may be in conflict with the Company. They should also devote their time adequately to perform their functions, and can make decision independently for the interest of the Company and the shareholders in general for the purpose of submitting their views to the general meeting of shareholders. Biography of those directors will be presented by the Company with adequate details so that the meeting may be able to make decision from the information so provided to appoint directors in accordance with the procedures prescribed by the Company's Articles of Association based on a one share one vote.

The Board shall appoint from one of its members as Chairman of the Board and may appoint one or more directors as vice chairman. The Board shall also appoint Chairman of the Executive Board, executive directors, president, audit committees, Company secretary, and other committees as may be necessary.

The Company will also support all directors of the Company to attend the Chairman course or DCP or DCP RE or DAP or Effective Audit Committee courses administered by the Institute of Directors, in addition to providing them with data from various sources, such as guidelines for directors of listed companies, audit committee. Directors of the Company will also be given the opportunity to visit the Company's manufacturing sites so that they will have a complete perspective of the Company's operation and lines of business.

The powers and duties of the Company's Board of Directors are as follows:

1. To comply with laws, Securities and Exchange Act, the objects and the articles of association of the Company, and the resolution of the Board of Directors and the shareholder meetings in good faith, with responsibility and are to preserve the interests of the Company and of the shareholders according to good corporate governance.
2. To determine the policy, direction, goal, and budget of the Company.
3. To consistently oversee and follow up the result of the performance of the executives so that the stipulated goal and policy are effectively and efficiently met in order to increase economic value to the enterprise and result in good return for the shareholders.
4. To treat information disclosure as significant and essential for decision making in security investment in the Company as set forth in the SET's regulations.
5. To maintain a reliable and proper accounting system, financial report and auditing to reflect the true position of the Company according to the generally accepted accounting system.
6. To maintain an adequate internal control, as well as an appraisal system to evaluate the sufficiency of the internal control and effectiveness of the internal auditing.
7. To maintain an appropriate risk management measure and make a consistent follow up.
8. To appoint various committees consisting of board of executive directors, audit committee, the president, risk management committee and others as may be necessary to assist in the control and supervision of the Company's affairs under the supervision of the Board of Directors, Executive Directors, or the President or to authorize such person to do as may be deemed fit by the Board of Directors and at any appropriate time. The Board of Directors may revoke, terminate or amend such authority any time provided that such authorization shall not extend to the authority of giving

approval of any matter which such person may have any form of conflict of interest with that of the Company or the Company's subsidiary or affiliate. Any such authorization shall be in accordance with the resolution of the Board of Directors in a meeting where the Company's Audit Committee attended.

9. To disclosure the interest of the directors and their related person to the Company.
10. To maintain a guideline for the performance of the Board of Directors and for each director and to evaluate the result of the performance annually.

However, the above powers do not extend to the execution of any related transactions and the acquisition of or disposal of any material assets of the Company as set forth by the SEC's and SET's rules and regulations according to which the Company shall have to comply. In addition, the above powers do not extend to other matters which according to the Company's Articles of Association, an approval from the shareholders is required.

Board of Directors' Meetings

The Company has formally determined in advance that the Board shall hold meeting at least 4 times a year at quarterly interval, with the specific agendas, and other extraordinary meeting if any necessary, to consider the outcome of the Company's transactions and activities following the review or auditing of the Company's financial reports by the auditor. The Chairman of the Board will send out notice convening the meeting and informing of the agenda for acknowledgement, for follow up and for consideration, with material information and data in black and white to enable the directors to understand the transactions and the issues at least 7 or 14 days in advance, as the case may be. Directors may set agenda where the Chairman of the Board, the Chief Executive Director and the President will select the appropriate agendas for the Board Of Directors Meeting, Directors may submit any additional matters to the agenda and make comments openly and independently at the meeting, whose opinions will be noted by the Company's secretary. Sufficient time will be allowed for debates and directors with related and/or conflict of interests will not attend or abstain from voting during the agenda involved. The minutes will hold up to 2-3 hours and will be made ready within 7 days from date of the meeting and will be kept at the Company's head office for examination by the directors and the related parties

In 2012 the Board of Directors held 7 meetings, 4 for standard meetings and 3 extraordinary meetings with 97% attendance of the total member of directors as the records follow:

Name	Number of Attendance	Remarks
1. Mr. Chareon Usanachitt	7/7	-
2. Mr. Jajjai Dhammarungruang	6/7	-
3. Mr. Thaksa Busayapoka	7/7	-
4. Mr. Yothin Nerngchamnong	7/7	-
5. Mr. Somsak Varikarn	7/7	-
6. Mr.Kavivud Nerngchamnong	7/7	-
7. Mr. Chaiyot Paporn	6/7	-
8. Mr. Suchart Thamapitagkul	7/7	-
9. Mr.Supparerk Mallikamarl	7/7	-
10. Mr. Kittichai Lattisophonkul*	5/5	-
11. Mr. Patana Usanachitt	7/7	-

* Appointed to be an Independent Director and Audit Committee Director replace Mr.Thanachai Theerapatvong effective May 11, 2012

The Executive Board of Directors

The Executive Board of Directors as of December 31, 2012		
1.	Mr. Thaksa Busayapoka	Chief Executive Director
2.	Mr. Jajjai Dhammarungruang	Executive Director
3.	Mr. Yothin Nerngchamnonng	Executive Director
4.	Mr. Somsak Varikarn	Executive Director
5.	Mr. Patana Usanachitt	President

1. To manage the business in accordance with the objects, goal, guideline, policy, plan and budget of the Company as determined and assigned by the Board of Directors, as may be authorized by the Board of Directors of the Company.
2. To provide direction, strategies and plans to achieve Company's objectives.
3. To organize and provide internal structure and operational procedures of the Company for highest efficiency purpose.
4. Periodically review operational outcomes to achieve company goals.
5. To look for new opportunity in business for submission to the Board of Directors for approval.
6. To review the procurement or disposal of the Company's material property and to bind upon the Company with matters within the powers authorized by the Board of Directors.
7. To approve any transactions prior to submitting same to the Board of Directors
8. To appoint, remove, and terminate high ranking personnels.
9. To approve distribution of bonus and the amount of money for annual salary increase of the staff within the annual budget of the Company.
10. To see to it that the policy on corporate governance is appropriately carried out.
11. To perform any other duties as may be assigned by the Board of Directors.

The above powers do not extend to approval of any transaction which the directors themselves or other related parties may have interest in conflict with that of the Company or any subsidiary or affiliate of the Company.

The President (Managing Director) :

The President is appointed by the Board of Directors who will hold office as President of the Company only so that he will have sufficient time to manage the affairs and activities of the Company in accordance with the objectives of the Company and for the best benefit of the shareholders. The President is under direct command of and report to the Chief of the Executive Board and his performance will be evaluated by the Executive Board of Directors annually, including fixing his remuneration. The power of the President is set forth as follows:

1. To administer, manage, and control operations concerning the general management of the Company.
2. To follow directors policies, plans and budgets approved by the Board of Directors or the Executive Board of Directors or Chief Executive Director.
3. To hire, appoint, transfer, discharge, and lay off; determine wages, bestow awards, adjust monthly salaries, remunerations, and bonuses of all employees except executives those requiring approval from Board of Executive Directors.
4. To approve or transfer the power to approve the purchasing of assets and services that are beneficial to the Company, and financial transactions involved in business operations; all within the budget provided by the Board of Directors or Board of Executive Directors.

5. To issue orders, regulations announcement and memorandum in order to ensure operations align with Company's policies and follow specific codes of conduct.
6. To represent the Company in business activities and transactions related and beneficial to the Company.
7. To appoint advisors in different fields as deemed necessary in operations.
8. To do any other functions as may be designated by the Board of Directors, or Board of Executive Directors, or Chief Executive Director.

The powers conferred above do not extend to approval of any transaction which the President himself or other related parties may have interest in conflict with that of the Company or any subsidiary or affiliate of the Company.

The Audit Committee

The Audit Committee as of 31 December 2012	
1. Mr. Suchart Thammapiatagul*	Chairman of Audit Committee
2. Mr. Supparerk Mallikamarl	Audit Committee Director
3. Mr. Kittichai Lattisophonkul**	Audit Committee Director
Mrs. Somrak Chotibhongs	Secretary to the Audit Committee

* Appointed to be a Chairman of Audit Committee replace Mr.Thanachai Theerapatvong

** Appointed to be an Independent Director and Audit Committee Director replace Mr.Thanachai Theerapatvong effective May 11, 2012

The Board of Directors is responsible for the appointment of the Audit Committee which will be composed of independent directors to improve efficiency and increase value in the operation of the Company's business by ensuring that a process of good corporate governance of the Company's business is in existence. The first appointment of Audit Committee was made on 8 November 1999, comprising 3 independent directors with 5 years tenure and at least one director with expertise in accounting or finance. Following the completion of tenure, audit committee directors are eligible for reappointment. Should a position within the audit committee be vacant for reasons other than the completion of tenure, a fully qualified candidate should be appointed to the committee within 3 months and serve the remaining tenure of the absent member. The Audit Committee shall hold a minimum of 4 meetings a year at quarterly intervals.

The powers and duties of the audit committee are as follow:

1. To review and ensure that the Company's financial report is proper and with adequate disclosure in accordance with the generally accepted accounting standard, including the assurance that quarterly and annual financial reports are accurate, complete, and justifiable before the submission to the Board of Directors for approval.
2. To review and ensure that the Company has an appropriate and efficient internal control system and assessing the results of the internal control annually.
3. To ensure that the Company has complied with the security laws and regulations of the SET or other laws relating to the business of the Company.
4. To review and ensure that the disclosure of the Company's information is correct and complete as stipulated by related regulations where there appears to be related transactions or any conflict of interests so that the Company's benefit is not prejudiced.

5. To select and recommend to the Board of Directors the appointment of the external auditor and suggest remuneration for approval in the annual shareholders' meeting, and to attend meetings with the external auditor without participation of the management at least once a year.
6. To review and revise the audit committee charter to properly align with the Securities and Exchange Act and SET's regulations.
7. To review independence of internal audit department reporting directly to the Chairman of the Audit Committee, including giving consent to the appointment, revocation, transfer or termination of employment of staff in the internal audit department.
8. To consider, review, and approve annual auditing plans of the internal audit department.
9. To direct and ensure that the internal audit department has addressed all essential elements completely, propose solutions and opinions to the management, and monitor the execution of the proposed solutions within the provided time period.
10. To consider and approve budgets and manpower of the internal audit department.
11. To report performance of the audit committee to the Board of Directors for acknowledgment at least 4 times a year.
12. To ensure the mutual understanding between the Board of Directors, the external auditors, and the Internal Audit Department are headed in the same direction.
13. To be empowered to call for opinions or attendance at the meeting or provision of any related documents, as the audit committee may deem relevant or necessary, from the management or any related staff.
14. To seek counsel from independent professionals from varying fields when deemed necessary on the expense of the Company.
15. To evaluate and assess the performance of the audit committee annually for possible improvement.
16. To prepare a report of the audit committee's activities as may be required by the SET's regulations as part of the Company's annual report.
17. To do any other functions as may be designated by the Board of Directors with consent of the audit committee.

In 2012, the Audit Committee held 4 standards meeting and 1 extraordinary meeting with 100% attendance of the member of directors as follows:

Name – Surname	Number of Attendance	Remarks
1. Mr.Suchart Thammapiatagkul	5/5	–
2. Mr.Supparerk Mallikamarl	5/5	–
3. Mr.Kittichai Lattisophonkul*	3/3	–

* Appointed to be an Independent Director and Audit Committee Director replace Mr.Thanachai Theerapatvong effective May 11, 2012

Risk Management Committee The Board of Directors has appointed the Risk Management Committee in 2005 to work on risks of corporate and activity levels covering all important operational functions. The Risk Management Committee which comprises of:

- | | | |
|----|---------------------------|----------|
| 1. | Mr.Jajjai Dhammarungruang | Advisor |
| 2. | Mr.Thaksa Busayapoka | Chairman |
| 3. | Mr.Patana Usanachitt | Director |
| 4. | Mr.Kitti Busayapoka | Director |
| 5. | Mr.Kookiat Orankit | Director |

1. To review and determine the scope and policies in risk management.
2. To monitor the organization's significant risks, while improving the scope and procedures in identifying and assessing risks.
3. To assess and approve an appropriate risk management plan and ensure its practice throughout the organization.
4. To monitor significant strategic and operational risks.
5. To advise and recommend in the process of risk management.
6. To promote and encourage the adoption of risk management as a corporate culture by instilling in employees the importance of risk management.
7. To compile and continuously update a risk management handbook which includes information on the procedures in operation, steps in identifying risks, and guidelines to risk management.
8. To communicate significant risks to the Audit Committee to incorporate in internal control.
9. To report to the Board of Directors on significant risks and risk management measures.

Company's Secretary

The Company's Board of Director appointed Mrs. Somrak Chotibhongs, as the Secretary to the Company. She has appropriate qualifications and experience as the Company's Secretary, and passed a training course on "The Secretary to the Company," No. 4/ 2003 organized by Thai Institute of Directors with all qualifications in compliance with the requirements of the Securities and Exchange Act. She oversees for the Board of Directors' activities with the following duty and responsibilities.

1. To perform duties with responsibility, care and honesty, as well as to comply to the law, objectives, articles of association, resolution of the Board and resolution of the shareholders.
2. To ensure that the Board of Directors comply with the laws on public company, stock exchange and various regulations stipulated by the SEC and SET and other related institutions.
3. Duties relating to good corporate governance by reporting information that is needed to be disclosed to the shareholders and other related parties according to the rules and regulations stipulated by the SEC and SET, and to prepare a policy on good corporate governance of the Company.
4. The meeting of the Board and of the shareholders by preparing correct and complete agenda and minutes of the Board's and the shareholders' meetings, within the time frame and have the same kept in good custody for reference and review.
5. Keeping and sending report on conflict of interest of directors, executives and other related persons to the Chairman of the Board and Chairman of the Audit Committee for their review within 7 days from the date the Company's received such report.
6. To take care and keep in custody the Register of the Company, i.e. the Register of major Shareholders, Register of Directors and to communicate with the Registrar of Companies.
7. To take care and keep in custody of important documents, such as report of interests of directors, executives and minutes of the Board's and shareholders' meetings as well as the Company's common seal.
8. To coordinate with, as well as to provide facilities to, the shareholders of the Company.
9. Other actions taken by the Capital Market Commission declared.

In the event the Company's Secretary ceases to hold office as secretary or cannot perform the duty, the Board shall appoint a new Secretary within 90 days from the date the former Secretary vacated the office or could not perform the duty.

Credentials of Directors and Executives

Name	Age	Education	% shares	Relationship	Employment Record		
					Period	Position	Company
1. Mr.Chareon Usanachitt	61	<ul style="list-style-type: none"> BBA. University of Connecticut, U.S.A. RCP 1/2000, DCP 32/2003 and DCP Re 2/2006 Program of IOD 	2.30	Brother of No.11	2001 – present	Chairman	Modernform Group Public Company Limited
					1989 – present	Executive Director	Modernform Tower Company Limited
					1997 – present	Chairman	MFEC Public Company Limited
2. Mr.Jaijai Dhammarunguang	63	<ul style="list-style-type: none"> Master of Management SASIN Graduate Institute of Business Administration, Chulalongkorn University BBA. Memphis State University, U.S.A. DCP 38/2003 Program of IOD 	2.21	Brother of No.13	1999 – present	Vice Chairman	Modernform Group Public Company Limited
					1989 – present	Executive Director	Modernform Tower Company Limited
					2005 – present	Executive Director	Modernform Health and Care Company Limited
					1994 – present	Executive Director	Thai Plaspac Public Company Limited
					2006 – present	Chairman/	Rafa Associates Company Limited
					Executive Director		
					2007 – present	Executive Director	Rafa Design Company Limited
3. Mr.Thaksa Busayapoka	62	<ul style="list-style-type: none"> Master of Management, New Technology Venture, College of Management Mahidol University Bachelor of Commerce, Chulalongkorn University DCP 32/2003 Program of IOD 	5.75	Brother of No.12	2000 – present	Chief Executive Director	Modernform Group Public Company Limited
					1989 – present	Executive Director	Modernform Tower Company Limited
					1994 – present	Chairman/	Thai Plaspac Public Company Limited
					Executive Director		
					2005 – present	Chairman/	Modernform Health and Care Company Limited
					Executive Director		
					2006 – present	Executive Director	Rafa Associates Company Limited
					2007 – present	Executive Director	Rafa Design Company Limited
					2007 – present	Executive Director	Rafa Plus Architect Company Limited
4. Mr.Yothin Nengchannong	62	<ul style="list-style-type: none"> Master of Political Science, Ramkhamhang University Bachelor of Political Science, Ramkhamhang University DCP 35/2003 Program of IOD Capital Market Academy Leadership Program (CMA#7) 	3.97	Brother of No.6	1980 – present	Executive Director	Modernform Group Public Company Limited
					1989 – present	Executive Director	Modernform Tower Company Limited
					2008 – present	Chief Executive Director	Thai Plaspac Public Company Limited
					2004 – present	Independent Director	Nation Multimedia Group Public Company Limited
					2009 – present	Member of	Company Limited
					The Audit Committee		Nation Multimedia Group Public Company Limited
5. Mr.Somsak Varikam	62	<ul style="list-style-type: none"> BBA. Memphis State University, U.S.A. DCP Program 38/2003 of IOD 	0.62	-	1980 – present	Executive Director	Modernform Group Public Company Limited
					1989 – present	Chairman/	Modernform Tower Company Limited
					Executive Director		

Name	Age	Education	% shares	Relationship	Employment Record		
					Period	Position	Company
6. Mr.Kavivud Nengchamnong	58	<ul style="list-style-type: none"> - Master of Political Science, Ramkhamhang University - Bachelor of Political Science, Ramkhamhang University - Bachelor of economic, Sukhothai Thammathirat University. - DAP 17/2004 Program of IOD 	3.44	Brother of No.4	2004 – present 1987 – present 1986 – present 1987 – present	Director Chairman Chairman Director	Modernform Group Public Company Limited Ocean Feed Co.,Ltd. K.B.S. Import-Export Co.,Ltd. Thainakano Co.,Ltd.
7. Mr.Chaiyot Paporn	38	<ul style="list-style-type: none"> - Bachelor of Marketing, Richmond University, England - DAP 5/2003 Program of IOD 	1.00	-	2003 – present 2003 – present	Independent Director Managing Director	Modernform Group Public Company Limited Papornchai Garment Co.,Ltd.
8. Mr.Suchart Thammapietgkul	63	<ul style="list-style-type: none"> - Master of Law, Harvard Law School, U.S.A - Barrister-at-law - Bachelor of Law, Chulalongkorn University - DCP 60/2005, DAP 27/2004 and Effective Audit Committee Program of IOD 	0.00	-	2012 – present 1999 – 2012 2011 – Present 2003 – 2010 2005 – present 2004 – present 2004 – present 1989 – present 1986 – Present 1970 – present	Independent Director & Chairman of Audit Committee Independent Director & Audit Committee Director Independent Director & Chairman of Audit Committee Independent Director & Audit Committee Director Independent Director & Audit Committee Director Independent Director & Chairman of Audit Committee Independent Director & Audit Committee Director Partner Director Director	Modernform Group Public Company Limited Modernform Group Public Company Limited MFEC Public Company Limited MFEC Public Company Limited Uninitr Engineering Public Company Limited T.C.Union Global Public Company Limited Unique Mining Services Public Company Limited Somnuk Sutee & Associates Bansathorn Company Limited Onnic Co.,Ltd.

