



# ANNUAL REPORT 2015

MODERNFORM GROUP PUBLIC COMPANY LIMITED



รายงานประจำปี 2558  
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

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## Message from the Chairman

2015 remained another year of ongoing economic and political instability in Thailand. Business condition was far from improving, at least in the short run. That's why we were careful when managing our business while adjusting our operation to also cover the health and hospital business at a time Thailand is becoming an aging society. Meanwhile, we did not overlook the modern society's digital appetite and eagerly eyed digital business opportunities favored by a younger generation.

Greater competitions did make a dent into our 2015 performance as it somewhat ate into our gross profit. Yet, overall speaking, we still managed to generate a high level of profit for another year and continued to pay a dividend at a consistently high rate thanks to our ample liquidity.

Entering 2016, we plan to adjust our strategies to respond to stagnating consumptions and stiffer competitions. We will quicken our expansion pace to overseas and other markets. Currently, we do enjoy additional solid business alliance with our partners in Japan, Malaysia and Myanmar.

As end of 2015, Modernform secured a high number of accumulated purchasing orders in hands, which should mitigate potential impact to our 2016 performance. We are confident that 2016 will be another year of reasonable growth where we will constantly adhere to enhancing our management, improving our services and innovating our products for the business to advance sustainably.

Modernform underlines the importance of social and environmental development activities, starting first from the design stage to raw material selection, to production process, delivery and till our product reaches consumers, by taking into consideration our responsibility and impact towards environmental condition and social wellbeing. Simultaneously, by organizing corporate social responsibility activities, we were able to raise employee's awareness to volunteer their time and effort especially for education, occupational health and community safety projects.

On behalf of the Board and the management, I would like to express our sincere thanks to our colleagues, customers, partners, shareholders and all related parties who have continued to trust and support us throughout the year.



Chareon Usanachitt  
Chairman



Thaksa Busayapoka  
Chief Executive Director

## Financial Highlights for the Year 2015

	2015	2014	2013
<b>TOTAL REVENUES(Baht)</b>	<b>4,337,412,788</b>	<b>4,294,806,243</b>	<b>3,555,696,216</b>
<b>REVENUES FROM SALES,RENTAL AND SERVICES (Baht)</b>	<b>3,802,275,842</b>	<b>3,746,368,994</b>	<b>3,494,234,296</b>
COST OF SALES,RENTAL AND SERVICES (Baht)	2,499,874,684	2,414,500,632	2,152,335,658
GROSS PROFIT (Baht)	1,302,401,158	1,331,868,362	1,341,898,638
EARNING BEFORE MINORITY INTEREST(Baht)	707,745,806	784,929,701	426,096,229
NET PROFIT (Baht)	662,457,321	784,830,594	420,490,560
TOTAL ASSETS(Baht)	4,086,322,187	4,250,791,549	4,234,117,846
TOTAL LIABILITIES(Baht)	1,499,127,017	1,527,030,304	1,407,138,883
MINORITY INTEREST (Baht)	45,768,060	38,339,646	38,240,539
NET WORTH (Baht)	2,541,427,110	2,685,421,599	2,788,738,424
<b>PROFITABILITY:</b>			
Gross profit margin (%)	34.3	35.6	38.4
Net profit margin (%)	17.4	21.0	12.0
<b>RETURN ON INVESTMENT :</b>			
Return on total assets (%)	15.9	18.5	10.8
Return on total net worth (%)	24.9	28.3	15.6
<b>LIQUIDITY &amp;STABILITY</b>			
Current ratio (Times)	2.1	2.0	2.0
Debt / Equity ratio (Times)	0.6	0.6	0.5
<b>PER SHARE DATA</b>			
Number of shares(Registered)	809,646,280	809,646,280	809,646,280
(2013 : 809,646,280 ordinary shares of Baht 1 each)			
Number of shares (Fully paid)	750,000,000	750,000,000	750,000,000
(2013 : 750,000,000 ordinary shares of Baht 1 each)			
Par value (Baht/Share)	1	1	1
Book value (Baht/Share)	3.45	3.63	3.77
Net profit(EPS) (Baht/Share)	0.88	1.05	0.57
Dividends (Baht/Share)	1.00*	1.00	0.55