Name	Age	Education	% shares	Relationship	Employment Record		
					Period	Position	Company
9. Mr.Supparek Malikamarl	61	– Master of Architecture, Chulalongkorn University – Bachelor of Architecture, Chulalongkorn University – ACP 7/2005, DAP 29/2004 and QFR 5/2007 Program of IOD	0.00	–	2004 – present	Independent Director & Audit Committee Director	Modernform Group Public Company Limited
					1983 – present	President	Four Aces Consultant Co.,Ltd.
10. Mr.Kittichai Lattisophonkul	63	– Bachelor of Commerce, Chulalongkorn University – DAP 97/2012 Program of IOD	0.00	–	2012 – present	Independent Director & Audit Committee Director	Modernform Group Public Company Limited
					2012 – present	Independent Director & Audit Committee Director	Nation Broadcasting Corporation Public Company Limited
					1999 – 2011	Executive Vice President	Modernform Group Public Company Limited
					1999 – 2009	Executive Director	Modernform Health and Care Company Limited
11. Mr.Patana Usanachitt	53	– Bachelor of Marketing, University of Nevada U.S.A. – DCP 35/2003 and FND 4/2003 Program of IOD	0.10	Brother of No.1	2001 – present	President	Modernform Group Public Company Limited
					2005 – present	Executive Director	Modernform Health and Care Company Limited
					2006 – present	Executive Director	Rafa Associates Company Limited
12. Mr.Kitti Busayapoka	55	– Bachelor of Economics, Kasetsart University	0.12	Brother of No.3	1999 – present	Executive Vice President	Modernform Group Public Company Limited
13. Mr.Kookiat Orankit	51	– Diploma, St.John College	0.00	Brother of No.2	2004 – present	Executive Vice President	Modernform Group Public Company Limited
14. Mr.Buddhiwat Wiboonsathien	50	– Bachelor of Architecture, King Mongkult Institute of Technology Ladkrabang	0.00	–	2011 – present	Vice President	Modernform Group Public Company Limited
15. Ms.Sawangjit Pongpipatpong	46	– BBA., Thammasat University	0.00	–	2011 – present	Vice President	Modernform Group Public Company Limited
16. Mr.Sanit Boonyarutapunt	51	– Master of Social Development, National Institute of Development administration – Master of Business Administration, Sripatum University	0.00	–	2012 – present	Vice President	Modernform Group Public Company Limited

Note : – No. of shares includes shareholders in accordance with Section 258 as well.

– No. of shares as on October 12, 2012.

Nomination of the Directors and Management

The Company's Board of Directors is responsible for making selection of directors to replace those retired by rotation or in case any other vacancy, including independent directors, non-executive directors and directors from each major group of shareholders with general qualifications, specific qualifications and Independent director qualification in accordance with Pub Company Act, Security Act, SET and SEC regulations, specifications qualifications, and independent Directors qualifications, by nominating persons with suitable qualifications, expertise and devotion to be directors of the Company. In order to build up a strong and efficient board of directors, each directors should not hold directorship in more than 5 companies. The nominated persons will be submitted to the general meeting for approval in accordance with the Articles of Association of the Company, that is to say, the resolution shall be approved by not less than half of the shareholders' who attend the meeting and having the right to vote. The voting is on the one share one vote basis. Each shareholder shall cast all their votes to select one or more nominated persons as directors, the person receiving highest vote in descending order shall be appointed as directors equal to the stipulated number of directors of the Company. At each general meeting of shareholders, one third of directors shall vacate their office. The directors who have been longest in office shall retire. Any retiring director is eligible for reelection.

In case there is a vacancy among the directors other than a retirement by rotation, the Board shall elect director to fill the vacancy in the next Board of Director's Meeting. The resolution shall consists of votes of not less than three-fourth of the remaining Directors. To elected director shall be in office only for the rest of the terms of the resigned director.

The Board of Executive Directors will be responsible for the recruitment of qualified and experienced personnel for the management positions of each business units.

The Directors' and Management Remunerations

The Company has not appointed a Remunerations Committee, as such the remunerations of the Directors and Audit Committee will be proposed by the Board of Executive Directors to the Company's Board of Directors for determination which takes into consideration the responsibility of each Director, Company's financial position, and the market rate. The rate is compatible with the current rate paid by listed companies in the same industry information of which was provided by the SET. The remunerations will be submitted by the Company's Board of Directors for approval in the Shareholder's Meeting. Remuneration of the Executive Board and the management the annual assessment of the management will be determined taking into consideration the remuneration paid by companies in the same industry will be based on the Company's performance as well as on each individual performance.

The Company's Board of Directors comprises of 11 members including 3 members of the Audit Committee. The quarterly remunerations is baht 52,000 for each director and Baht 70,000 for Chairman, and additional car allowance Baht 20,000 per month is paid for each Audit committee, and Baht 23,000 for Chairman of Audit committee.

Remunerations in Monetary Form	Modernform Group PCL. Amount (Baht) As of December 31, 2012	Subsidiaries Amount (Baht) As of December 31, 2012
Directors 11 persons quarterly remunerations in 2012	2,355,047	-
Transportation monthly allowance (3 Audit Committee Directors)	750,194	-
Total	3,105,241	-

Executive Directors and Management remunerations are in the form of salaries, bonuses, and transportation allowances as follows:

Board of Executive Directors and Executives	As of December 31, 2012
Remuneration (Baht)	51,328,000
Persons	9

Other Remunerations

– Employee provident fund The Company has contributed to the employee provident funds of executives as follows:

	As of December 31, 2012
Sum Contributed (Baht)	1,697,250
Persons	9

Corporate Governance

Our governance policies

The Company's Board of Directors realize the importance of good corporate governance and believe that good corporate governance is a foundation upon which a good management and efficient operation system can be built to reflect transparency and reliability, subject to good and reliable ethical framework, with ability to improve value and competitiveness, leading to long term sustainable growth and eventually trust and confidence from shareholders, investors, and other stakeholders. As a result the Company's Board of Directors has adopted the principles of good corporate governance in writing and with consistent review. At present the company is using the Corporate Governance Book III which was revised and updated in 2008 according to the Security Exchange law (no. IV) B.E 2551 and distributed these printed policies to all staff to ensure that they have a written guideline handy for their daily operations. We also had them posted on our website www.modernform.com for easy access. We instill the concept and awareness of our stand on good corporate governance to each and everyone of our staff with constant internal audits as a follow-up action. The audit team conducts field audits within 5 aspects of our good corporate governance and periodically reports the findings to the audit committee and the board of directors. In addition, we have been regularly auditing to comply with all SET requirements as a publicly listed company.

The Company's Board of Directors evaluated its performance according to the good governance practices in 2011, covering the following five (5) main principles.

1. Rights of Shareholders
2. Equal Treatment of Shareholders
3. Roles of Stakeholders
4. Disclosure of Information and Transparency
5. Board's Responsibilities

1. Rights of Shareholders

The Company has the policy and guidelines of good governance providing equal treatment to the shareholders. The Company provides its shareholders with fundamental rights determined by laws. In addition, the Company provides the disclosure of up-to-date important information, newsletters, access of the shareholders into the Company's information and the shareholders' eligibility for attendance of shareholders' meetings. Some examples are as the followings. The record date is scheduled on a date that is no more than two (2) months prior to a shareholders' meeting. A shareholder is allowed to propose a meeting agenda according to the Company's principles and guidelines. A shareholder is eligible to submit any questions to the Board of Directors through the Company's website prior to the meeting date. An invitation letter is distributed to the shareholders at least seven (7) days prior to the meeting in order to provide an opportunity for them to study the meeting attachment before the meeting date. The shareholders' meeting date, time and place are determined with consideration to the shareholders' convenience. In the meeting, the shareholders are allowed to provide comments independently and jointly decide on the Company's important agenda.

In 2012, the company allowed shareholders to propose meeting agendas based on the criteria and guidelines set by the company. Shareholders were invited to submit questions and opinions to the Board via our website on November 15, 2012 which were subsequently gathered by our company secretary before they were submitted to the Board of Directors in order to completely answer shareholders' questions on the meeting date. We also posted an invitation to attend the shareholders' meeting including other supporting information 35 days in advance on our website before the shareholder's meeting date scheduled on March 21, 2012 before sending the documents to shareholders to allow them enough time to study the information before making a decision prior to the meeting date.

The Company organized an Ordinary Shareholders' Meeting at the Company's main Conference Room on April 25th, 2012 10:30 am. Thailand Securities Depository Company Limited, the Company's securities registrar, delivered the invitation letter with all necessary agenda documents on April 4th, 2012, 21 days prior to the meeting date. The necessary agenda documents comprised of a copy of the minute of the previous meeting, an annual report, financial statements, a report of the auditors, a report on the Company's performance on the previous year, a dividend payment policy with 5 year comparison, brief profiles of the directors and independent directors nominated, information on compensation to the directors, information on the Company's auditors and compensation, the Articles of Association regarding the shareholders' meeting, Proxy Form – Form A and B that assign an independent director to be a proxy for a shareholders in a case that the shareholder is not able to attend a meeting. Each agenda consisted of the Board of Directors' comments, facts and reasons for consideration. The shareholders are able to make registration one (1) hour prior to the meeting. A total of 10 members of the Board of Directors attended the meeting. They included the Chairman of the Audit Committee, members of the Audit Committee, Vice President – Finance, the Company's auditors, and the Company's Internal Audit Manager who performed the inspector's task on the voting for transparency and compliance with laws and the Company's Articles of Association. The meeting proceeded in accordance with the agenda order without any addition of other agenda. The ballot was performed with the shareholders casting their vote on each agenda in a respective order. The Chairman of the Board of Directors, who acted as the Chairman for the meeting, informed the shareholders the procedures of casting a vote and ballot collection prior to the voting. Simultaneously, the Chairman declared the number of the shareholders present in the meeting and the shareholders ineligible for voting as they might have a stake in an agenda. The shareholders were allowed to have equal rights to examine, review and comment the Company's performance, and send questions and suggestions. The relevant committees answered the questions and comments as noted in the minutes of meeting accurately and completely. The minutes of meeting was complete within 14 days from the meeting date. The shareholders were able to have the minutes on the Company's website for viewing and reference on May 9th, 2012.

2. Equal treatments of shareholders

The Company establishes the policy and guidelines on the good governance for its shareholders with fair treatment. In matters other than that of the right of attending the general meeting, the right to vote, access to company's information; financial statement, the business results, proposing additional meeting agenda, the right to nominate independent director as proxy and director nomination, we have specified other shareholder's treatment guidelines to ensure fairness and equality amongst all of our shareholders. Avoiding conflicts of interests is one practice that we pay particularly close attention to. We set steps and processes to take care of businesses or transactions that may possibly have conflicts of interest present such as transactions between our companies or related companies with major shareholders or executives. In order to equally protect our customers' benefits, we always treat transactions between related companies and associates at arm's length basis. We ensure transparency between receivables or financing transactions between our own group companies and strictly adhere to guidelines set out by the SET and GAAP. Therefore, these details on related company transactions may be found in the notes to financial statement.

Furthermore, the company has a specific policy on preventing executives and staff from abusive self-dealing by prohibiting disclosure of information to the public and has established a black-out period preventing executive and staff dealing with company shares 1 month before the release of the company's financial statement. Director and executives must also report changes in ownership of company stocks to the stock exchange committee in compliance of rule 59 on Security Trading Commission Act 2535 A.D. In addition, directors, executives and related parties reporting rules and procedures of interests of directors, executives and connected persons in August 2009 were required to report to the company their interests and those of related persons. During the past year, directors and executives strictly.

3. Role of stakeholders

The Company establishes the policy and guidelines on the good governance to appropriately treat stakeholding groups with and honesty. In recognizing the rights of all groups of stakeholders and in support of good cooperation between the Company and various stakeholder groups, whether they are inside the Company, such as the management and staff of the Company or outside such as suppliers, competitors, creditors or other related enterprises, or the community, for the betterment of the Company's position in the long run, the Board of Directors has stipulated in writing the business ethics, the Management's Etiquettes and the Personnel's Etiquettes, and later to be recently updated in 2008, and communicated to all levels of executives and employees to comply with in order to ensure proper protection and treatment of all stakeholders' basic rights.

A. The Management's Etiquettes: This is designated for the management to respond to the shareholders, customers, employees, suppliers and creditors, competitors and the society in general as follows:

To shareholders

1. To perform their duties with honesty, transparency, fairness, to ensure that in making any decision or taking any action, due regard to the interests of shareholders has been taken.
2. To perform their duties in a professional manner, with knowledge, skill, ambition and care and to apply management knowledge and expertise in the operation of the Company's business.
3. To report the situation of the enterprise consistently completely and truthfully.
4. Not to acquire any benefits for themselves or other persons by using the inside information of the Company which has not yet been disclosed to the public.
5. Not to disclose any confidential information to any third party, especially the competitors.
6. Not to do anything which may cause any conflict of interest against the Company.

To employees

1. To pay fair remuneration to employees considering qualification, ability, and performance of employees.
2. Give priority to development of knowledge and ability of the employees by offering them all the opportunity regularly.
3. To avoid any unfair action which may cause mental pressure to the employees or may cause anxiety as to the security of their working position.
4. To supervise and preserve the working environment to ensure safety to life and property of the staff at all times.
5. Comply with laws and regulations related to employees.

To customers

1. To manufacture goods and render services of good quality, and to preserve such quality at all times.
2. To disclose the information relating to the goods and services fully, correctly and truthfully.
3. To give product and service warranty under reasonable condition and timeframe.
4. No to knowingly deliver defective goods and services which may cause damage or loss to customers.
5. To provide customer complaints system and give the best and immediate responses and the higher customers' satisfactions.
6. To keep the customers' secret, including not to use such secret for themselves or others unlawfully.
7. Keep all promises strictly. In case of failure, must inform customers and consult for solutions.

To suppliers and/or creditors

1. Follow conditions agreed and contract with suppliers and creditors. In case of failure, inform and consult for remedy.
2. Not to demand nor to accept or pay any benefits, in bad faith, in dealing with suppliers, debtors or creditors.
3. Report accurate and complete financial data.

To competitors

1. To operate the business within the good competition rule with integrity and fairness without violating the laws.
2. Refrain from defaming or accusing the competitors or products of the competitors in bad faith and without provable fact.
3. Not to infringe or make access to the competitor's confidential information in a bad faith or improper manner.

To community

1. Support activities that benefit and improve quality of both community and society
2. To return profits of the company regularly to any activity that helps contribute to the well-being of the community.
3. Give importance to environment conservation continuously. Never harm the environment and its natural resources. As our company produces knock down furniture which its main materials consist of particle boards, paint, metal parts, fabric, leather and glue, we have strict policies regarding proper waste management to minimize the impact on the environment. We have installed air filters in our wood dust collector, and use a paint spray trap in our paint shop. We use only non-toxic glue and recycle what we can from scraps of leather and fabric.
4. Cultivate sense of responsibility towards community and society among employees at all levels
5. To comply or cause to comply strictly with the laws and regulations of the regulatory body.

B. The Personnels' Etiquettes. Instill in the employees' minds:

1. To perform their duties honestly, arduously and punctually.
2. To earnestly attend to all kinds of activities which will improve life quality and efficiency as well as help develop the Company to excellence according to Company's vision.
3. Do not abuse own power in seeking interests for self or others.
4. To keep confidential the customer's, suppliers' and the Company's secrets.
5. To respect the rights of other employees in the Company.
6. Not to accuse the management or other employees without any proven fact.
7. To maintain and create unity among the staff. To work as a team and solve problems together.
8. To care for and assist in taking any action to preserve the working environment to make it clean, safe and enjoyable place to work.
9. Not to support or conceal any action of the staff or of the Company which is unlawful.
10. Refrain from any act which any cause damage to the company's image and reputation.

4. Information disclosure and transparency

The Board considered disclosing material information very critical to the decision-making process of shareholders, investors, stakeholders and related parties and this has been set as the company's corporate governance policy to ensure that the information disclosure is being done correctly, with transparency and reliability and in a timely fashion both in Thai and English languages via reliable and easy-to-access channels so that shareholders and investors would receive it extensively. The information was sent via postal mail, through the SET's channel, our website at www.modernform.com and in an annual report. Financial performances, financial statements, consolidated financial statements of the company and its subsidiaries with accurate information based on the generally-accepted accounting principles were disclosed there. In addition, other important information such as connected transactions between the company and related persons (if any) was adequately and transparently disclosed in the notes to financial statements for the benefit of shareholders and investors. The Audit Committee was also assigned to review and maintain the quality of our financial statements before they were submitted to the Board of Directors for approval. A report of the Board's accountability towards its financial statements was already published in the annual report.

5. Responsibility of the Board of Directors

The Company is aware of duty and responsibility of the Board of Directors who plays an important role in supervision of the corporate performance for the Company's optimal benefits. Therefore, the policy and guidelines on the good governance were established to build up confidence that the Board performs its duty and responsibility with carefulness and integrity, according to the laws, corporate objectives, the Company's Articles of Association and resolutions of shareholders' meeting.

The Board of Directors currently comprises of 11 member which is considered to be appropriate given the size of our businesses. The Board consists of: 4 independent directors and 3 in 4 are also on the audit committee, 5 management executive directors, and 2 non-executive and non-independent directors for the remaining. Key positions, Chairman, CEO, and President are not the same person to help check and balance administrative power. The nomination and appointment for these positions are all conducted in appropriate manners as per policies specified in section of nomination and selection processes. These selection criterion helps us ensure that our Board possess every comprehensive qualifications that meet regulatory requirements as well as our own standards of excellence and all members do not hold directorship or executive positions in any enterprise with conflicting interests against the Company. We are confident that our Board and executive members have vision, knowledge, skill and experience in the industry in order to play key roles in policy and budget planning, strategy navigation and administrating work functions under the utmost in good corporate governance which has been set out by our company to accomplish and propose plans that will maximize overall value for our shareholders and all other stakeholders. To ensure highest standards of governance, the company has initiated an internal control, internal audit, risk management, company secretary and appointed sub-committees for audits and appropriate risk management functions according to events and occasions that deem necessary. The sub-committees act as a filtering agent to enhance the effectiveness of our control and to ensure that the design of roles, powers and responsibilities in executive and management positions are separate from that of auditing roles. These key controls and business figures will be frequently assessed every quarter and will be reported in the board meeting, after the external auditor reviews our financial statements and such information has passed through the audit committee. The details of the board meeting and auditor's opinions for 2012, are available in this annual report under the management section. The company also set out guidelines for directors to conduct annual self-evaluations in compliance with Securities Exchanges Commission guidelines.

For directors' and management's remuneration, the company has developed a policy to ensure that our compensation is in line with the industry, and to appropriately compensate them for their skills and knowledge. The board of directors has the responsibility to set out basic compensation for the directors and such remuneration schemes were proposed in the general shareholder's meeting. As of executive directors' and management's remuneration, they will be considered from each executive member's performance and the overall company operating results. Full details for directors' compensation and remuneration may be found in the management section.

Furthermore, the board of directors has orchestrated good corporate governance and assigned the Audit Committee the responsibility to ensure an efficient and complete internal control covering its finance, operations, laws compliance, risk management and etc. to protect best interests of investors against fraud or other material breaches of control. The internal control department is assigned the responsibility of auditing and reviewing the efficiency of all operational systems ensuring absence of fraud and material misconduct. There have been regular evaluations under the 5 aspects of internal control every year. For 2012, the board of directors and audit committee have evaluated our internal control and found that we have sufficient basis to believe that we have sufficient control necessary in place details are disclosed under the internal control section.

Insider Information Controls

The Company has stipulated policies on corporate governance and Company's ethics to prevent Directors and executives or related persons to use internal information for personal gain. Management and employees who have access to insider information are forbidden from disclosing such information to outside parties, or other persons who have no relevant business which will effect to the stock price of the Company, and not to use the insider information or abuse own power in buying or selling company stock. It is also forbidden to trade the Company's securities 1 month before the Company's disclosure of its financial statements to the public. A penalty clause has been clearly stipulated in the Company's ethics and good governance for those who violate the insider code. Beside, the Directors, Executives, and Chief of Finance are required to disclose securities holdings on the Company' annual report and report any changes in securities holdings to the Security Exchange Commission and the Stock Exchange of Thailand in compliance with Section 59 of the Securities and Exchange Act of B.E. 2535.

In Addition, the Audit Committee is further obliged to hold its meeting the day following the Company's auditors auditing and certifying of the annual financial statements, or reviewing of the quarterly statements. This is to present any opinions to the Board of Directors within the same day as the Meeting of the Audit Committee, together with submission of the financial statements to the Stocks Exchange of Thailand on the same date, or the following day at the latest.

The Board of Directors has appointed an Audit Committee to direct efficient and effective internal control and to ensure that the Company operates in checks and balances providing appropriate and tight control. All aspects of operations; finance, accounting and general administration are audited in compliance with laws, regulations and guidelines of related business areas. Assessments include operational risks and internal control systems that are effective tools to safeguard shareholder's interests as well as the company's assets. All operational instructions and department administrative guidelines are provided in writing including approval authorities in each business area and disciplinary code of conducts expected from executives as well as employees in charge of that particular business area. Internal auditors are responsible for auditing, testing and reviewing operational systems of each business line according to the annual audit plan. The Board of Directors will be reported with audit results and operational results from internal auditors. As an effort of continuous improvement, the Audit Committee together with the Board of Directors, review and re-assess performance of the internal control system annually. For 2012, the Board of the Directors concluded that the internal control at present is sufficient and effective and resolved this opinion in Board Meeting no.1/2013 on February 21, 2013. The Board agreed that the company and its subsidiaries have sufficient levels of internal control appropriate to the industry and type of business. The Company is aware of the importance in having the internal control as a tool for risk management for executives about the significance of risk management and internal control where each department was urged to develop its own internal control system for the purpose of control self-assessment (CSA). In addition, the Internal Audit Department was entrusted to enhance understanding and assess the CSA procedures in all other departments. This is to build up confidence that the administration and implementation systems accord with the Company's control structure and internal control objectives in terms of creditability and accurateness of the information and practice along with the rules and regulations, security of property in order to have efficient and effective performance, and actually achieve the Company's objectives and goals. The internal control comprises of the following elements as summarized below.

Internal Environment

The Board of Directors has put in place a organization structure that allows future adjustments to suit the business growth and changing business environment. Policies and regulations are regularly reviewed and communicated to staff in writing so that everyone has the same understanding, which will allow employees to perform their duties effectively while the Company can constantly enhance their skills and capacity to be in line with their responsibilities.

Furthermore, the Company pays high attention on the internal control in employees' ethics and quality of people, concentrating on self control together with the implementation control and creation of control environment for positive attitude to the internal control that enable both employees and executives to be aware of the internal control's benefits and lead to the continuous improvement. In addition, the Board also realizes the importance of integrity and ethics in how we conduct our business, so the formal written business ethics have been set out since 2002 and updated again in 2008 to communicate standards of professionalism and practices to all of our staffs. The code of conduct sets out guidelines of professionalism; conflicts of interests, integrity, handling sensitive information which all would lead our staff to always do the right thing and use the utmost of integrity in order to protect the benefits of our company and stakeholders. Adherence to their guidelines in their day-to-day activities is ensured by close follow-ups.

Objective Setting

The Company has clearly set its objectives and business goals that are not only achievable but also measurable. Guidelines, strategies, business plans, authority, line of command, reporting procedures and standard operating procedures are written for each corporate level to be in sync with the Company's Core Value. Employees took part in setting objectives in the work process that they were involved so that their performance would effectively correspond with the corporate's main objective that they commonly recognized. In addition, the objective is reviewed from time to time to ensure that it aligns with the Company's overall goal.

Event Identification

Modernform has an ability to identify risks from various changes at various levels. The focus is to enable each department or unit to identify both the event risks and other risk factors that may jeopardize both the organizational and operational goals of the company from either internal or external threats on a regular basis. In addition, both opportunities and risks are identified in order to find a right solution from our internal process to manage these risks in a coordinated manner.

Risk Assessment

The Board of Directors set up the Risk Management Committee in 2004, which consisted of senior executives of each relevant department being its members. The Risk Management Committee, with its clear roles and responsibility, oversees every work process that could pose a major risk to our organization. There are appropriate risk procedures. Each Department must recognize a level of risk acceptable by the organization.

Risk Response

The Company gives importance to following the internal control guidelines of COSO – ERM in elements of risks such as risk identification, risk evaluation and response to risk. Both internal and external risk factors are focused from activity level to the organizational level. The Company's Internal Control Department applies the risk management analytical concept for evaluation of the adequacy of the internal control, encourages self control within work units. This aims at collaboration on arrangement of the specific, measurable, and practical work plan and objectives which accord to the Company's vision and mission and are communicated to the employees and executives to be aware of the importance of the risk management and the internal control in reducing damages that may arise and in containing risk at the acceptable level and establishes work standards for better efficiency.

Control Activities

Modernform has established internal control at all levels and all duties of our operation as deemed necessary with a written policy and operation procedures to make sure that all employees have been provided with necessary guidance to work and coordinate under the same standards of practice in all departments i.e. finance, purchasing, sales. The guideline clearly states the level of checks and balances in asset management, segregated approval authority and performance evaluations. Authorization and approval limits are also clearly stipulated. There is a provision of a work implementation plan in line with the organization's policy and objectives under an appropriate timeframe, and a budget system with analysis and control of expenditure at an optimal level. The Internal Audit Department performs its duty and monitors results independently to increase efficiency and effectiveness of Modernform's internal control procedures.

There are clear guidelines of processes and treatment of transactions conducted with major shareholders, management teams, corporate executives and other related parties. There is also a specialized task force to study the positive and negative ramifications as

well as the impacts of such transactions and then reports this information to members of the board for approvals. Approval decisions are then made based on considering benefits to the company by the group of the members that have no interest in such transactions. We employ arm's length principle in dealing with related party transactions. The audit and follow-up action on such transactions are also to be conducted to ensure that the deals were processed with transparency as guided by arm's length basis guidelines.

Information and Communications

Modernform also provides sufficient information technology and both internal and external communications channels that are reliable and in time for shareholders, investors, stakeholders, directors and the management to make decision on the basis of accurate and up-to-date information. Financial report, general information and important information affecting a decision-making process are published in the Annual Report, the 56-1 Annual Information Report Form, the company's website and other channels of the Stock Exchange of Thailand (SET) access into information is controlled to be in line with the levels of work implementation assigned by the Company. Examination is performed to ensure that the input control, data interpretation, processing control, and output control are accurate, efficient and in time as designated by relevant rules and regulations. This is to allow for efficient management and decision-making. We have set sufficient and proper information back-up system, safety system and emergency plan to safeguard our international technology system to not only better manage our IT but also to accommodate our expansion.

Monitoring

The Board of Executive Directors will continue to measure business results regularly by meeting with management teams at least 1-4 times/month and holding weekly meetings with the top management to measure performance against goals and departmental objectives. This will ensure that we work effectively and efficiently toward our goals and allow us to adjust tactics or fix problems in time. During 2011, we introduced the use of KPI (Key performance Index) as the company's measuring index ultimately making concrete measurement of all results and corresponding with the company's core value in supporting goal achievement and objective evaluation of individual performance. This is to ascertain the adherence to the Company's vision, mission, and strategy.

In addition, the Internal Control Department is set to independently perform audit and evaluation. Each project audited is monitored closely on its performance. This appears on an annual audit plan of the Internal Control Department which is directly reported to the Audit Committee. This is to push for improvement and adjustment following any suggestions as a means to prevent drawbacks that may significantly affect the Company's work processes, reputation and financial status. The monitoring system builds up confidence on the Company's good corporate governance, internal control and business ethics that truly allow clearness, transparency and optimal benefits to the shareholders.

Dividend Policy

The Company dividends policy is to pay dividend at not less than 60% of its net profits for each fiscal cycle.

As for subsidiary companies, the dividend policy is not determined. It depends on each company performance, investment plan, liquidity and other factors which may affect the company's operation.

Dividends for the years 2012 – 2008

Year	Interim dividends Baht/Share	Final dividends Baht/Share	Total dividends Baht/Share	Dividend Payment % of net profit
2012*	0.20	0.30	0.50	87.7
2011**	0.20	0.25	0.45	86.5
2010	2.50	2.50	5.00	89.3
2009	1.00	2.00	3.00	80.2
2008	1.50	1.75	3.25	70.6

Note : * The Meeting of the Board of Directors of the Company No.1/2013 held on February 21, 2013 passed resolution to pay dividends for the year 2012 operating year to shareholders of the company at a rate of Baht 0.50 per share. The Company paid interim dividend on October 22, 2012 at the rate of Baht 0.20 per share hence a remaining value of Baht 0.30 per share will be paid to shareholders as dividend. The matter will be proposed for approval at the Annual Ordinary General Shareholders Meeting No.1/2013 on April 9, 2013.

** At May 6, 2011 the Company has changed the par value of its share from Baht 10 to Baht 1 per share.

Related Transactions

In 2012, Modernform Group Public Company Limited is not controlled or influenced by other businesses or related persons in any way. The Company and its subsidiaries had connected transactions, and significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those companies, and the Company has disclosed sufficient information on related transactions and connected transactions complied with the requirements of the Stock Exchange of Thailand and the Securities and Exchange Commission to investors for use in investment decisions, as follows:

1. **Normal Business Transactions.** The Company recorded normal business transactions including purchase and selling transactions among the Company, its subsidiaries and affiliated companies that complied with conditions and requirements mutually agreed upon. They were summarized as the followings.

Related Person/Entity	Relation	Type of Transaction	Amount (million Baht)		Audit Committee Comments
			31 Dec 12	31 Dec 11	
MTC	MODERN holds 100% of the paid up capital of MTC and common directors, Mr.Chareon Usanachitt, Mr.Jajjai Dhammarungruang, Mr.Thaksa Busayapoka, Mr.Yothin Nengchamnong and Mr.Somsak Varikarn.	Trade accounts receivable Trade accounts payable	- -	- -	MTC purchased furniture from MODERN for office assets. The prices were reasonable with the following MODERN's clear pricing policy. Condition 1: In the case of a unique product model and design, which is not the standard product the Company produces for sale, pricing will be based on the production cost plus a 20% profit margin Condition 2: In the case of a regular sales order, in which the product model or design is already on sale, pricing will be based on sales price to distributors plus a 30% discount from the standard wholesales price.
RFA	MODERN holds 75% of the paid up capital of RFA and common directors, Mr.Thaksa Busayapoka and Mr.Jajjai Dhammarungruang with Ms.Sutheera Busayapoka daughter of Mr.Thaksa Busayapoka acting as director of RFA and holds 1% of the registered of RFA	Sales of goods Trade accounts receivable Purchases of goods	- - -	- - -	RFA purchased furniture from MODERN for office assets. The prices were reasonable with the following MODERN's clear pricing policy condition 2.
MHC	MODERN holds 60% of the paid up capital of MHC and common directors, Mr.Thaksa Busayapoka, Mr.Jajjai Dhammarungruang, and Mr.Patana Usanachitt with Mr.Nithi Nengchamnong son of Mr.Yothin Nengchamnong acting as MD of MHC and holds 20% of the registered of MHC	Sales of goods Trade accounts receivable Purchases of goods Trade accounts payable	0.7 0.1 - -	1.1 0.2 0.1 -	MODERN and MHC recorded inter-related transactions due to their businesses relevant to furniture. The prices were reasonable with MODERN's clear pricing policy as mentioned above.

Related Person/Entity	Relation	Type of Transaction	Amount (million Baht)		Audit Committee Comments
			31 Dec 12	31 Dec 11	
TPAC	MODERN holds 48% of the paid up capital of TPAC and common directors Mr.Thaksa Busayapoka, Mr. Jajai Dhammarunguang, and Mr.Yothin Nengchamnong, with Mr.Theerawit Busayapoka, brother of Mr. Thaksa Busayapoka, acting as MD of TPAC and holds 0.8% of the registered and paid up capital of TPAC.	Sales of goods Trade accounts receivable Purchase of goods (Chair fixings, sofa legs) Trade accounts payable	0.4 – 1.2 0.2	0.1 – 1.7 0.2	MODERN and TPAC recorded inter-related transactions due to their businesses relevant to furniture. The prices were reasonable with MODERN's clear pricing policy as mentioned above.
MFEC	MODERN holds 16.56% of the paid up capital and common directors, Mr. Chareon Usanachitt	Sales of goods Trade accounts receivable Purchases of equipment	0.8 – 2.8	0.9 0.2 –	MFEC purchased furniture from MODERN for office assets. The prices were reasonable with the following MODERN's clear pricing policy condition 2. MODERN purchased equipment from MFEC the prices were reasonable
IHL	MODERN holds 4.57 of the paid up capital of IHL with Ms.Chutima Busayapoka sister of Mr.Thaksa Busayapoka acting as director of IHL and holds 0.33% of the registered of IHL	Sales of goods Trade accounts payable	6.8 2.2	– –	MODERN bought tanned leather for furniture-making from IHL. The transaction price was found appropriate and it was also a market price offered to IHL's major or long-time customers.