- Note : \*
- The Meeting of the Board of Directors of the Company No.1/2016 held on February 26, 2016 passed resolution to pay dividends at the rate of Baht 1.00 for the year 2015 operating year to shareholders of the company at a rate of Baht 0.50 per share and at the rate 0.50 baht per share from the proceeds of sale of shares held in TPAC. The Company paid interim dividend on October 14, 2015 and December 8, 2015 total 0.75 baht hence a remaining value of Baht 0.25 per share will be paid to shareholders as dividend. The matter will be proposed for approval at the Annual Ordinary General Shareholders Meeting No.1/2016 on April 21, 2016.
- Financial highlights for year end 2013 and 2014 are the financial statement before restated, excluding the accounting transaction of TPAC. In 2015, the accounting transaction of TPAC is presented as one line in the Company's financial statement. Therefore, the Financial Ratio of year 2015 is calculated based on the financial statement of year 2014 (before restated).

## Report from the Board of Directors Summary of the Operation in 2015

At the end of 2014, various agencies including the Bank of Thailand estimated Thailand's GDP growth to rise by 3–4%. Yet, into the first half of 2015, several had to lower their too optimistic viewpoints to below 3% mainly due to negative export growth, which was in the red zone for minus 5.6% during the entire year, due to several reasons ranging from the weakening economy of our trading partners such as Japan, China and the European Union (EU) to a rapid fall of the world's oil prices that lowered commodity prices of rice, rubber, maize and cassava and significantly affected farmers' incomes. Meanwhile, private spending was at a record low due to high household debt. Private investment was sluggish. Withdrawal of public expenditure for investments was delayed. The country was confronted with another draught that further decreased the household income. This decreased domestic consumption, which then affected the production sector, resulting in less employment.

The second half of 2015 saw the Thai government re-shuffling its economic ministers in order to revive the economy. The new economic team launched a series of economic-stimulating measures from improving the livelihood of low-income citizens to invigorating small investments, providing low-interest loans to SMEs, speeding up private investments and stimulating the property sector flooded with housing oversupply. These measures plus a tax rebate for purchases of goods during year-end spending, cuts and slashes in the housing transfer and mortgaging fees as well as personal income tax deduction for homebuyers sharply boosted the economy during the final quarter. The GDP growth for the Thai economy in the entire 2015 was estimated to expand by more than 3%.

Regarding the property market that affects demands for furniture, in 2015, consumers responded well to medium to high-end residential projects especially high-rise condominiums in the central business district. This led to new projects being launched and a 20% increase of units being sold despite fewer units available. The shift to more luxurious residential projects was due to a sluggish market in the medium to low-end property segments due largely to the existing large inventory while its customers were plagued with high household debt. At the other end, various projects preferred to load off their completely built stocks through marketing campaigns, which delayed new projects from coming into the market. While sales during the first three quarters were slow, thanks to the government's measures to stimulate the property sector and aggressive marketing strategies of realtors, home purchases and transfers was quite lively in Q4. The measures should keep the sector moderately buoyant until the first quarter of 2016 before the cut of housing transfer fee and the reduction of mortgage fee expire in April 2016.

The Bank of Thailand forecasts the GDP growth in 2016 to rise by 3.7% after measures to boost the local economy's spending had been put in place since late 2015. Other positive measures include government measures to invigorate the Thai economy in the long run, tax privileges and supports from Board of Investment for private sector investment, government support to several industrial sectors and government spending in megaprojects from highways to double-track railway, high-speed train, port and the expansion of the Suvarnabhumi international airport, all of which aim to accommodate the regional market expansion resulting from the Asean Economic Community (AEC) scheme officially taken off since late 2015. Still, negative factors persist. This includes declining incomes in the farming sector; falling exports as the overseas economy remains weakening and the decline in the world's oil prices that affect commodity prices worldwide.

The estimated GDP growth of more than 3% in 2016 should help expanding the property sector. The Thai Condominium Association expects residential projects to expand by 5% in 2016, most of which will come from low-rise units thanks to existing and ongoing demands and housing transfer transactions that can be immediately executed after the purchases. Markets for condominium units however remain volatile due to abundant supply. While it's true that the property sector signals a recovery, the middle-class, especially at the lower end, still has to deal with its debt, which remains a main negative factor. The government's extension of its measures of housing transfer and mortgage fee cuts, if realized, will be a boon to the overall property sector.