2. Rental Transactions/Services or Rental Services/Property Services

Related Person/Entity	Relation	Type of Transaction	Amount (million Baht)		Audit Committee Comments
			31 Dec 12	31 Dec 11	
MTC	MODERN holds 100% of the paid up capital of MTC and common directors, Mr.Chareon Usanachitt, Mr.Jajjai Dhammarungruang, Mr.Thaksa Busayapoka, Mr.Yothin Nengchamnonng and Mr.Somsak Varikarn.	Rent and service expenses Deposit (rent and services) Other trade accounts payable	45.6 11.2 0.9	45.6 11.9 0.8	MODERN rented MTC's building space at appropriate rental fee and service fee, close to those MTC charged for general customers.
RFA	MODERN holds 75% of the paid up capital of RFA and common directors, Mr.Thaksa Busayapoka and Mr.Jajjai Dhammarungruang with Ms.Sutheera Busayapoka daughter of Mr.Thaksa Busayapoka acting as director of RFA and holds 1% of the registered and of RFA	Service Fee	0.3	0.2	Financial consultancy services
MHC	MODERN holds 60% of the paid up capital of MHC and common directors, Mr.Thaksa Busayapoka, Mr.Jajjai Dhammarungruang, and Mr.Patana Usanachitt with Mr.Nithi Nengchamnonng son of Mr.Yothin Nengchamnonng acting as MD of MHC and holds 20% of the registered of MHC	Service Fee Rental income	0.7 0.8	0.7 0.8	MODERN allowed MHC to rent MODERN's showroom space, provided financial consultancy services, and attended the warehouse for MHC. The rental and service fees were appropriate, close to the market's and the fees charged to MODERN by MTC.
TPAC	MODERN holds 48% of paid up capital of TPAC and common directors Mr.Thaksa Busayapoka, Mr. Jajjai Dhammarungruang, and Mr.Yothin Nengchamnonng, with Mr.Theerawit Busayapoka, brother of Mr. Taksa Busayapoka, acting as MD of TPAC and holds 0.8% of the registered and paid up capital of TPAC.	Service Fee	1.4	1.4	The consultancy fees for services relevant to legal, finance and accounting, and computer system were at the appropriate rates when compared to those in the market.

3. Acquisition and Liquidation of Assets (Stocks).

Related Person/Entity	Relation	Type of Transaction	Amount (million Baht)		Audit Committee Comments
			31 Dec 12	31 Dec 11	
IHL	MODERN holds 4.57 of the paid up capital of IHL with Ms.Chutima Busayapoka sister of Mr.Thaksa Busayapoka acting as director of IHL and holds 0.33% of the registered of IHL	Purchase Stocks	129.2	-	Market price

4. Financial Assistance

Related Person/Entity	Relation	Type of Transaction	Amount (million Baht)		Audit Committee Comments
			31 Dec 12	31 Dec 11	
MTC	MODERN holds 100% of the paid up capital of MTC and common directors, Mr.Chareon Usanachitt, Mr.Jajjai Dhammarungruang, Mr.Thaksa Busayapoka, Mr.Yothin Nengchamnong and Mr.Somsak Varikarn.	Interest Income Long-term loans and accrued interest	4.6 120.8	4.6 31.8	MODERN extended credit to MTC for construction of the MTC building at the minimum lending rate (MLR) plus 0.5% per annum. This rate was the normal rate commercial banks charged their prime customers.
MHC	MODERN holds 60% of the paid up capital of MHC and common directors, Mr.Thaksa Busayapoka, Mr.Jajjai Dhammarungruang, and Mr.Patana Usanachitt with Mr.Nithi Nengchamnong son of Mr.Yothin Nengchamnong acting as MD of MHC and holds 20% of the registered of MHC	Other current liabilities Bank Guarantee Interest Income Long-term loans and accrued interest	- 41.4 0.4 10.0	- 41.4 0.3 9.6	MODERN provided collaterals for MHC with the amount of collaterals in a ratio of the former's shareholding. MODERN extended credit to MHC at the fix rate 3 m. plus 2.0% per annum

Note	MODERN	=	Modernform Group Public Company Limited	Manufacturing and distributing furniture
	MTC	=	Modernform Tower Company Limited	Office rental
	RFA	=	Rafa Associates Company Limited	provides design consulting services and supervises construction projects and holds shares in limited partnerships, limited companies and public companies (Holdings Company)
	MHC	=	Modernform Health and Care Company Limited	Manufacturing, importing and distributing furniture and products of Health
	TPAC	=	Thai Paspac Public Company Limited	Produces packaging material, industrial plastic, and furniture fixings
	MFEC	=	MFEC Public Company Limited	Computer system and information technology consultancy services
	IHL	=	Interhides Public Company Limited	Produce and sale leathers

Procedure for approving connected transactions

The Company's Board of Directors established the measures to prevent any conflict of interests. It outlined clear transaction procedures for its major shareholders, directors, executives or any persons relevant to the above-mentioned persons for reviewing any transactions that may have any conflict of interests arise to consider all transactions that may involve conflicts of interest, including related or connected transactions to ensure that they are in compliance with sound business ethics and meet the scrutiny of the Audit Committee for defined items. As well, the Board supervises all transactions to see that they meet the criteria of the stock Exchange Commission (SEC). Information disclosure on potential conflicts must be considered by the Board to ensure accurate and adequate disclosure. In additional, for any transactions in which directors, employees or related persons could derive personal benefit from entering into transactions with the company, the Board and employees are not permitted to participate in the approval of such transactions, and the price must be properly defined in a manner consistent with that offered on arm's length basis.

Comments of the Audit Committee

The Audit Committee reviewed the above-mentioned inter-related and related transactions that took place with account posting in 2011. It stated that the transactions complied with the requirements of the Stock Exchange of Thailand and the Securities and Exchange Commission with disclosure of accurate and complete information. The normal business transactions were those with fair and appropriate pricing and conditions according to the market prices. This was similar to pricing for any unrelated persons or other business operations without any benefits among the Company, its subsidiaries, its associate companies, its joint ventures, its related companies and its shareholders. The transactions were approved by the Management or the Board of Directors prior to occurrence of the transactions.

As for the transactions of financial assistance, the Company extended credit and collaterals for its subsidiaries and associated companies at the minimum lending rate (MLR) plus 0.5% per annum and rate fix 3 months plus 2% per annum. The interest rate was that the commercial banks charged their prime customers. The Company provided loan collateral for its subsidiaries in a proportion of its shareholding. This financial assistance allowed its subsidiaries to have borrowings at the rate and conditions according to the market or better when compared to the case without any collaterals or direct borrowing from other financial institutions.

Future connected transactions

All future connected transactions will be conducted as part of the normal course of business with neither special favors nor transfers of benefits between company and its subsidiaries or any connected person. The company will strictly comply with the regulations of SET and other regulatory authorities related to connected transactions, based on reasonableness, appropriateness and fairness, and for the utmost benefit of all shareholders and stakeholders, which is consistent with good corporate governance policies of the company.

Management Discussion & Analysis of a one-year performance as of end of December 31, 2012

Industry Overview

Continuous growth in Furniture Business

Furniture, furniture fittings and architectural hardware businesses, related to people's living and working lives, grew continuously from the market demand supported by the economic growth.

Business Overview

Both revenue and profit grew consecutively

MODERN continues to implement following strategies

1. Products development through technology utilization to innovatively create new products that response to lifestyles among different customer groups.
2. Search for additional domestic and overseas business partners to support the company's growth and response to market demands.
3. Maintain high gross profit margin after a slight gain in the margin in 2012 compared to that of 2011 by repeatedly introduce market leading products. The strategy also helped whether the minimum wage increase started on April 1, 2012.

Additionally, the company continued to implement plans to approach customers in major cities outside Bangkok to boost sales growth.

With the aforementioned strategies, the company and its subsidiaries registered continuing growth in both revenues and profits. MODERN also maintained its financial strength – ready to support growth and further investments in new businesses.

Financial Performance in 2012

Sales volume increased by 7.0 percent to Baht 2,945.8 million with gross profit margin of 40.4 percent, an increase of 0.9 percent.

In 2012, MODERN recorded Baht 2,945.8 million sales volumes – increased by 7.0 percent year-on-year. Despite a hike in labor cost, the gross profit margin was at 40.4 percent, an increase of 0.9 percent from 39.5 percent in 2011.

Net profit equaled Baht 410 million, a 9.8 percent increase

Net profit of the company and its subsidiaries in 2012 amounted to Baht 410.0 million, an increase of 9.8 percent from 2011 due to the higher sales. In 2012, the company received shares of incomes from investments in associate and subsidiary companies totaled Baht 111.7 million, a 2.4 percent decrease from 2011 as we had stopped recognizing profit from an associate company due to investment disposal in 2011.

As at December 31, 2012, MODERN's financial was fundamentally strong. The shareholder equity was at Baht 2,522.8 million with the cash, cash equivalents and short-term investments totaled Baht 110.7 million

Using internal working capital, MODERN has invested in Interhides Public Company (IHL), the leader in leather business, in an amount of Baht 129.2 million or 4.57 percent of IHL paid-up capital. At present MODERN has started product development with IHL to retain market leading competence in leather sofa products in the furniture industry. The investment in IHL supported MODERN in product development and complied with the company's business policy to expand into related industries and grow sustainably.

Business units and subsidiaries performance

Office and residential furniture

Sales of office and residential furniture increased by 7.0 percent to Baht 2,192.0 million

In 2012, sales of office and residential furniture increased by 7.0 percent year-on-year to Baht 2,192.0 million by continuous demand from both private and public sectors resulted from product innovations and economic growth. However, deliveries of backlogs

depend on completion of construction sites that were delayed in many projects caused by labor shortage. The company is ready to deliver backlogs rapidly when customers are ready. The company also implemented plans to increase retail sales through the showrooms that will drive higher sales growth.

Furniture fittings, solid surface, carpet tile and wooden flooring business

Sales increased by 8.2 percent to Baht 577.0 million

In 2012, sales of furniture fittings, solid surface, carpet tile and wooden flooring increased by 8.2 percent year-on-year to Baht 577.0 million due to the new products and the new channels in modern trades.

Office rental business

Rental income at Baht 70.0 million, a 2.7 percent higher

In 2012, the business generated Baht 70.0 million rental income, or 2.7 percent higher than the same period a year ago due to the increase in rental rates upon lease renewals. At the end of the period, the occupation rate was 100 percent.

Healthcare product and medical equipment business

Revenues of Baht 162.2 million, an increase of 7.1 percent

Modernform holds 60 percent share in the healthcare product and medical equipment business which recorded revenues of Baht 162.2 million, an increase of 7.1 percent from the same period last year. The increase was due to the continuing market expansion in both private and public hospitals supported by the economic growth.

Architectural design business

Recorded Baht 77.8 million revenues, upped 48.5 per cent

In 2012, the architectural design business in which Modernform holds 75 percent of its shares recorded Baht 77.8 million revenue, or 48.5 per cent increase from the last year's same period. The architectural design business sustained continuous growth potential in private sector. The business allows MODERN to cross-selling products and services to architects and interior designers.

Financial status of Modernform and subsidiaries

Cash, cash equivalents and short-term investments decreased due to an increase of working capital and higher inventory as business expanded

As at December 31, 2012, the company and its subsidiaries recorded Baht 110.7 million cash, cash equivalents and short-term investments, decreased by Baht 123.7 million from the end of 2011. The decrease was explained by the increase of working capital among the company and its subsidiaries as the businesses expanded with higher inventories along the rise of delivery backlogs. The accounts receivables and inventories were increased by Baht 322.6 million or 22.1 percent from the previous year, as explained by the sales growth. Consolidated shareholders' equity accounted for Baht 2,522.8 million, rose by Baht 210.3 million from the same period a year earlier.

Baht 66.2 million of financial institution debts

As at December 31, 2012, Modernform and subsidiaries registered Baht 66.2 million of financial institution debts compared to Baht 2.2 million the previous year.

Sustainable and favorable shareholders' return.

Modernform still commits to best manage its capital for the highest efficiency possible. At the same time, the management will maintain the shareholders' equity at a level not too high to run a stable business but high enough to be ready for investment in any potential businesses for sustainable and favorable shareholders' return.

Financial Ratios (The Company Only)

		2012	2011	2010
LIQUIDITY RATIO				
Current ratio	(Times)	2.3	2.5	2.6
Quick ratio	(Times)	0.8	1.0	1.2
Cash from operating ratio	(Times)	0.2	0.6	0.2
Receivable turnover ratio	(Times)	4.8	4.3	4.7
Collection days	(Days)	75	84	77
Inventory turnover	(Times)	2.4	2.7	3.1
Average number of days sales	(Days)	149	134	116
Account payable turnover	(Times)	6.0	5.9	6.4
Payment days	(Days)	60	61	56
Cash Cycle	(Days)	164	157	137
PROFITABILITY RATIO				
Gross profit margin	(%)	40.3	39.2	38.8
Return on total income	(%)	15.6	9.4	19.4
Return on equity	(%)	22.0	12.9	30.4
EFFICIENCY RATIO				
Return on total assets	(%)	15.9	9.6	23.5
Return on fixed assets	(%)	160.6	101.1	213.1
Assets turnover	(Times)	1.0	1.0	1.2
FINANCIAL POLICY RATIO				
Debt to Equity ratio	(Times)	0.4	0.4	0.3
Interest payment ratio	(Times)	370.1	671.5	189.1
Dividend Payment	(%)	75.8	125.0	62.7

Financial Ratios (Consolidation)

		2012	2011	2010
LIQUIDITY RATIO				
Current ratio	(Times)	2.1	2.4	2.4
Quick ratio	(Times)	0.8	1.0	1.1
Cash from operating ratio	(Times)	0.3	0.7	0.3
Receivable turnover ratio	(Times)	4.7	4.3	4.6
Collection days	(Days)	76	83	78
Inventory turnover	(Times)	2.5	2.7	3.1
Average number of days sales	(Days)	146	132	117
Account payable turnover	(Times)	6.0	6.0	6.2
Payment days	(Days)	60	60	58
Cash Cycle	(Days)	163	155	137
PROFITABILITY RATIO				
Gross profit margin	(%)	40.6	39.7	39.1
Operating profit	(%)	11.4	9.0	11.2
Quality of earnings	(%)	73.9	188.5	53.0
Return on total income	(%)	12.8	12.2	13.8
Return on equity	(%)	16.8	16.1	17.5
EFFICIENCY RATIO				
Return on total assets	(%)	12.2	12.1	13.8
Return on fixed assets	(%)	64.9	60.0	65.1
Assets turnover	(Times)	1.0	1.0	1.0
FINANCIAL POLICY RATIO				
Debt to Equity ratio	(Times)	0.4	0.4	0.3
Interest payment ratio	(Times)	261.9	417.9	145.3
Cash coverage	(Times)	0.6	1.1	0.4
Dividend Payment	(%)	87.7	86.5	89.3

Audit Committee Report

The Audit Committee comprising of 3 independent directors qualified with financial and management experiences and appointed by the Board of Directors, has performed its duties within the scope of responsibilities assigned by the Board of Directors according to good governance and the Audit Committee's Charter. There were 4 meetings during the year whereby the Committee meeting attendance was at 100%. The first meeting was held in conjunction with top executives, the internal auditor and external auditors. A summary of Audit Committee report and committee opinions are as follows.

1. The committee has reviewed the quarterly financial statement and year-end financial statement of 2012 before obtaining approval of the board. The committee has the opinion that the financial statement, report of connected transactions and disclosure of conflict of interests and other significant information have all been disclosed in transparency, leading to true and fair financial statements as governed by accounting standards according to the International Financial Reporting Standards (IFRS). Coordination was made with auditors to review items relating to account updates and information disclosure affecting from a material change of the standards. Reviewing recommendations for the internal control system; attending meetings with the auditor without presence of the management at least once in order to discuss issues emerged during the auditing and to find better solutions for the company. Therefore, all financial statements were audited and given non-qualitative comments from independent auditors.
2. Connected transactions: The Audit Committee reviewed, approved and disclosed information and operations relating to arm's length transactions, related transactions and connected transactions between Modernform and its subsidiaries and affiliates that could result in a possible conflict of interest with itself before submitting the information for the Board's approval. In 2012, there was a connected transaction where financial assistance was given to an affiliated company as well as a transaction relating to asset acquisition. The Management had handled such transactions with transparency and they had also been reviewed by the Audit Committee on each occasion. As a result, Modernform duly complied with the information disclosure policy based on the Stock Exchange of Thailand (SET)'s rules and regulations.
3. As for assessment of Internal Control, the committee was appointed by the board of directors to ensure the efficiency of internal control and instill good governance throughout the organization covering financial statements, operations, accounting and finances to follow regulatory requirements. The check-and-balance mechanism to oversee interests of shareholders and company's assets was also established. The recent directions of the committee are to set-out guidelines and mechanisms to allow "self-control assessment" in order to reduce operational risks and to achieve operation targets. In 2011, the committee together with the board of directors has assessed effectiveness and sufficiency of internal control system under the standard of COSO-ERM in 8 factors and Security Exchange of Thailand guidelines. The result is satisfactory; the company has an internal control system that is sufficient and appropriate. A detailed report of opinions provided to internal control was also summarized under the topic of Internal Control in this annual report.
4. The committee realizes the importance of having good governance and has instilled and developed good governance in systematic ways with the third edition of the good corporate governance having been issued. The CG policy is regularly reviewed to reflect the organization's environment changes. Responsibilities to direct and motivate good governance conducts within each part rests upon executives as well as the internal audit department to assess and provide feedback to the Committee. The assessment report is disclosed under the topic of "Good Governance Operations" within this annual report.

5. The committee has reviewed and has the opinion that the company has met all the regulatory requirements from a listed company standpoint in this industry. The review and audit of security exchange laws (Issue 4) B.E. 2551, Security and Exchange Commission of Thailand, Capital Market Commission and other related laws on the company's businesses, have been completed. And when measured against regulatory requirements, our company has complied with all.
6. Supervision of Internal Audit: the Audit Committee reviewed and approved the internal audit plan in 2013 as the Audit Committee's Meeting No.1/2013 on February 13, 2013 based on the risk management procedures and review of performance of the Internal Audit Department on the quarterly basis. The Committee provides suggestion and monitors implementation of corrective measures, according to the audit report, in significant issues in order to create good governance and substantiated internal audit. In addition, the Committee approved the annual budget of the Internal Audit Department for human resource training and seminar as a means to promote and support the internal auditors to advance their professional continuously and determining a proper number of both auditing personnel and tools; monitoring the assessment and setting the Key Performance Indicators (KPI) of the Internal Audit Department so that recommendations will conform with the development of effective inspection quality both in terms of overall inspection results and personnel capacity following evaluations from success rates and independent assessments from relevant agencies. The goal is to improve inspection/auditing results and relevant personnel expected by international professional standards.
7. The committee appointed an external auditor for 2012 and approved the audit fee. The assessments of auditing operations in the last fiscal year was satisfactory and ensures that the auditors met requirements set forth by the Security Exchange Commission of Thailand. The committee has requested for approval from the board to proposed for approval at the Annual Ordinary General Shareholders Meeting to appoint Miss Rungrapa Lertsuwankul CPA no. 3516 or Mr.Chayapol Suppasdtanon CPA no.3972 or Mrs.Pimjai Manitkajohnkit CPA no.4521 of Ernst and Young Company Limited as auditors for 2012 and approved the remuneration for year 2012 Baht 1,500,000 same as 2011.
8. In 2012, the Audit Committee performed their duty carefully and independently, giving open and fair comments for the Company's optimal benefits without any limitation of information received, resources and cooperation from executives of every unit. Based on the review and monitoring within the scope of the above-mentioned matter, it could be concluded that the Company had the overall picture of the internal audit, administration and governance with transparency and substantiated efficiency. Information and transactions that were significant were disclosed according to the relevant rules and regulations. The Company strictly followed the required mechanism and procedures. In addition, the Audit Committee also evaluates its performance on an annual basis based on the SET's guidelines. The 2012 evaluation indicated that the Audit Committee had performed its duties efficiently and effectively according to the objectives it had been entrusted.

Mr.Suchart Thammapiatagul
(Chairman of Audit Committee)

Summary Report of Directors' Responsibilities to Financial Statements

As directors of Modernform Group Public Company Limited, we fully acknowledged our duties and responsibilities as being directors of a listed company in the Stock Exchange of Thailand to ensure that both the company-only financial statement and the consolidated financial statement of Modernform Group Public Company Limited as well as all financial information are accurately presented and reflect fair standing of the company's annual report. Financial statements are prepared according to Thai Generally Accepted Accounting Principles (GAAP) in application of correct accounting policies with precision and care. We have ensured that all applicable financial and accounting methods necessary for public and investors to estimate financial standing of the company are being disclosed transparently.

Further to this point, the Board of Directors has appointed the Audit Committee who are all independent directors responsible for all quality assurance aspects of financial reporting and internal control in addition to establishing reasonable confidence in fairness and accuracy of financial accounting of the company as a whole. The Audit Committee takes ownership in ensuring that all ledger recordings are accurate and truly reflect value of company's assets, to learn from exceptions found and to prevent fraud or other misconducts that would jeopardize the company's standing altogether. The Audit Committee comments are also presented in this annual report.

The Board finds that internal control system of the company is satisfactory and provide reasonable confidence in fairness and accuracy of both the company-only financial statement and the consolidated financial statement of the Modernform Group Plc and its subsidiaries for the financial year-end 31 December 2012. The statements were also independently reviewed and audited by external independent auditors to ensure that it was prepared according to Thai Generally Accepted Accounting Principles (GAAP). External auditor comments are also presented here.



Mr.Chareon Usanachitt
Chairman



Mr.Thaksa Busayapoka
Chief Executive Director

Independent Auditor's Report**To the Shareholders of Modernform Group Public Company Limited**

I have audited the accompanying consolidated financial statements of Modernform Group Public Company Limited and its subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Modernform Group Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Modernform Group Public Company Limited and its subsidiaries and of Modernform Group Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Rungnapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited

Bangkok: 21 February 2013

Statements of financial position

Modernform Group Public Company Limited and its subsidiaries

As at 31 December 2012

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Assets					
Current assets					
Cash and cash equivalents	7	101,144,140	145,163,147	70,744,518	125,365,587
Current investments	8	9,596,000	89,318,000	–	80,000,000
Trade and other receivables	6, 9	691,691,262	584,519,146	615,730,037	534,044,086
Current portion of long-term loan and accrued interest receivable	6	–	–	65,779,262	–
Inventories	10	1,093,412,975	877,954,005	1,032,094,478	844,222,999
Other current assets					
Prepaid expenses		14,457,786	24,916,427	13,197,166	23,143,498
Others		33,730,019	24,563,918	29,727,512	22,778,308
Total other current assets		48,187,805	49,480,345	42,924,678	45,921,806
Total current assets		1,944,032,182	1,746,434,643	1,827,272,973	1,629,554,478
Non-current assets					
Available-for-sale investments	11	578,665,011	351,273,572	578,665,011	351,273,572
Investments in associates	12	269,933,158	240,147,222	118,172,074	118,172,074
Investments in subsidiaries	13	–	–	249,299,059	249,299,059
Long-term loans and accrued interest receivable					
from subsidiaries – net of current portion	6	–	–	65,031,339	41,459,542
Investment properties	14	264,559,068	282,052,935	–	–
Property, plant and equipment	15	483,796,996	499,317,917	318,978,256	323,345,240
Goodwill	16	10,167,312	10,167,312	–	–
Other intangible assets	17	4,011,681	4,155,391	3,565,958	3,889,971
Leasehold rights	18	9,098,244	11,195,573	9,098,244	11,195,573
Other non-current assets	6, 19	11,522,512	14,560,224	22,138,989	25,872,352
Total non-current assets		1,631,753,982	1,412,870,146	1,364,948,930	1,124,507,383
Total assets		3,575,786,164	3,159,304,789	3,192,221,903	2,754,061,861

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

Statements of financial position (continued)

Modernform Group Public Company Limited and its subsidiaries

As at 31 December 2012

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	20	66,199,185	2,245,050	64,995,896	33,609
Trade and other payables	6, 21	418,726,812	336,958,864	354,027,827	308,885,623
Customer deposits	6	334,037,135	302,543,605	314,966,465	279,693,805
Short-term loans and accrued interest payable to related person	6	–	400,468	–	–
Income tax payable		58,897,011	57,729,452	50,475,981	46,232,315
Other current liabilities		32,420,776	22,503,750	25,484,165	16,947,426
Total current liabilities		910,280,919	722,381,189	809,950,334	651,792,778
Non-current liabilities					
Provision for long-term employee benefits	22	107,780,226	100,113,515	97,838,622	90,937,091
Total non-current liabilities		107,780,226	100,113,515	97,838,622	90,937,091
Total liabilities		1,018,061,145	822,494,704	907,788,956	742,729,869
Shareholders' equity					
Share capital	23				
Registered					
859,647,000 ordinary shares of Baht 1 each					
(2011: 892,000,000 ordinary shares of Baht 1 each)		859,647,000	892,000,000	859,647,000	892,000,000
Issued and paid-up					
800,000,720 ordinary shares of Baht 1 each					
(2011: 832,353,720 ordinary shares of Baht 1 each)		800,000,720	832,353,720	800,000,720	832,353,720
Share premium		733,566,600	733,566,600	733,566,600	733,566,600
Treasury stocks	24	(332,690,843)	(425,326,425)	(332,690,843)	(425,326,425)
Retained earnings					
Appropriated					
Statutory reserve – the Company	25	90,000,000	90,000,000	90,000,000	90,000,000
– the subsidiary	24	22,413,813	–	–	–
Others		332,690,843	425,326,425	332,690,843	425,326,425
Unappropriated		661,250,653	565,279,702	352,424,397	171,224,343
Other components of shareholders' equity		215,593,702	91,339,801	308,441,230	184,187,329
Equity attributable to the owners of the Company		2,522,825,488	2,312,539,823	2,284,432,947	2,011,331,992
Non-controlling interests of the subsidiaries		34,899,531	24,270,262	–	–
Total shareholders' equity		2,557,725,019	2,336,810,085	2,284,432,947	2,011,331,992
Total liabilities and shareholders' equity		3,575,786,164	3,159,304,789	3,192,221,903	2,754,061,861

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

Income statements

Modernform Group Public Company Limited and its subsidiaries

For the years ended 31 December 2012

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Revenues					
Sales	6	2,945,836,153	2,752,041,198	2,784,953,083	2,601,215,998
Other income					
Rental income	6	69,693,712	67,861,357	315,000	364,464
Architectural design service income		78,398,306	51,682,218	–	–
Dividend received	6, 12.2	26,141,279	976,201	199,834,803	62,026,555
Gain on change in shareholders' equity of associated company	12.5	–	63,701,044	–	–
Others	6	42,241,612	55,516,743	44,364,764	59,334,695
		216,474,909	239,737,563	244,514,567	121,725,714
Total revenues		3,162,311,062	2,991,778,761	3,029,467,650	2,722,941,712
Expenses					
Cost of sales	6	1,754,582,213	1,666,307,049	1,662,672,758	1,582,181,618
Cost of services		41,229,754	25,390,584	–	–
Selling expenses	6	616,636,867	601,564,490	614,343,054	603,646,422
Administrative expenses	6	250,148,870	245,106,634	183,944,292	180,429,963
Other expenses	6	16,717,926	11,859,576	11,345,149	7,110,324
Total expenses		2,679,315,630	2,550,228,333	2,472,305,253	2,373,368,327
Profit before share of profit from investments					
in associates, financial cost and corporate income tax		482,995,432	441,550,428	557,162,397	349,573,385
Share of profit from investments in associated companies	12.2	48,985,935	62,109,942	–	–
Profit before finance cost and income tax expense		531,981,367	503,660,370	557,162,397	349,573,385
Finance cost		(4,933,364)	(5,425,972)	(3,620,227)	(4,122,231)
Profit before corporate income tax		527,048,003	498,234,398	553,542,170	345,451,154
Income tax expenses		(103,459,626)	(114,035,051)	(80,701,816)	(88,575,797)
Profit for the year		423,588,377	384,199,347	472,840,354	256,875,357
Profit attributable to:					
Equity holders of the Company		410,025,064	373,541,355	472,840,354	256,875,357
Non-controlling interests of the subsidiaries		13,563,313	10,657,992		
		423,588,377	384,199,347		
Earnings per share	28				
Basic earnings per share					
Profit attributable to equity holders of the Company		0.57	0.52	0.66	0.36

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

Statements of comprehensive income

Modernform Group Public Company Limited and its subsidiaries

For the years ended 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Profit for the year		423,588,377	384,199,347	472,840,354	256,875,357
Other comprehensive income:					
Gain on change in value of		124,253,901	1,608,895	124,253,901	1,608,895
available-for-sale investments		124,253,901	1,608,895	124,253,901	1,608,895
Other comprehensive income for the year		547,842,278	385,808,242	597,094,255	258,484,252
Total comprehensive income for the year					
Total comprehensive income attributable to:		534,278,965	375,150,250	597,094,255	258,484,252
Equity holders of the Company					
Non-controlling interests of the subsidiaries		13,563,313	10,657,992		
		547,842,278	385,808,242		

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

Statements of changes in shareholder' equity

Modernform Group Public Company Limited and its subsidiaries

For the years ended 31 December 2012

(Unit: Baht)

Consolidated financial statements												
		Equity attributable to owners of the Company										
		Other components of shareholders' equity										
		Other comprehensive income										
		Surplus										
		(deficit) on changes										
		in value of										
		available-for-sale										
		investments										
		(Note 26)										
		Total other components of shareholders' equity										
		Total equity										
		attributable to owners of the Company										
		Non-controlling interests of the subsidiaries										
		Total shareholders' equity										
Note	Issued and paid-up share capital	Share premium	Treasury stocks	Statutory reserve	Appropriated	Retained earnings	Unappropriated	Others surplus	Total other components of shareholders' equity	Total equity	Non-controlling interests of the subsidiaries	Total shareholders' equity
	832,353,720	733,566,600	(425,326,425)	90,000,000	425,326,425	515,735,847	(1,932,744)	32,907,224	30,974,480	2,202,630,647	13,612,270	2,216,242,917
	-	-	-	-	-	373,541,355	1,608,895	-	1,608,895	375,150,250	10,657,992	385,808,242
12.5	-	-	-	-	-	-	-	58,756,426	58,756,426	58,756,426	-	58,756,426
31	-	-	-	-	-	(323,997,500)	-	-	(323,997,500)	(323,997,500)	-	(323,997,500)
	832,353,720	733,566,600	(425,326,425)	90,000,000	425,326,425	565,279,702	(323,849)	91,663,650	91,339,801	2,312,539,823	24,270,262	2,336,810,085
	832,353,720	733,566,600	(425,326,425)	90,000,000	425,326,425	565,279,702	(323,849)	91,663,650	91,339,801	2,312,539,823	24,270,262	2,336,810,085
	-	-	-	-	-	410,025,064	124,253,901	-	124,253,901	534,278,965	13,563,313	547,842,278
31	-	-	-	-	-	(323,993,300)	-	-	(323,993,300)	(323,993,300)	(1,914,476)	(325,907,776)
	-	-	-	22,413,813	-	(22,413,813)	-	-	-	-	-	-
23	(32,353,000)	-	92,635,582	-	-	(60,282,582)	-	-	-	-	-	-
24	-	-	-	-	(92,635,582)	92,635,582	-	-	-	-	-	-
2.2	-	-	-	-	-	-	-	-	-	-	(1,019,568)	(1,019,568)
	800,000,720	733,566,600	(332,690,843)	112,413,813	332,690,843	661,250,653	123,930,052	91,663,650	215,593,702	2,522,825,488	34,899,531	2,557,725,019
	800,000,720	733,566,600	(332,690,843)	112,413,813	332,690,843	661,250,653	123,930,052	91,663,650	215,593,702	2,522,825,488	34,899,531	2,557,725,019

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

Statements of changes in shareholder' equity (continued)

Modernform Group Public Company Limited and its subsidiaries

For the years ended 31 December 2012

(Unit: Baht)

Separate financial statements											
		Other components of shareholders' equity									
		Other comprehensive income							Total other components of shareholders' equity		
		Retained earnings		Revaluation surplus (deficit) on changes in value of available-for-sale investments			Others surplus (Note 26)				
	Note	Issued and paid-up share capital	Share premium	Treasury stocks	Statutory reserve	Appropriated	Other	Unappropriated			Total
Balance as at 1 January 2011		832,353,720	733,566,600	(425,326,425)	90,000,000	425,326,425	238,346,486	(1,932,744)	-	(1,932,744)	1,892,334,062
Total comprehensive income for the year		-	-	-	-	-	256,875,357	1,608,895	-	1,608,895	258,484,252
Gain on investment reclassification from investments in associated company to available-for-sales investments		-	-	-	-	-	-	-	-	-	-
Dividend paid	12.5	-	-	-	-	-	-	-	-	-	-
	31	-	-	-	-	-	(323,997,500)	-	-	-	(323,997,500)
Balance as at 31 December 2011		832,353,720	733,566,600	(425,326,425)	90,000,000	425,326,425	171,224,343	(323,849)	184,511,178	184,187,329	2,011,331,992
Balance as at 1 January 2012		832,353,720	733,566,600	(425,326,425)	90,000,000	425,326,425	171,224,343	(323,849)	184,511,178	184,187,329	2,011,331,992
Total comprehensive income for the year		-	-	-	-	-	472,840,354	124,253,901	-	124,253,901	597,094,255
Dividend paid	31	-	-	-	-	-	(323,993,300)	-	-	-	(323,993,300)
Reduce paid-up share capital by written-off treasury stocks	23	(32,353,000)	-	92,635,582	-	-	(60,282,582)	-	-	-	-
Reversal of appropriated retained earnings for treasury stocks	24	-	-	-	-	(92,635,582)	92,635,582	-	-	-	-
Balance as at 31 December 2012		800,000,720	733,566,600	(332,690,843)	90,000,000	332,690,843	352,424,397	123,930,052	184,511,178	308,441,230	2,284,432,947

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

Statements of cash flows

Modernform Group Public Company Limited and its subsidiaries

For the years ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before tax	527,048,003	498,234,398	553,542,170	345,451,154
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	95,408,564	108,546,035	65,076,124	77,985,445
Written-off equipment and other intangible assets	440,497	6,585,352	345,547	6,364,606
Written-off investment property	36,012	–	–	–
Reversal allowance for doubtful accounts	(10,413,946)	(3,628,668)	(10,090,868)	(3,541,640)
Reduction of inventory to net realisable value	935,676	8,234,915	353,527	8,016,753
Share of income from investments in associates	(48,985,935)	(62,109,942)	–	–
Gain on change in shareholders' equity of associated company	–	(63,701,044)	–	–
Gain on sales of land, building and equipment	(961,722)	(1,657,239)	(863,151)	(1,652,391)
Gain on sales of leasehold rights	–	(24,637,429)	–	(24,637,429)
(Gain) loss on revaluation of investments	(1,478,100)	395,574	–	–
(Gain) loss on sales of available-for-sale investments	(320,450)	(457,504)	1,726,011	(183,964)
Provision for long-term employee benefits	14,038,179	19,637,376	13,059,214	18,500,839
Actuarial gain for post-employment benefit plan	(4,890,133)	–	(4,796,483)	–
Interest income	(4,095,932)	(4,000,186)	(8,832,349)	(8,795,032)
Dividend received	(26,141,279)	–	(199,834,803)	(61,462,654)
Interest expenses	1,367,722	1,518,736	676,424	744,797
Income from operating activities before changes in operating assets and liabilities	541,987,156	482,960,374	410,361,363	356,790,484
Decrease (increase) in operating assets				
Trade and other receivables	(96,758,170)	97,017,115	(71,595,083)	104,872,326
Inventories	(216,394,646)	(35,104,225)	(188,225,006)	(35,998,919)
Other current assets	866,892	3,820,100	2,987,248	(3,703,588)
Other non-current assets	3,037,712	1,137,173	3,733,363	1,928,523
Increase (decrease) in operating liabilities				
Trade and other payables	87,133,352	5,068,841	50,487,492	(31,734,301)
Other current liabilities	39,847,598	90,439,107	43,809,397	118,757,822
Provision for long-term employee benefit plan	(1,481,335)	(10,640,700)	(1,361,200)	(10,640,700)
Cash flows from operating activities	358,238,559	634,697,785	250,197,574	500,271,647
Cash paid for interest expenses	(1,357,842)	(1,499,530)	(666,544)	(725,591)
Cash paid for corporate income tax	(102,001,277)	(155,348,003)	(76,458,150)	(136,313,395)
Net cash flows from operating activities	254,879,440	477,850,252	173,072,880	363,232,661