Annual Results from consolidated basis of the company in 2015 records total revenue of 4,337.4 Million Baht increase from previous year 4,294.8 Million Baht and 3,653.7 Million Baht was from sales. Net profits of 662.5 Million Baht earning per share were baht 0.88 increase from previous year 16.2% and total asset were at 4,086.3 Million Baht decreased from previous year 5,157.2 Million Baht.

### Product Research and Development

Focusing its energy at education institutes, the office furniture group has developed the multi-purpose “Iconic” chair to respond to diverse use in today’s learning environment. Together with Faculty of Commerce and Accountancy, Chulalongkorn University, we have developed a prototype classroom, which, if succeeded, will be expanded to other education institutes and organizations nationwide.

We also develop three office furniture innovations; namely, Klub, Capsule and Kurve.

While Klub is a full-scaled knockdown acoustic meeting room which can be quickly assembled and removed. Capsule is a corner meeting space easily installed at any corner and Kurve is a set of furniture designed for connectivity much needed in long-distance conferences.

Our kitchen furniture segment expands its existing line with consumer’s flexibility in mind in both design and budget. This year, we offer additional color options to respond to diverse consumer tastes..

The home furniture group meanwhile stands to benefit from our Space Solution designs launched a year earlier (both walk-in and built-in closet). Premium-graded real estate developers have chosen Modernform home furniture for their projects, for example, the Circle Project has opted for Modernform’s Transform Living series, while Land & House, the country’s leading realtor, has selected hi-gloss products for its refined, high-ended projects.

Originally, most of our export furniture was standard product with nothing fanciful. Yet, during the past year, Modernform designed our export merchandises to answer to specific needs of certain customers. For example, our Product Development Center offered a specially designed product to the Simmons Group, a bed importer. The final product was warmly received both by Simmons and buyers.

The architectural items group under our Home Decorative Products business continues to enhance designs of certain products as in the case of ReadyDor, a door with a specially-designed frame, which turns out to be a favorite among leading realtors throughout the year. In 2016, we plan to develop and launch quite a number of products under this product group. Each product is expected to capture consumer’s heart thanks to our three design strengths of (1) uniqueness that differentiates our design from the rest; (2) a testing process that is up to international standards and (3) a network of strong alliance.

All of these products will allow Modernform to achieve our business goal in 2016.

### Production

2015 was another year that Modernform’s production volume remained very high. We were able to deliver on time and constantly met customers’ expectations throughout the year although they were projects that required highly refined products in large volumes and we needed to meet our client’s work schedules. We were able to adapt to the situation and enhance our potential to accommodate high-quality work and, in the end, respond to customers’ needs and make them happy.

In 2016, although the economy is likely to remain sluggish, our Production Department continues to have a large number of pipeline productions in hands. It is ready to accommodate existing workloads while eager to expand productivity as soon as the market recovers.

To improve productivity efficiency in 2016, our plan is to add precision in every area expected by our customers whether it’s the quality, product and timely delivery. We will do this through additional investments in highly efficient machinery as well as new technology of tools, devices and fittings. We plan to also expand factory and warehouse space in order to prepare ourselves for production expansion. Simultaneously, we will develop our personnel capability and improve our management efficiency.

## Marketing, Sales and Distribution

However, the Thai government, through its economic team, launched a series of projects to boost the stagnant local economy, which helped enhancing sales and marketing opportunities for the furniture business. Together with the launch of the Asean Economic Community (AEC) in early 2016, this should lead to higher intra-regional investments.

Major real estate developers of both low- and high-rise projects are adjusting their marketing strategies to focus more at premium markets and to lower their supply in the medium to low-ended segments. The focus is at projects along Bangkok's BTS skytrain and MRT subway mass transit systems. At the other end, the office building business sees its rent and new investments for renovation declining.

Overall speaking, in the furniture market, since Modernform's target customers are mid to high-ended customers, we haven't suffered much as their purchasing power remains strong compared to that of lower-ended clients whose purchasing power is indeed weakening.