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

Statements of cash flows (continued)

Modernform Group Public Company Limited and its subsidiaries

For the years ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from investing activities				
(Increase) decrease in current investments	80,000,000	(80,000,000)	80,000,000	(80,000,000)
Increase in short-term loan to related party	–	(20,000,000)	–	(20,000,000)
Cash received from short-term loan to related party	–	20,000,000	–	20,000,000
Increase in long-term loan to related party	–	–	(400,000)	–
Cash received from long-term loans to related party	–	–	61,199,524	63,100,000
Purchase of investments in equity securities	(157,673,568)	(171,555,674)	(149,160,095)	(149,000,000)
Proceeds from sales of investments in equity securities	56,056,580	162,299,605	44,296,546	149,183,964
Dividend received from investments in associates and subsidiaries	19,200,000	61,462,654	24,900,000	61,462,654
Dividend received from investments in available-for-sale	26,141,279	–	25,335,279	–
Increase in cash and cash equivalents from sales of investment in a company held by a subsidiary	643,165	–	–	–
Cash payment for building expansion, purchase of equipment and investment properties	(66,425,782)	(111,132,398)	(64,309,517)	(108,614,516)
Purchase of computer software	(1,272,787)	(1,434,493)	(943,600)	(1,296,500)
Proceeds from disposal of land, building and equipment	2,290,375	1,897,877	2,137,637	2,088,701
Proceeds from sales of leasehold rights	–	34,300,000	–	34,300,000
Interest received	4,095,932	4,000,186	8,281,290	9,096,323
Net cash flows from (used in) investing activities	(36,944,806)	(100,162,243)	31,337,064	(19,679,374)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	63,954,135	(32,128,967)	64,962,287	(4,756,053)
Dividend paid to non-controlling interests of the subsidiaries	(1,914,476)	–	–	–
Dividend paid	(323,993,300)	(323,997,500)	(323,993,300)	(323,997,500)
Net cash flows used in financing activities	(261,953,641)	(356,126,467)	(259,031,013)	(328,753,553)
Net increase (decrease) in cash and cash equivalents	(44,019,007)	21,561,542	(54,621,069)	14,799,734
Cash and cash equivalents at beginning of year	145,163,147	123,601,605	125,365,587	110,565,853
Cash and cash equivalents at end of year	101,144,140	145,163,147	70,744,518	125,365,587
Supplement cash flows information				
Non-cash items consist of:				
Unrealised gain on change in the value of investments	124,253,901	1,608,895	124,253,901	1,608,895
Gain on investment reclassification from investments in associated company to available-for-sale investment	–	58,750,426	–	184,511,178
Dividend received by lending long-term loan	–	–	149,599,524	–
Decrease in payables from purchase of assets	(5,365,404)	(1,548,383)	(5,345,288)	(1,134,487)
Adjustment of provision for long-term employee benefits through the beginning balance of retained earnings	–	100,839,214	–	83,076,954
Adjustment of provision for long-term employee benefits due to sales of investment in a company held by a subsidiary	120,135	–	–	–

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

Notes to consolidated financial statements

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2012

1. General information

Modernform Group Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of home and office furniture and its registered address is 699 Srinakarindr Rd., Suan Luang, Bangkok. The Company has a total of 5 branches located in Bangkok and other provinces.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Modernform Group Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2012 Percent	2011 Percent
Held by the Company				
Modernform Tower Company Limited	Rental office space	Thailand	100	100
Modernform Health & Care Company Limited	Health & Care product manufacturing	Thailand	60	60
Rafa Associates Company Limited	Manufacturing furniture and interior design	Thailand	75	75
Held by Rafa Associates Company Limited				
Rafa Plus Architect Company Limited	Architectural engineering design	Thailand	75	75
Rafa Design Office Company Limited	Landscape architecture design	Thailand	75	75
Rafa Management Company Limited	Construction management services	Thailand	–	30

On 5 March 2012, Rafa Associated Company (a subsidiary in which the Company has 75% shareholding) sold all of the shares it held in a subsidiary (Rafa Plus Management Company Limited) to a third party. As a result, the statement of financial position as at 31 December 2012 excluded the financial position of Rafa Plus Management Company Limited because the Company no longer has a control in the subsidiary since the disposal date. The operating results of Rafa Plus Management Company Limited were included in the consolidated income statement only for operations from 1 January 2012 to 5 March 2012, which was the disposal date.

- b) Subsidiaries are fully consolidated being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiary companies, intercompany transactions, investment balance in the Company's books and share capital of the subsidiary companies and profit included in the end of year balance of inventories, have been eliminated from the consolidated financial statements.

- e) 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 income statement and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

3. New accounting standards issued not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting standard interpretations:

SIC 10	Government Assistance – No Specific Relation to Operating Activities
SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of decreasing the Company and its subsidiaries brought-forward retained earnings and other components of shareholders' equity of the year 2013 by approximately Baht 12 million in total (the Company only: approximately decreased by Bath 14 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 – 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, SIC 29, TFRIC 4 and TFRIC 12 are not relevant to the business of the Company. Management is still evaluating the first-year impact to the financial statements of the adoption of TFRIC 13 and has yet to reach a conclusion.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Rendering of rental and services

Rental and related services income of units in office building are recognised when services have been rendered on an accrual basis.

Rendering of architectural design services

Architectural design services income are recognised when services have been rendered taking into account the stage of completion by the contract.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

Finished goods and work in process are valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

Trade finished goods are valued at the lower of cost (first-in, first-out) and net realisable value.

Raw materials are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

4.5 Investments

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recorded as gains or losses in the income statements when the securities are sold.
- c) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

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 unit trusts is determined from their net asset value.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the income statement.

4.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 15 and 30 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period when the asset is derecognised.

4.7 Property, plant and equipment / Depreciation

Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

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

Land improvement	–	15 years and 20 years
Buildings	–	20 years and 30 years
Building improvement	–	5 years, 15 years and 20 years
Leasehold improvement	–	3 years, 5 years and 10 years
Machinery	–	5 years and 10 years
Furniture and equipment	–	5 years
Vehicles	–	5 years
Other equipment	–	5 years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in the income statement when the asset is derecognised.

4.8 Intangible assets

Intangible assets acquired through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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

A summary of the intangible asset with finite useful lives is as follow:

	<u>Useful lives</u>
Computer software	5 years

4.9 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in the income statement.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company and subsidiaries' cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company and its subsidiaries estimate the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statements. Impairment losses relating to goodwill cannot be reversed in future periods.

4.10 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.11 Operating lease

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense in the income statements on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

4.12 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carried out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in the income statement.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement

4.14 Treasury stock

Treasury stock is stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock, losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock and retained earnings, consecutively.

The weighted average method is used for computation of the unit cost of treasury stock.

4.15 Employee benefits

Short-term employee benefits

Salary, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Company and its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans

The Company and its subsidiaries has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in the income statements.

For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognise the transitionally liability, which exceeds the liability that would have recognised at the same day under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

4.16 Provisions

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

4.17 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

4.18 Derivatives

Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortized on a straight-line basis over the contract periods.

5. Significant accounting judgments and estimates

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

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in value of inventory

In determining an allowance for diminution in value of inventory, the management needs to exercise judgment in making estimates based upon the condition of goods and the duration such goods have remained in stock.

Fair value of financial instruments

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

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 Company and subsidiaries' plant and equipment and to review estimate 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 impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Goodwill and intangible assets

The initial recognition and measurement of goodwill and other intangible assets, and subsequent impairment testing, require 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.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determining is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

Details of relationships of the Company and subsidiaries to related parties are as follows.

<u>Name of entities</u>	<u>Nature of relationships</u>
Modernform Health & Care Company Limited	Subsidiary, 60% shareholding
Modernform Tower Company Limited	Subsidiary, 100% shareholding
Rafa Associates Company Limited	Subsidiary, 75% shareholding
Thai Plaspac Public Company Limited	Associate, 48% shareholding
MFEC Public Company Limited	Related by common shareholder and director
Modernform Integration Services Company Limited	Related by common shareholder and director
M.I.S. Outsourcing Company Limited	Related by common shareholder
Interhides Public Company Limited	Shareholder and director is related to the Company's management
Related person	Director of subsidiary

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2012	2011	2012	2011	
Transactions with subsidiaries					
(Eliminated from the consolidated financial statements)					
Sales of goods	–	–	1	1	Close to market price
Services income	–	–	1	1	Contract price
Dividend income	–	–	155	–	As declared
Rental income	–	–	–	1	Contract price
Interest income	–	–	5	5	MLR plus 0.50 percent per annum and interest rate of 3-month fixed deposit plus 2.00 percent per annum
Rental expenses and related service fees	–	–	46	46	Baht 400 per square meter per month for showroom and Baht 300 per square meter per month for office unit.
Transactions with associates					
Sales of goods	–	1	–	1	Close to market price
Service income	1	2	1	2	Contract price
Dividend income	–	–	19	61	As declared
Rental income and related service fees	–	11	–	–	Baht 110 to Baht 370 per square meter per month for office unit
Purchases of goods	1	2	1	2	Close to market price
Purchases of equipment	–	1	–	1	Close to market price
Transactions with related companies					
Rental income and related	11	–	–	–	Baht 110 to Baht 370 per square meter per office unit
Dividend income	24	–	24	–	As declared
Purchase of investment	129	–	129	–	Market price
Purchase of goods	7	–	7	–	Close to market price
Purchases of equipment	3	–	3	–	Close to market price

As at 31 December 2012 and 2011, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade accounts receivable – related parties (Note 9)				
Subsidiary:				
Modernform Health & Care Company Limited	–	–	76	193
Related company:				
Interhides Public Company Limited	39	–	39	–
MFEC Public Company Limited	–	201	–	201
Total	39	201	115	394
Other receivable (Note 9)				
Subsidiaries:				
Modernform Health & Care Company Limited	–	–	31	42
Modernform Tower Company Limited	–	–	23	31
Related companies:				
MFEC Public Company Limited	152	134	–	–
Modernform Integration Services Company Limited	98	95	–	–
M.I.S. Outsourcing Company Limited	14	13	–	–
Total	264	242	54	73
Long-term loans and accrued interest receivable from related parties				
Subsidiaries:				
Modernform Health & Care Company Limited	–	–	10,031	9,632
Modernform Tower Company Limited	–	–	120,779	31,828
Total	–	–	130,810	41,460
Less: Current portion	–	–	(65,779)	–
Net	–	–	65,031	41,460
Other non-current assets – deposits				
Subsidiary:				
Modernform Tower Company Limited	–	–	11,202	11,892
Trade and other payables (note 21)				
Subsidiaries:				
Modernform Tower Company Limited	–	–	900	797
Modernform Health & Care Company Limited	–	–	24	–
Rafa Associates Company Limited	–	–	47	–
Associate:				
Thai Plaspac Public Company Limited	226	189	226	189
Related companies:				
MFEC Public Company Limited	–	16	–	16
Modernform Integration Services Company Limited	10	–	10	–
Interhides Public Company Limited	2,000	–	2,000	–
Total	2,236	205	3,207	1,002

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Customer deposits</u>				
Related companies:				
MFEC Public Company Limited	1,541	1,541	–	–
Modernform Integration Services Company Limited	1,677	1,864	–	–
M.I.S. Outsourcing Company Limited	212	212	–	–
Total	3,430	3,617	–	–
<u>Short-term loans and accrued interest payable to related person</u>				
Related person:	–	401	–	–

As at 31 December 2012 and 2011, the balances of long-term loans and accrued interest receivable from related parties as well as short-term loan and accrued interest payable to related person and the movements are as follows:

(Unit: Thousand Baht)

	Balance as at 1 January 2012	During the year		Balance as at 31 December 2012	Interest charging policy	Repayment schedule
		Increase	Decrease			
<u>Long-term loans and accrued interest receivable from related parties</u>						
Subsidiaries:						
Modernform Tower Company Limited	31,828	154,181	(65,230)	120,779	MLR plus 0.50 percent per annum	Due in 2017
Modernform Health & Care Company Limited	9,632	771	(372)	10,031	3-month fixed deposit plus 2.00 percent per annum	Due in 2013
Total	41,460	154,952	(65,602)	130,810		

As at 31 December 2012, the credit facilities of Modernform Tower Company Limited which had not been drawn down amounted to Baht 50.4 million while the credit facilities of Modernform Health & Care Company Limited had already been drawn down in full.

(Unit: Thousand Baht)

	Balance as at 1 January 2012	During the year		Balance as at 31 December 2012	Interest charging policy	Repayment schedule
		Increase	Decrease			
<u>Short-term loan and accrued interest payable to related person</u>						
Related person	401	–	(401)	–	At 1.55 – 1.70 percent per annum	Due in January and March 2012
Total	401	–	(401)	–		

Directors and management's remuneration

During the years ended 31 December 2012 and 2011, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Short-term employee benefits	75	71	54	53
Post-employment benefits	5	10	4	9
Total	80	81	58	62

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 32.3 to the financial statements.

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash	574	603	501	501
Bank deposits	100,570	144,560	70,244	124,865
Total	101,144	145,163	70,745	125,366

As at 31 December 2012, bank deposits carried interests between 0.63 to 0.88 percent per annum (2011: between 0.75 to 1.00 percent per annum).

8. Short-term investment

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Bill of exchanges	–	80,000	–	80,000
Trading securities	9,596	9,318	–	–
Total	9,596	89,318	–	80,000

As at 31 December 2012, bill of exchanges carried interests at 4.20 percent per annum and due in March 2013.

9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade receivables – related parties				
Age on the basis of due dates				
Not yet due and past due Up to 3 months	39	201	115	394
Total trade receivables – related parties	39	201	115	394
Trade receivables – unrelated parties				
Age on the basis of due dates				
Not yet due and past due Up to 3 months	474,399	447,008	424,251	404,223
Past due				
3 – 6 months	95,916	78,897	88,156	77,545
6 – 12 months	63,083	29,821	50,163	28,504
Over 12 months	46,983	47,633	46,636	46,325
Total	680,381	603,359	609,206	556,597
Less: Allowance for doubtful accounts	(23,750)	(34,164)	(23,750)	(33,841)
Total trade receivables – unrelated parties, net	656,631	569,195	585,456	522,756
Other receivables				
Advances	30,465	9,048	29,423	8,595
Accrued income – related parties	264	242	–	–
Accrued income – unrelated parties	2,432	3,383	23	1,115
Other receivables – related parties	–	–	54	73
Other receivables – unrelated parties	1,860	2,450	659	1,111
Total	35,021	15,123	30,159	10,894
Trade and other receivables – net	691,691	584,519	615,730	534,044

10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Reduce cost to net					
	Cost		realisable value		Inventory – net	
	2012	2011	2012	2011	2012	2011
Finished goods	786,025	573,503	(48,682)	(45,257)	737,343	528,246
Work in process	96,212	85,172	(13,180)	(15,895)	83,032	69,277
Raw materials	207,326	207,314	(32,147)	(31,922)	175,179	175,392
Goods for showroom	46,112	50,602	–	–	46,112	50,602
Goods in transit	44,964	48,528	–	–	44,964	48,528
Other supplies	6,783	5,909	–	–	6,783	5,909
Total	1,187,422	971,028	(94,009)	(93,074)	1,093,413	877,954

(Unit: Thousand Baht)

	Separate financial statements					
	Reduce cost to net					
	Cost		realisable value		Inventory – net	
	2012	2011	2012	2011	2012	2011
Finished goods	734,961	545,559	(47,197)	(44,354)	687,764	501,205
Work in process	96,212	84,216	(13,180)	(15,894)	83,032	68,322
Raw materials	207,326	207,314	(32,147)	(31,922)	175,179	175,392
Goods for showroom	44,470	49,155	–	–	44,470	49,155
Goods in transit	35,039	44,658	–	–	35,039	44,658
Other supplies	6,610	5,491	–	–	6,610	5,491
Total	1,124,618	936,393	(92,524)	(92,170)	1,032,094	844,223

11. Available-for-sale investments

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2012	2011
Cost	454,735	351,598
Gain (loss) on changes in value of investments	123,930	(324)
Total	578,665	351,274

During the year 2012, the Company sold available-for-sale securities with book values totaling Baht 23 million and recognised loss on the sales amounting to Baht 2 million in profit or loss. This amount included loss transferred from gain on change in valuation of available-for-sale investments in other comprehensive income, amounting to Baht 3 million.