To make ourselves ready for the AEC which is about to take off in 2016, and to expand our marketing opportunities, Modernform has widened our distribution channels to Asean countries where we have appointed more distributors especially in the CLMV countries.

In 2015, we joined hands with Itoki Japan Corporation to set up a joint venture under the name of Itoki Modernform Co Ltd to add Japanese clientele onto our domestic office furniture customer profile. The joint venture is also our attempt to cover the AEC market by offering a complete portfolio of products that answer to all customers' needs through an effective supply chain.

Under the architectural products group, we enhance the way LG Hi-Mac synthetic stone is used. In other words, instead of just being a countertop or kitchen top, the synthetic stone is now used, for example, as a wall decorative item of, among a few, AIS shop, Mini Cooper showroom and Samitivej Hospital. Besides, the same stone was transformed into a free-form furniture/sculpture at Kasikornthai Bank's new project.

Modernform's greatest moment of pride came when we were bestowed the "Best Public Companies of the Year 2015" under the consumer's product group by Money & Banking Magazine in its Money & Banking Awards 2015. What's more is that Modernform Health & Care Co Ltd scooped at least four awards from Germany; namely, Excellent Award for Volker Homecare 2015 from Hill-Rom; Best Performance for Operating Tables in APEC from Trumpf; Distinguished Partner 215 from Trumpf; and, finally, Best Overall Performance 2015 Award in APEC.

Regarding our marketing activities, continuing from 2015's marketing campaign of "Your Furniture Soulmate," we were able to turn what we had learned from the campaign to effectively communicate with showroom customers in a way that responded more to their needs for information. Simultaneously, we also added innovative products from the Meeting Solution Collection to the portfolio of our office furniture to enable our customers to work effectively anywhere, anytime.

Here at Modernform, we continued our sales promotion campaigns through a series of events from "We Design for Your Desire," to "Stay in Style" and "Cheerful Moment, Cheerful Season" held during the festive season to inspire customer's decoration instincts while adding festive colors to our showrooms and urging customers to make a decision. Of course, we always hold the much-loved Annual Sale event to express our thanks to customers by offering quality furniture at attractive prices.

We continued to work on customer's relations. New "Be My Guest" membership cards were distributed to our members. We kept drawing customer's smiles through the regularly held e-newsletters and art & craft workshops. For our project customers, we offered a year of furniture check-up service to their customers following the delivery. In addition, we held a bike event for our designers to go biking with customers all year long. At the end of the year, a huge thank-you party was organized for more than 600 designers from a little over 100 firms at our showroom at Crystal Design Center.

Modernform continues to pay attention to digital and online social media such as Facebook and YouTube where we offer information in the form of decorating tips and techniques and where we organize fun activities to enhance Modernform brand perception. In 2015, the "Believe in Soulmate" ad was aired as a video clip in our YouTube channel to attract younger generation clientele who are



very technologically savvy to our brand. The result was fantastic as we were able to attract more than 300,000 viewers only after the first 10 days of the video launch.

For our distribution channels, 75% of our sales are still dedicated to project sales while the remaining 25% is retail customers. We do pay more attention to retailing by creating customer experience to reflect our brand image. There is a plan to refurbish our showrooms to answer to customers who are interested in specific groups of products in major provincial towns such as Phuket. As we foresee more opportunities to sell both home and office furniture to project customers, our showrooms are re-aligned to be a mixed showcase for both retail and project customers.

To summarize, while the 2015 economy was quite weak, we were able to maintain our market share and, better, found ways to expand our business to burgeoning markets especially those focusing at high-ended urbanites. In 2016, we will continue expanding our business to reach new groups of customers in both public and private sectors with purchasing power. This should include healthcare organizations such as hospital and education institute who increasingly focuses more at higher quality of life, furniture that can effectively answer to office space management and new products that offer new perspectives in interior decoration. In short, we keep expanding our horizon in innovation, distribution and goods and services to answer to our customers as reflected in our slogan of “Your Furniture Soulmate.”

## Service

In general, delivery and installation services of home furniture, kitchen and bathroom continued to serve a large number of project clients all year long. They were projects which had placed orders in 2014 but most installation was to complete a year later.

While there was a lot of work to fulfill during Q1–Q3, the last quarter saw workload become lighter after several large projects wrapping up and delivering their work to customers by year end to enable customers to enjoy reduction of housing transfer fee and tax deduction on housing mortgage offered by the government to stimulate spending within the last quarter of the year.

Installation and coordination work ran into certain difficulty when projects were not ready for our services. This was especially in the case of large projects which could not finish on time and therefore delayed our furniture installation while costing us extra expenses since we needed to finish pending work based on delayed work schedules.

However, overall speaking, the delivery and installation services were considered good, in compliance with the standards and well accepted by project clients, which led to a constant flow of transfer and delivery of our furniture to project clients throughout the year.

For delivery and installation of office furniture, this was slowing down compared to what happened in 2014 due largely to the weakening economy. New office buildings therefore opted to delay their expansion and new furniture replacement.

Most of office furniture delivery and installation services were for mid-sized and small projects. The volume of installation in each office was not much, which also means less installation time to complete. However, this was translated into higher delivery volumes since although smaller projects required a few pieces of furniture, by using mid-sized trucks, this means a few more trips of delivery had to be made.

There also remained coordination issues with our clients whether it was about scheduling appointments or heavier traffic in the capital, which cost us more delivery time. The service in this area still needs to improve and refine.

Modernform has implemented the Container Management System (CMS) on a trial basis to help managing the loading order of office furniture onto our trucks, which proves to reduce loading time and loss from transportation. The system does increase work efficiency to the entire department and will be further enhanced to also apply to home furniture in the upcoming years.

Generally speaking, Modernform plans to make the service in this area better than what it currently is for the best impression of our customers.

In 2016, we have already set a higher operation target to challenge our service team. At the same time, we tighten our operation plan to make it precise in order to reduce overall expenses in delivery and installation services.



## International Business

As the Asean Economic Community (AEC) completely took off in late 2015, Modernform had already stepped into Myanmar and Lao PDR. The two countries do register huge demands for all types of furniture, in all price ranges and by all groups of target customers. Yet, consumer's behaviors and tastes in the two countries are quite different from their Thai counterparts. Not only are they restricted by smaller budgets but they are also on a learning curve when it comes to furniture design.

Modernform is currently scouring for a right distributor and agent in Cambodia. We expect to have additional distributors in 2016.

Regarding the Original Design Manufacturer (ODM), our relationship with Chinese customers is very healthy. We were able to present new products with a hope to expand our customer base. This helped increasing our overseas sales towards the last quarter of the year.

In short, 2015 was considered a difficult year. But we are committed to expand and further enhance our overseas markets.

## Import and distribution of furniture and decorative accessories under the Home Decorative Products business

In 2015, businesses in Bangkok and upcountry suffered from internal and external economic and political uncertainties as well as exchange rate volatility. That's why Modernform had to keep adjusting our strategy by focusing at innovative products and differentiating our services from competitors for customer's best satisfaction. We positioned ourselves as our customer's partner to provide advice on how to use products properly before and after sales.

Simultaneously, we also added new products to our portfolio in almost all product ranges whether it's a new model of sliding door, a new design of door handle, Hi-Mac synthetic stone, Interface flooring, Verona composite stone, FeelFloor ready-made flooring, Lamett laminated flooring and Floover rubber flooring. In 2015, Modernform launched ReadyDor to an overwhelming success, which led us to introduce more models, enhance our production and quicken our installation services to satisfy customers.

In 2015, Modernform made another step by offering wallpaper and curtain as well as exterior decorative items whether it's for exterior wall decoration or artificial flooring for exterior flooring and wall.

We also refurbished showrooms at Sukhumvit, Crystal Design Center, Chiangmai and Phuket to keep them fresh and trendy and to accommodate new lines of products. We appointed additional distributors in southern Bangkok to save our customers commuting time.

In 2016, we will maintain our policy to scour innovative and quality products as well as to increase service and distribution channels to make sure that customers can easily reach out to us in a comprehensive and more convenient manner.