12. Investments in associates

12.1 Details of associates:

(Unit: Thousand)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Consolidated		Separate	
							financial statements		financial statements	
							Carrying amounts		Carrying amounts	
			2012	2011	2012	2011	based on equity method		based on cost method	
			%	%			2012	2011	2012	2011
Thai Plaspac Public Company Limited	Packaging manufacturing	Thailand	48	48	118,172	118,172	269,933	240,147	118,172	118,172
Total					118,172	118,172	269,933	240,147	118,172	118,172

12.2 Share of profit and dividend received from investments in associates

During the years, the Company has recognised its share of profit from investments in associates in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit from investments in associates during the year		Dividend received during the year	
	2012	2011	2012	2011
Thai Plaspac Public Company Limited	48,986	36,243	19,200	28,800
MFEC Public Company Limited	–	25,867 ⁽¹⁾	–	32,663
Total	48,986	62,110	19,200	61,463

⁽¹⁾ The Company recognized share of profit from MFEC Public Company Limited until 11 August 2011.

12.3 Fair values investments in listed associates

In respect of investments in associates that are listed companies on the Stock Exchange of Thailand, their fair values are as follows:

(Unit: Million Baht)

Company's name	Fair values as at 31 December	
	2012	2011
Thai Plaspac Public Company Limited	499	434
Total	499	434

12.4 Summarised financial information of associates

Financial information of the associated companies is summarised below:

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the years		Profit for the years	
	as at 31 December		as at 31 December		as at 31 December		ended 31 December		ended 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Thai Plaspac Public Company Limited	100	100	1,061	1,024	528	551	1,375	1,241	100	75

12.5 Significant events of investments in associates

On 25 April 2011, the Annual General Meeting of Shareholders No.1/2011 of MFEC Public Company Limited passed a resolution as the following;

- Approved to decrease its registered share capital from Baht 286,850,000 (286,850,000 ordinary shares at a par value of Baht 1 each) to Baht 286,185,451 (286,185,451 ordinary shares at a par value of Baht 1 each) by reduction its 664,549 shares at a par value of Baht 1 each.
- Approved to increase registered share capital from Baht 286,185,451 to Baht 441,500,555, through the issuance of 155,315,104 ordinary shares with a par value of Baht 1 each to support the expansion plans of the associated company to entire business transfer of Magus Company Limited and/or entire business transfer of Northern Star Software Company Limited total 155,115,104 shares at par value of Baht 1 per share, at the offering price of Baht 5.10 per share and to support the adjustment of right to purchase ordinary shares of the President under warrants issued to the President (ESOP no.2) total 200,000 shares at par value of Baht 1 per share.

The associated company registered the decrease and increase in its share capital with the Ministry of Commerce on 28 April 2011. The Company did not acquire the additional shares of associated company as described in (b). Consequently, the percentage shareholding of the Company in the associated company has decreased from 25.81 percent to 16.56 percent. The increase in share capital of such associate resulted in the investment in associate accounted for under equity method amounting to Baht 64 million, presented as other income in the consolidated statements of income for the year ended 31 December 2011.

On 11 August 2011, the associated company has reorganised its Board of Directors to support the new shareholder's structure after the entire business transfer to Magus Company Limited and Northern Star Software Company Limited.

On 11 August 2011, the Company reclassified its investment in MFEC Public Company Limited from investment in associate company to available-for-sale investment, because after consideration the management decided that the Company has no significant influence over MFEC Public Company Limited as a result of the restructuring that company's shareholding and its Board of Directors to support the new shareholder's structure after the entire business transfer to Magus Company Limited and Northern Star Software Company Limited. According to TAS 105 "Accounting for Investments in Debt and Equity Securities" stated that difference of carrying amount and fair value at transferred date shall be recognised in shareholders' equity. The Company recognized gain on reclassification of investment from investments in associate company to available-for-sale investments amounting to Baht 59 million in the shareholders' equity of consolidated financial statements (Separate financial statements: Baht 185 million) which are presented under "Other surplus".

13. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Cost	
	2012	2011	2012	2011	2012	2011
	Million	Million	Percent	Percent	Thousand	Thousand
	Baht	Baht			Baht	Baht
Modernform Tower Company Limited	220	220	100	100	219,899	219,899
Modernform Health & Care Company Limited	16	16	60	60	9,600	9,600
Rafa Associates Company Limited	30	30	75	75	19,800	19,800
Total					249,299	249,299

14. Investment properties

The net book value of investment properties as at 31 December 2012 and 2011 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		
	Land and land improvement	Office building for rent	Total
31 December 2012			
Cost	53,633	544,861	598,494
Less: Accumulated depreciation	(1,679)	(332,256)	(333,935)
Net book value	51,954	212,605	264,559
31 December 2011			
Cost	53,633	544,811	598,444
Less: Accumulated depreciation	(1,447)	(314,944)	(316,391)
Net book value	52,186	229,867	282,053

A reconciliation of the net book value of investment properties for the years 2012 and 2011 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements	
	2012	2011
Net book value at beginning of year	282,053	304,842
Acquisition of assets	86	412
Write-off – net book value	(36)	–
Transfers	–	(5,683)
Depreciation charged	(17,544)	(17,518)
Net book value at end of year	264,559	282,053

The fair value of the investment properties as at 31 December 2012 and 2011 stated below:

(Unit: Thousand Baht)

	Consolidated financial statements	
	2012	2011
Land	71,154	71,154
Office building and building improvement for rent	258,823	258,823

The fair value of the land was determined by an independent valuer based on market price and the fair value of the office building for rent was determined by using replacement cost since the independent valuer viewed that has been no market comparative data that can directly be applied to the subsidiary's office building for rent that has unique characteristics.

A subsidiary company has mortgaged total investment properties thereon with a bank with a mortgage value as at 31 December 2012 and 31 December 2011 of Baht 12 million to secure bank overdrafts and credit facilities granted to the Company and such subsidiary company.

15. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements								
	Land and improvement	Buildings	Building and leasehold improvement	Machinery	Furniture and equipment	Vehicles	Construction in progress	Others	Total
Cost:									
1 January 2011	121,521	491,555	232,969	378,256	164,858	67,598	245	76,096	1,533,098
Additions	18,512	–	33,538	23,649	11,905	5,057	8,314	8,396	109,371
Transfer-in	93	–	10,002	1,278	90	2,504	18	859	14,844
Reclassification	1,016	9,375	970	–	–	–	–	–	11,361
Disposals	–	–	(24)	(32,061)	(4,986)	(2,451)	–	(9,828)	(49,350)
Transfer-out	–	–	–	(1,094)	(944)	–	(8,111)	(4,695)	(14,844)
Written-off	–	(290)	(36,380)	(1,447)	(12,359)	(2)	(94)	(165)	(50,737)
Adjustments	–	2,213	(657)	(34)	(587)	–	(200)	43	778

	Consolidated financial statements								
	Land and improvement	Buildings	Building and leasehold improvement	Machinery	Furniture and equipment	Vehicles	Construction in progress	Others	Total
31 December 2011	141,142	502,853	240,418	368,547	157,977	72,706	172	70,706	1,554,521
Additions	7,517	–	7,748	3,386	10,550	2,592	13,358	15,824	60,975
Transfer-in	4,134	–	7,841	2,949	5,613	–	–	87	20,624
Disposals	(288)	(901)	(709)	(8,406)	(4,312)	(2,074)	–	(594)	(17,284)
Transfer-out	–	–	–	–	(4,135)	–	(13,447)	(3,042)	(20,624)
Written-off	–	–	(730)	–	(6,496)	–	(47)	(87)	(7,360)
Adjustments	–	–	(282)	–	(244)	–	–	–	(526)
31 December 2012	152,505	501,952	254,286	366,476	158,953	73,224	36	82,894	1,590,326
Accumulated depreciation:									
1 January 2011	8,698	315,729	162,105	316,555	137,608	52,305	–	62,151	1,055,151
Depreciation for the year	2,116	16,494	23,164	21,232	12,547	5,625	–	5,458	86,636
Depreciation for transfer-in	–	–	1,984	98	47	1,107	–	488	3,724
Depreciation on reclassified items	23	4,868	786	–	–	–	–	–	5,677
Depreciation on disposals	–	–	(23)	(32,061)	(4,880)	(2,418)	–	(9,727)	(49,109)
Depreciation for transfer-out	–	–	–	(1,094)	(888)	–	–	(1,742)	(3,724)
Depreciation on written-off	–	(208)	(30,159)	(1,447)	(12,322)	–	–	(16)	(44,152)
Adjustment	–	2,209	(657)	61	(742)	–	–	129	1,000
31 December 2011	10,837	339,092	157,200	303,344	131,370	56,619	–	56,741	1,055,203
Depreciation for the year	2,796	15,315	22,260	12,250	11,132	5,561	–	5,055	74,369
Depreciation for transfer-in	–	–	–	88	–	–	–	–	88
Depreciation on disposals	–	(443)	(453)	(8,406)	(4,172)	(2,010)	–	(472)	(15,956)
Depreciation for transfer-out	–	–	–	–	–	–	–	(88)	(88)
Depreciation on written-off	–	–	(534)	–	(6,360)	–	–	(26)	(6,920)
Adjustment	–	–	(77)	–	(90)	–	–	–	(167)
31 December 2012	13,633	353,964	178,396	307,276	131,880	60,170	–	61,210	1,106,529
Net book value:									
1 January 2011	112,823	175,826	70,864	61,701	27,250	15,293	245	13,945	477,947
31 December 2011	130,305	163,761	83,218	65,203	26,607	16,087	172	13,965	499,318
31 December 2012	138,872	147,988	75,890	59,200	27,073	13,054	36	21,684	483,797

Depreciation for the year

2011 (Baht 44 million included in manufacturing cost, and the balance in selling and administrative expenses)	86,636
2012 (Baht 35 million included in manufacturing cost, and the balance in selling and administrative expenses)	74,369

(Unit: Thousand Baht)

	Separate financial statements								
	Land and improvement	Buildings	Building and leasehold improvement	Machinery	Furniture and equipment	Vehicles	Construction in progress	Others	Total
Cost:									
1 January 2011	88,894	200,728	195,641	378,222	153,369	66,075	245	75,759	1,158,933
Additions	18,512	–	33,001	23,649	10,939	5,057	8,160	8,225	107,543
Transfer-in	–	–	9,941	1,278	90	2,504	18	859	14,690
Disposals	–	–	(24)	(32,061)	(4,969)	(2,451)	(200)	(9,829)	(49,534)
Transfer-out	–	–	–	(1,094)	(944)	–	(7,956)	(4,696)	(14,690)
Written-off	–	(290)	(34,489)	(1,447)	(12,335)	(2)	(94)	(165)	(48,822)
31 December 2011	107,406	200,438	204,070	368,547	146,150	71,183	173	70,153	1,168,120
Additions	7,517	–	6,997	3,386	9,305	2,593	13,357	15,809	58,964
Transfer-in	4,134	–	7,840	2,949	5,613	–	–	87	20,623
Disposals	(288)	(901)	(708)	(8,406)	(3,551)	(1,613)	–	(596)	(16,063)
Transfer-out	–	–	–	–	(4,135)	–	(13,447)	(3,041)	(20,623)
Written-off	–	–	(319)	–	(6,473)	–	(48)	(85)	(6,925)
31 December 2012	118,769	199,537	217,880	366,476	146,909	72,163	35	82,327	1,204,096
Accumulated depreciation:									
1 January 2011	7,952	161,621	133,384	316,616	129,469	51,634	–	61,981	862,657
Depreciation for the year	1,975	6,699	21,794	21,232	11,237	5,321	–	5,416	73,674
Depreciation on disposals	–	–	(23)	(32,061)	(4,868)	(2,418)	–	(9,727)	(49,097)
Depreciation for transfer-in	–	–	1,984	98	47	1,107	–	488	3,724
Depreciation on written-off	–	(208)	(28,490)	(1,447)	(12,298)	–	–	(16)	(42,459)
Depreciation for transfer-out	–	–	–	(1,094)	(888)	–	–	(1,742)	(3,724)
31 December 2011	9,927	168,112	128,649	303,344	122,699	55,644	–	56,400	844,775
Depreciation for the year	2,649	5,521	20,998	12,250	9,930	5,369	–	4,994	61,711
Depreciation on disposals	–	(443)	(453)	(8,406)	(3,424)	(1,591)	–	(471)	(14,788)
Depreciation for transfer-in	–	–	–	88	–	–	–	–	88
Depreciation on written-off	–	–	(194)	–	(6,359)	–	–	(27)	(6,580)
Depreciation for transfer-out	–	–	–	–	–	–	–	(88)	(88)
31 December 2012	12,576	173,190	149,000	307,276	122,846	59,422	–	60,808	885,118
Net book value:									
1 January 2011	80,942	39,107	62,257	61,006	23,900	14,441	245	13,778	296,276
31 December 2011	97,479	32,326	75,421	65,203	23,451	15,539	173	13,753	323,345
31 December 2012	106,193	26,347	68,880	59,200	24,063	12,741	35	21,519	318,978

Depreciation for the year

2011 (Baht 44 million included in manufacturing cost, and the balance in selling and administrative expenses)	73,674
2012 (Baht 34 million included in manufacturing cost, and the balance in selling and administrative expenses)	61,711

As at 31 December 2012, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 714 million (2011: Baht 693 million) (The Company only: Baht 643 million, 2011: Baht 623 million).

The Company has mortgaged land with structures thereon with a bank with a total net book value as at 31 December 2012 of Baht 17 million (2011: Baht 18 million) to secure against the indebtedness of the Company to this bank. In addition, a subsidiary company has mortgaged land with structures thereon with a bank with a total net book value as at 31 December 2012 and 31 December 2011 of Baht 7 million, to secure bank overdrafts and credit facilities granted to the Company and such subsidiary company.

16. Goodwill

(Unit: Thousand Baht)

	Consolidated financial statements	
	2012	2011
Rafa Associates Company Limited	2,151	2,151
Rafa Design Office Company Limited (100 percent shareholding by Rafa Associates Company Limited)	6,458	6,458
Rafa Plus Architect Limited (100 percent shareholding by Rafa Associates Company Limited)	1,558	1,558
Total	10,167	10,167

17. Other intangible assets

Details of intangible assets which are computer software are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cost		
1 January 2011	23,494	23,113
Additions	1,234	1,097
Transfer-in	200	200
Write-off	(30)	-
31 December 2011	24,898	24,410
Additions	1,273	944
Adjustment	(25)	-
31 December 2012	26,146	25,354
Accumulated amortisation		
1 January 2011	19,309	19,136
Amortisation for the year	1,464	1,384
Amortisation on write-off	(30)	-
31 December 2011	20,743	20,520
Amortisation for the year	1,399	1,268
Adjustment	(8)	-
31 December 2012	22,134	21,788
Net book value		
1 January 2011	4,185	3,977
31 December 2011	4,155	3,890
31 December 2012	4,012	3,566
Amortisation expenses included in the income statement for the year		
2011	1,464	1,384
2012	1,399	1,268

18. Leasehold rights

(Unit: Thousand Baht)

	Consolidated and Separate financial statements
Cost	
1 January 2011	64,217
Disposals	(25,342)
31 December 2011	38,875
31 December 2012	38,875
Accumulated amortisation	
1 January 2011	40,431
Amortisation for the year	2,928
Amortisation on disposals	(15,679)
31 December 2011	27,680
Amortisation for the year	2,097
31 December 2012	29,777
Net book value	
1 January 2011	23,786
31 December 2011	11,195
31 December 2012	9,098
Amortisation expenses included in the income statement for the year	
2011	2,928
2012	2,097

19. Other non-current assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Other receivables	25,679	25,679	25,679	25,679
Less: Allowance for doubtful accounts	(25,679)	(25,679)	(25,679)	(25,679)
Other receivables – net	–	–	–	–
Deposits	11,523	14,560	22,139	25,872
Total	11,523	14,560	22,139	25,872

20. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Bank overdrafts	7.38 – 7.43	2,199	171	996	34
Liabilities under trust receipts	4.15	–	2,074	–	–
Short-term loans from financial institutions	3.60	64,000	–	64,000	–
Total		66,199	2,245	64,996	34

Bank overdrafts and certain loans are secured by the mortgage of land with structures thereon of the Company and its subsidiary company, as discussed in Note 14 and 15 to the financial statements.

21. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade payables – related parties	2,226	189	2,297	189
Trade payables – unrelated parties	325,195	269,309	291,752	257,830
Other payables – related parties	10	16	10	16
Other payables – unrelated parties	57,566	21,680	52,625	19,032
Accrued expenses – related parties	–	–	900	797
Accrued expenses – unrelated parties	33,730	45,765	6,444	31,022
Total trade and other payables	418,727	336,959	354,028	308,886

22. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Defined benefit obligation at beginning of year	100,114	91,117	90,937	83,077
Current service cost	10,426	16,508	9,777	15,593
Interest cost	3,612	3,130	3,282	2,908
Benefits paid during the year	(1,361)	(10,641)	(1,361)	(10,641)
Actuarial gain	(4,890)	–	(4,796)	–
Adjustment of provision for long-term employee benefits due to sales of investment in a company held by a subsidiary	(121)	–	–	–
Provisions for long-term employee benefits at end of year	107,780	100,114	97,839	90,937

Long-term employee benefit expenses included in the profit or loss was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Current service cost	10,426	16,508	9,777	15,593
Interest cost	3,612	3,130	3,282	2,908
Actuarial gain recognised during the year	(4,890)	–	(4,796)	–
Total expense recognized in profit or loss	9,148	19,638	8,263	18,501
Line items under which such expenses are included in profit or loss				
Cost of sales	5,040	5,050	5,038	4,946
Selling and administrative expenses	4,108	14,588	3,225	13,555

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.6 – 4.3	3.5	3.8	3.5
Future salary increase rate	4.3	5.0	4.3	5.0
Staff turnover rate (depending on age)	0–49	0–50	0–49	0–50

Amounts of defined benefit obligation are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments arising on the plan liabilities	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
31 December 2012	107,780	97,839	4,070	3,493
31 December 2011	100,114	90,937	–	–
1 January 2011	91,117	83,077	–	–

23. Share capital

On 28 April 2011, the Annual General Meeting of the Shareholders of the Company passed resolution to approve the changing in par value of ordinary shares from Baht 10 each to Baht 1 each, increasing the number of registered shares from 89,200,000 shares to 892,000,000 shares and the number of paid-up shares from 83,235,372 shares to 832,353,720 shares. The Company registered the changes in the par value and number of shares with the Ministry of Commerce on 6 May 2011.

On 1 June 2012, the Board of Directors of the Company passed a resolution to reduce the registered and paid up capital by 32,353,000 shares from the Share Repurchase Program No. 2 that reached its deadline on 24 May 2012. Consequently, the registered share capital of the Company decreased from Baht 892,000,000 (892,000,000 ordinary shares of Baht 1 each) to Baht 859,647,000 (859,647,000 ordinary shares of Baht 1 each), and the paid up capital decreased from Baht 832,353,720 (832,353,720 ordinary shares of Baht 1 each) to Baht 800,000,720 (800,000,720 ordinary shares of Baht 1 each). The Company registered the reduction in its capital with the Ministry of Commerce on 13 June 2012.

24. Treasury stocks

	Consolidated and Separate financial statements	
	2012	2011
Number of shares (shares) ⁽¹⁾	80,000,720	112,353,720
Average price per share (Baht)	4.16	3.79

⁽¹⁾ Treasury stocks consist of the share repurchase No. 3 amounting 80,000,720 shares and the share repurchase No. 2 amounting 32,353,000 shares.

As at 31 December 2012, the Company's treasury stocks amounting to Baht 333 million (2011: Baht 425 million), was presented as a deduction item in shareholders' equity. This amount is presented under the cost method. The market price of the treasury stocks which is based on the closing price quoted on the Stock Exchange of Thailand on the last day of period, was approximately Baht 616 million (2011: Baht 640 million).

24.1 The Share Repurchase Program No. 3 for the purpose of financial management

On 14 May 2010, a meeting of the Board of Directors of the Company approved the Share Repurchase Program No. 3 for the purpose of financial management. The details are as follow:

- a) The maximum amount for repurchasing the shares is Baht 300 million.
- b) A total of 83,235,370 shares are available for repurchase with par value of Baht 1 per share, equivalent to 10 percent of the total paid-up capital.
- c) These shares are to be repurchased on the Stock Exchange of Thailand by offering to general shareholders. The repurchase price must not exceed 115% of the weighted average over the latest 5 trading days.
- d) The repurchase period is from 1 June 2010 to 30 November 2010.
- e) Any shares bought back are to be resold on the Stock Exchange of Thailand by offering to general public, during the period from 1 June 2011 to 30 November 2013 (after 6 months but not more than 3 years after the completion date of the share repurchase scheme). Resale of shares, cancellations of the repurchased shares and reductions of share capital are to conform to the 2001 Ministerial Regulations on the principle and procedures for the repurchase and resale of shares. The determination of the resale price will not be lower than 85% of the weighted average closing price over the latest 5 trading days.
- f) The treasury stocks carry no rights to receive dividend.

On 11 August 2010, a meeting of the Board of Directors of the Company passed resolution to approve of new maximum limit of Baht 350 million from the existing limit of Baht 300 million for the stock buyback under the Share Repurchase Program No. 3 of the Company.

24.2 The Share Repurchase Program No. 2 for the purpose of financial management

On 10 November 2008, a meeting of the Board of Directors of the Company approved the Share Repurchase Program No. 2 for the purpose of financial management. The details are as follows:

- a) The maximum amount for repurchasing the shares is Baht 200 million.
- b) A total of 83,235,370 shares are available for repurchase with par value of Baht 1 per share, equivalent to 10 percent of the total paid-up capital.
- c) These shares are to be repurchased on the Stock Exchange of Thailand by offering to general shareholders. The repurchase price must not exceed 115% of the weighted average closing price over the latest 5 trading days.
- d) The repurchase period is from 25 November 2008 to 24 May 2009.
- e) Any shares bought back are to be resold on the Stock Exchange of Thailand by offering to general public, during the period from 25 November 2009 to 24 May 2012 (after 6 months but not more than 3 years after the completion date of the share repurchase scheme). Resale of shares, cancellations of the repurchased shares and reductions of share capital are to conform to the 2001 Ministerial Regulations on the principle and procedures for the repurchase and resale of shares. The determination of the resale price will not be lower than 85% of the weighted average closing price over the latest 5 trading days.
- f) The treasury stocks carry no rights to receive dividend.

According to letter No. Gor Lor Tor. Chor Sor. (Vor) 2/2548 of the Office of the Securities and Exchange Commission, dated 14 February 2005, concerning the acquisition of treasury stocks, a public limited company may purchase back treasury stocks in an amount not exceeding the amount of its retained earnings and is to appropriate an equal amount of retained earnings to a reserve for treasury stocks, which must be maintained until the Company either sells the treasury stocks or reduces its paid-up share capital by an amount equal to the value of the treasury stocks

which it could not sell. As at 31 December 2011, the Company appropriated the full required amount of retained earnings to a reserve for the treasury stocks amounting to Baht 425 million, with the Company recording the reserve as “Appropriated retained earnings – others” in the statements of financial position.

Subsequently, as at 31 December 2012, the Company reversed the appropriated retained earnings for treasury stocks, amounting to Baht 93 million after decreasing paid-up share capital as described in Note 23 to the financial statements, by writing off the treasury stocks as stated above.

25. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a 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.

26. Other surplus

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
The value of the Company's investment under equity method increased due to raised additional share capital by MFEC Public Company limited by means of the sale of shares through a public offering on the SET	33	33	–	–
The value of the Company's investment under equity method increased due to raised additional share capital by Thai Plaspac Public Company Limited by means of a public offering of shares on the MAI	3	3	–	–
The value of the Company's investment under equity method decreased resulted from the warrant holders of MFEC Public Company Limited exercised their right to convert warrant to ordinary shares	(3)	(3)	–	–
Gain on reclassification of investment from investment in associate company to available-for-sale investments (Note 12.5)	59	59	185	185
Total	92	92	185	185

27. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Salary and wages and other employee benefits	772,413	667,054	725,817	622,685
Depreciation	91,912	104,153	61,711	73,674
Amortisation expenses	3,496	4,392	3,365	4,312
Rental expenses from operating lease agreements	20,928	24,575	39,831	43,077
Raw materials and consumables used	758,569	645,679	758,325	646,096
Changes in inventories of finished goods and work in process	223,562	20,146	201,398	22,972

28. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year net from treasury stocks held by the Company, as discussed in Note 24 to the financial statements.

The following table sets forth the computation of basic earnings per share:

	Consolidated financial statements					
	Profit		Weighted average number of ordinary shares ⁽¹⁾		Earnings per share	
	2012	2011	2012	2011	2012	2011
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Profit attributable to equity holders of the Company	410,025	373,541	720,000	720,000	0.57	0.52

⁽¹⁾ Weighted average number of ordinary share (net from treasury stocks held by the Company)

	Separate financial statements					
	Profit		Weighted average number of ordinary shares ⁽¹⁾		Earnings per share	
	2012	2011	2012	2011	2012	2011
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Profit attributable to equity holders of the Company	472,840	256,875	720,000	720,000	0.66	0.36

⁽¹⁾ Weighted average number of ordinary share (net from treasury stocks held by the Company)

29. Segment information

The Company and its subsidiaries' business operations involve three principal segments i.e. the furniture business, the rental and service business and the architectural design business segment. These operations are mainly carried on in Thailand. Below is the consolidated financial information of the Company and its subsidiaries as at 31 December 2012 and 2011, and for the years ended 31 December 2012 and 2011 by segment.

(Unit: Million Baht)

	Furniture business		Rental and service business		Architectural design business		Elimination of inter-segment		Consolidation	
	For the years ended 31 December									
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues from external customers										
– Domestic	2,921	2,693	70	68	78	52	–	–	3,069	2,813
– Foreign	25	59	–	–	–	–	–	–	25	59
Intersegment revenues	1	1	48	48	–	–	(49)	(49)	–	–
Total revenues	2,947	2,753	118	116	78	52	(49)	(49)	3,094	2,872
Segment income	341	255	50	53	20	9	3	3	414	320
Unallocated income and expenses:										
Gain on change in shareholders' equity of a associated company									–	64
Other income									69	57
Share of profit from investment of associated companies									49	62
Finance cost									(5)	(5)
Income tax expenses									(103)	(114)
Profit for the year									424	384

(Unit: Million Baht)

	Furniture business		Rental and service business		Architectural design business		Elimination of inter-segment		Consolidation	
	As at 31 December									
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Property, plant and equipment	321	325	169	179	2	3	(8)	(8)	484	499
Investments properties	–	–	265	282	–	–	–	–	265	282
Unallocated assets									2,827	2,378
Total assets									3,576	3,159

Transfer prices between business segments are as set out in Note 6 to the financial statements.

30. Provident fund

The Company, subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contributed to the fund monthly at the rate of 5 percent of basic salary. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2012, the Company and its subsidiaries contributed Baht 16 million (2011: Baht 14 million) to the fund.

31. Dividends

Dividends	Approved by	Total dividends	Dividend per share	Number of shares
		(Thousand Baht)	(Baht per share)	(Thousand shares)
Final dividends for 2010	Annual General Meeting of the shareholders on 28 April 2011	180,000	2.50	72,000
Interim dividends for 2011	Board of Directors' meeting on 22 September 2011	144,000	0.20	720,000
Total dividends for 2011		324,000		
Final dividends for 2011	Annual General Meeting of the shareholders on 25 April 2012	180,000	0.25	720,000
Interim dividends for 2012	Board of Directors' meeting on 25 September 2012	144,000	0.20	720,000
Total dividends for 2012		324,000		

The dividends are to be paid to shareholders after deduction of the shares of treasury stocks which have no right to received dividend.

32. Commitment and contingent liabilities

32.1 Capital commitments

As at 31 December 2012, the Company had capital commitments of approximately Baht 21 million (2011: Baht 11 million), relating to the purchasing of goods for sale and machinery for production.

32.2 Operating lease and other service commitments

The Company and its subsidiaries have entered into several agreements in respect of leases of offices and showrooms and other services. The terms of the agreements are generally between 1 to 30 years. Future minimum rentals and service charges payables were as follows:

(Unit: Million Baht)

	As at 31 December	
	2012	2011
Payable within:		
Less than 1 year	81	75
1 to 5 years	41	25
More than 5 years	1	3

This amount includes commitments of Baht 43 million (2011: Baht 43 million) under rental agreements which the Company has entered into with a subsidiary company.

32.3 Guarantees

- (1) As at 31 December 2012 and 2011, the Company had guaranteed bank credit facilities of its subsidiary to Baht 41 million.
- (2) As at 31 December 2012 and 2011, there were outstanding bank guarantees of approximately Baht 254 million and Baht 274 million, respectively issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 245 million and Baht 265 million, respectively, to guarantee contractual performance and Baht 9 million and Baht 9 million, respectively, to guarantee electricity use, among others.

32.4 Letter of credit

As at 31 December 2012, the Company and its subsidiaries had unused letters of credit amounting to Baht 638 million (2011: Baht 512 million).

33. Financial instruments

33.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and short-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, loans and other receivable. 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 it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans and other receivable as stated in the statement of financial position.

Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk relates primarily to their cash at banks, loans, bank overdrafts and short-term borrowings. Most of the financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities as at classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Consolidated financial statements				
	As at 31 December 2012				
	Fixed interest	Floating			
	rates within	interest	Non-interest		Average
	1 year	rate	bearing	Total	interest rate
	(Thousand Baht)				(Percent per annum)

Financial assets

Cash and cash equivalents	–	100,570	574	101,144	0.63 – 0.88
Trading securities	–	–	9,596	9,596	–
Available for sale securities	–	–	578,665	578,665	–
Trade and other receivables	–	–	691,691	691,691	–
	–	100,570	1,280,526	1,381,096	

Financial liabilities

Bank overdrafts and short-term loans from financial institutions	–	66,199	–	66,199	3.60 – 7.43
Trade and other payables	–	–	418,727	418,727	–
Customer deposits	–	–	334,037	334,037	–
	–	66,199	752,764	818,963	

	Consolidated financial statements				
	As at 31 December 2011				
	Fixed interest	Floating			
	rates within	interest	Non-interest		Average
	1 year	rate	bearing	Total	interest rate
	(Thousand Baht)				(Percent per annum)

Financial assets

Cash and cash equivalents	–	143,401	1,762	145,163	0.75 – 1.00
Bill of exchange	80,000	–	–	80,000	4.20
Trading securities	–	–	9,318	9,318	–
Available for sale securities	–	–	351,274	351,274	–
Trade and other receivables	–	–	584,519	584,519	–
	80,000	143,401	946,873	1,170,274	

Financial liabilities

Bank overdrafts and short-term loans from financial institutions	2,074	171	–	2,245	4.15 – 7.60
Trade and other payables	–	–	336,959	336,959	–
Customer deposits	–	–	302,544	302,544	–
Short-term loans and accrued interest payable to related party	401	–	–	401	1.50 – 1.70
	2,475	171	639,503	642,149	

	Separate financial statements			
	As at 31 December 2012			
	Fixed interest	Floating		
	rates within	interest	Non-interest	Average
	1 year	rate	bearing	Total
	(Thousand Baht)			(Percent per annum)

Financial assets

Cash and cash equivalents	–	70,244	501	70,745	0.63 – 0.88
Trade and other receivables	–	–	615,730	615,730	–
Available for sale securities	–	–	578,665	578,665	–
Long-term loans and accrued interest receivable from related parties	–	130,810	–	130,810	3.70 – 7.50
	–	201,054	1,194,896	1,395,950	

Financial liabilities

Bank overdrafts and short-term loans from financial institutions	–	64,996	–	64,996	3.60 – 7.43
Trade and other payables	–	–	354,028	354,028	–
Customer deposit	–	–	314,966	314,966	–
	–	64,996	668,994	733,990	

	Separate financial statements				
	As at 31 December 2011				
	Fixed interest	Floating			
	rates within	interest	Non-interest	Average	
	1 year	rate	bearing	Total	interest rate
	(Thousand Baht)				(Percent per annum)

Financial assets

Cash and cash equivalents	–	123,961	1,405	125,366	0.75–1.00
Bill of exchange	80,000	–	–	80,000	4.20
Trade and other receivables	–	–	534,044	534,044	–
Available for sale securities	–	–	351,274	351,274	–
Long-term loans and accrued interest receivable from related parties	–	41,460	–	41,460	3.90–7.75
	80,000	165,421	886,723	1,132,144	

Financial liabilities

Bank overdrafts and short-term loans from financial institutions	–	34	–	34	7.50–7.60
Trade and other payables	–	–	308,886	308,886	–
Customer deposit	–	–	279,694	279,694	–
	–	34	588,580	588,614	

Foreign currency risk

The Company and its subsidiaries are exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balance of financial assets and liabilities denominated in foreign currencies are summarized below.

Foreign currency	Financial assets as at		Financial liabilities as at		Average exchange rate	
	31 December		31 December		As at 31 December	
	2012	2011	2012	2011	2012	2011
	(Thousand)		(Thousand)		(Baht per 1 foreign currency unit)	
US dollar	207	236	808	1,034	30.5 – 30.8	31.6 – 31.8
Euro	–	–	1,167	379	40.3 – 40.9	40.7 – 41.3
Danish Krone	–	–	111	211	5.4 – 5.5	5.5 – 5.6
CHF	–	–	92	41	33.3 – 33.9	33.4 – 34.0
Hong Kong dollar	–	–	–	113	3.9 – 4.0	4.0 – 4.1
Singapore dollar	–	–	122	64	24.8 – 25.3	24.2 – 24.6
Yen	–	–	–	63	0.4	0.4

Foreign exchange contracts outstanding are summarised below.

As at 31 December 2012			
Foreign currency	Bought amount (Thousand)	Contractual exchange rate (Baht per 1 foreign currency unit)	Contractual maturity date
Euro	111	39.85	4 March 2013

As at 31 December 2011			
Foreign currency	Bought amount (Thousand)	Contractual exchange rate (Baht per 1 foreign currency unit)	Contractual maturity date
Euro	15	42.93	17 January 2012

33.2 Fair values of financial instruments

Since the majority of the financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

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

34. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate capital structure in order to support its business and maximise shareholder rate. As at 31 December 2012, the Group's debt-to-equity ratio was 0.40:1 (2011: 0.35:1) and the Company's was 0.40:1 (2011: 0.37:1).

35. Subsequent event

On 21 February 2013, a meeting of the Company's Board of Directors passed a resolution to approve the proposal of a dividend of Baht 0.5 per share in respect of the 2012 earnings. The Company paid an interim dividend of Baht 0.2 per share in October 2012. The Company will propose the resolutions of the above meeting of the Board of Directors for approval by the Annual General Meeting of the shareholders.

36. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2013.



บริษัท โมเดิร์นฟอร์มกรุ๊ป จำกัด (มหาชน)
699 ถนนศรีนครินทร์ เขตสวนหลวง กรุงเทพฯ 10250 โทร. 0 2708 9600 โทรสาร 0 2708 9950
Modernform Group Public Company Limited
699 Srinakarindr Road, Suanluang, Bangkok 10250 Thailand
E-mail : enquiry@modernform.co.th www.modernform.co.th