## Information Technology Development

In 2015, Modernform continued to update our Modernform Operating System (MOS) as well as the network system between the head office and branches for efficiency and speed in the following areas:

- QR Code & Barcode was introduced for checking purpose at both showrooms and warehouses to reduce checking time and error.
- Wi-Fi was installed at warehouses and at production lines to work with QR Code & Barcode.
- The network system was upgraded for showrooms. Long-distance Wi-Fi was installed for faster communications between the head office and the factory to reduce monthly network expenses.
- GPRS technology and fleet management system was introduced to manage the delivery service.
- Backup mail was upgraded for corporate mail security.
- Tape backup & restore system was tested to increase security of corporate information and work systems
- Online leave system was further enhanced from 2014 to reduce our Human Resources Department's workload.
- The internal IP Phone system was additionally refined to reduce our phone expenses.

In 2016, we plan to continue our work in IT development as follows.

- Repatriating our inventory control system to the Smart Warehouse system to increase storage efficiency of finished products and raw materials.
- Increasing accuracy of the Production Department's advanced productivity checking process, which is part of its planning process.
- Increasing speed and accuracy of Modernform's checking and approval system of quotations for project customers.
- Continuing to develop the project management system to increase punctuality rate.
- Further develop the HR system to streamline a work process
- Developing the VPN to facilitate out-of-office work and strengthen information and work system security.

### HR management and development

At Modernform, we believe that human resources are pivotal as a driver for our sustainable growth. We underline the importance of self-development of our employees at executive and non-management levels, either through in-house training or by attending third-party courses. We encourage employees to find out how to enhance their capacity. At the other end, we conduct a study to make sure that salaries and other benefits reflect the living condition while allowing us to maintain life quality and make our employees happy at the workplace. Corporate support is made to various club activities ranging from sports to recreation, music and social work, which result in higher participation by our employees and a platform for them to work together. The idea is to retain smart people who are ready to grow with us.

2015 saw Modernform providing 30 training courses to 2,288 employees of all levels. In addition, 64 people attended 37 coursework held by independent institutes.

For leadership and management coursework, middle managers attended the Micro MBA program held by Faculty of Commerce and Accountancy, Chulalongkorn University. In addition, a coaching program was organized while training on proper communication and emotional expression, positive thinking and inspiration were also made. Besides, junior and middle managers had a chance to coach student trainees and teams in an attempt to apply what they have learned in real-life situation.

Aside from classroom seminars and training activities, employees were encouraged to learn from each other by working in a special project that induced cross-function exchange. This year, our project sales teams were plunged into a synergy activity to enable them to get access and reach out to customers more effectively. We also did the site coordination management training to improve work at site to meet planned schedules, which allowed our people to have a better and deeper understanding of the workflow. These activities were also a response to Modernform's 2015 corporate theme of "Together we are better," which encouraged synergy from our staff in every mission based on a conviction that working as a team together is better.

A Kaisen activity was held for production and service staff to improve work coordination. Besides, we focused at training new furniture makers and nourishing the masters who can transfer their craft and skills to their technician students. In the furniture business like us, skill is the utmost importance.

Modernform continued to run the Work@Home campaign to relieve staff from traveling blue and to allow some room for the workplace to be a little more creative.

As our corporate theme this year is "Precision and Impression," the idea is to urge everyone to embark on a creativity process that results in impression thanks to the precision of one's work. This will not only add values to our goods and services, but will also strengthen corporate image and collaboration with each other that should result in customer impression at all of us.

## General Information of Company

### Head Office, Production Units and Branch

<b>Company Name</b>	: <b>Modernform Group Public Company Limited</b>
Major Activity	: Manufacturer, Importer and Distributor of Knocked-Down Furniture
Registered Capital	: 809,646,280 Baht.
Paid-up capital	: 750,000,000 Baht.
Par value	: Bht. 1
As at	: 31st December, 2015
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
<b>Production Plants</b>	: <b>Production 1</b> 33/2, 33/5 Bangna-trad Highway, Tambon Bangchalong, Amphoe Bangplee, Samutprakarn 10540 Tel. 0-2337-0222 Fax. 0-2337-0839 : <b>Production 2</b> <b>Plant A</b> 5 Bangkhuntien Road, Kwang Sa-Mae-Dam, Khet Bangkhuntien Bangkok 10150 Tel. 0-2416-9802 Fax. 0-2416-4683 <b>Plant B</b> 622 Bangkhuntien Road, Kwang Ta-Kam, Khet Bangkhuntien, Bangkok 10150 Tel. 0-2897-2201-4 Fax. 0-2897-3739
<b>Home Decorative Products</b>	: 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

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### Contract Sales Office

- Bangkok Modernform Tower, Srinakarindr Road.
- Phuket Modernform Sales office, Thepkasattri Road.

### Modernform Showrooms

- Modernform Furniture Shopping Gallery, Srinakarindr Road
- Modernform Furniture Shopping Gallery, Crystal Design Center
- Central World 5fl. (Office Furniture only)
- Future Park Rangsit (outlet) (Office Furniture only)



### Home Decorative Products Showrooms

- Showroom Sukhumvit Road
- Modernform Furniture Shopping Gallery, Crystal Design Center

## Modernform's Dealers in the Regional

### Chiangmai, Northern Dealer

Chiangmai Modernform Limited Partnership

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 Company Limited

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

### 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

### Songkhla, Southern Dealer

Hatyai Sanitaryware & Ceramic Co.,Ltd.

29, 31, 33 35 Karnchanawanich Rd., Tambon Hatyai

Amphoe Hatyai, Songkhla 90110

Tel. (074) 428-629, 090-172-6001

Fax (074) 428-630

**(A) Share Registrar**

Thailand Securities Depository Company Limited  
 93 Ratchadapisek Road, Dindaeng, Dindaeng, Bangkok 10400  
 Tel. 0-2009-9000 Fax. 0-2009-9991

**(B) Debenture holders**

None

**(C) Auditor**

Mrs. Roongnapa Lertsuwankul	CPA No.3516
Mr. Sophon Permsirivallop	CPA No.3182
Mr. Chayapol Suppasedtanon	CPA No.3972
Mrs. Pimjai Manitkajohnkit	CPA No.4521

EY Office Company Limited  
 193/136 – 137 Fl.33<sup>th</sup> Lake Rachada Building Complex, 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

## Policy and Business Operations

**Modernform Group Public Company Limited (MODERN)** operates a comprehensive furniture business which produces office furniture Modernform Workplace and ideacoustic by CYCLENCE I MODERNFORM, residential furniture and outdoor furniture Modernform Exclusive Living, Modernform Kitchen and Kruabaan by Modernform, bathroom furniture bathique 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 ready-made furniture, furniture fittings and interior decorative products.

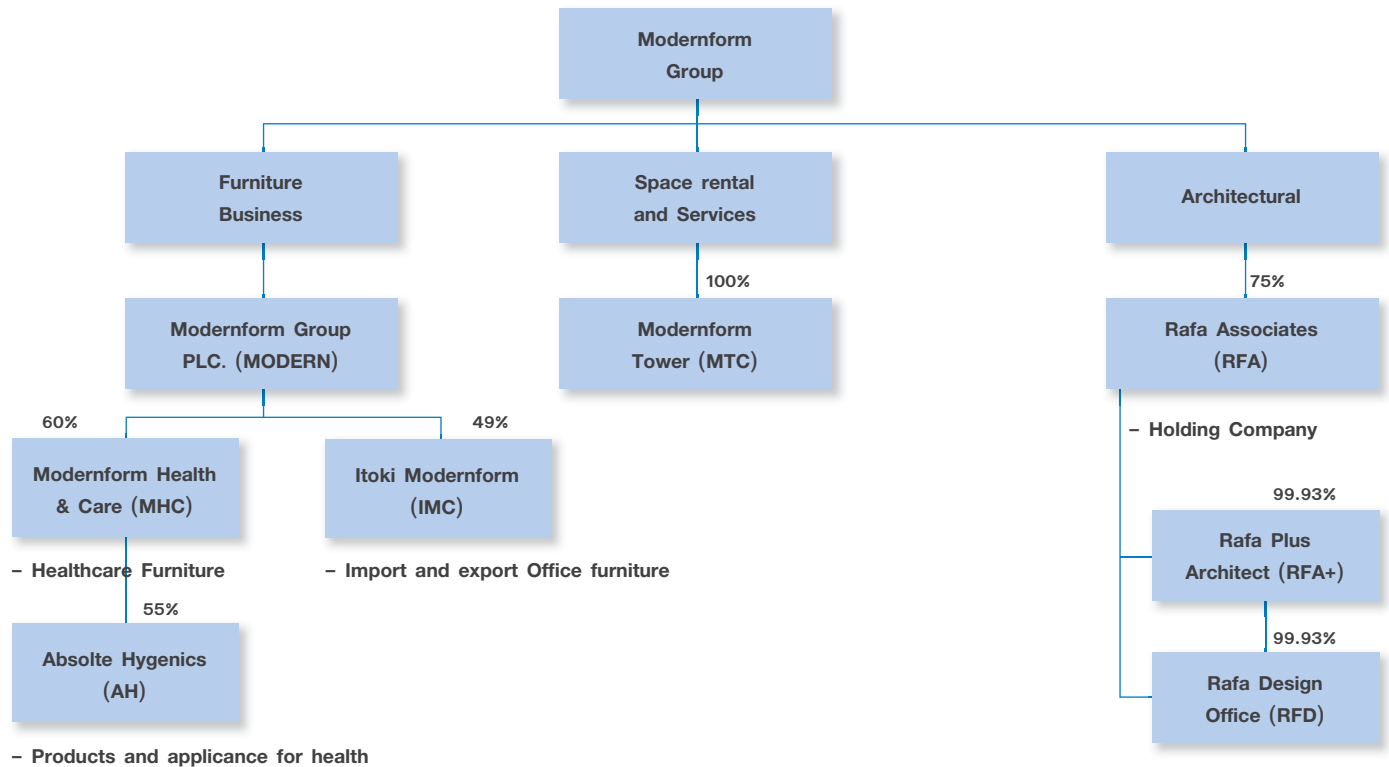
There are 5 subsidiary companies and associated companies under Modernform Group Public Company Limited; they are the following:

1. **Modernform Tower Company Limited (MTC)** was founded in 1991 located at 699 Modernform Tower 24th floor 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. Occupancy rate new is at 100%
2. **Modernform Health and Care Company Limited (MHC)** 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 and is growing continuously in hospital and government office projects.
3. **Rafa Associated Company Limited (RFA)** 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 located at 699 Modernform Tower Srinakarindr rd. Suan Luang, Bangkok. Modernform Plc’s business will continue to grow from private sector projects. As the main business should allow the Company to work even more closely with architects and interior decorators, this should help expand growth prospects of the Company’s other businesses as well.
4. **Thai Plaspac Public Company Limited (TPAC)** main business is to produce plastic bottles and seals as well as plastic parts in various shapes and forms as needed by customers in each industry. Most products are disposable. Factory located at 68/46 Bangkhunthai-Chai Thalay Road, Kwaeng Tha Kham, Bangkhunthian District, Bangkok. In 2005, TPAC was listed in the Market for Alternative Investment (MAI) with a registered capital of Baht 255 million in which Modernform held 48%. On October 9, 2015, the Board of Directors resolved to dispose of the entire 100,000,000 shares Modernform had held in TPAC as well as its 20,000,000 units of warrants.
5. **Itoki Modernform Company Limited (IMC)** was incorporated in April 2015. Located at 699 Modernform Tower Building, Srinakarin Road, Kwaeng Suan Luang, Suan Luang District, Bangkok, the company imports and exports home accessories, furniture, office items as well as equipment and spare parts. Itoki Modernform Co Ltd is a joint venture between Itoki Corporation of Japan and Modernform Group Public Company Limited, who holds 49% of Baht 15 million registered and paid-up capital of the company at Baht 1,000 par value per share.



Meanwhile, associate and subsidiary companies do not hold shares between one another.

#### The Shareholding Structure of the Company Group



Modernform's vision "to be the leader in furniture and interior furnishing business and to provide superior working and living environment" is underlined by its goals to develop a strong and sustainable business and to be a leader in the furniture industry through the development of both products of office, home and kitchen furniture and interior furnishing as well as services for happiness and satisfaction of medium and high-end customers. The Company continues to relentlessly focus at sales and marketing strategies whether it's about creating new innovative products such as Ideacoustic, a ground-breaking noise-absorbing device; FeelFloor, an inventive floor covering; Readydor, a creative ready-made door panel; and Audiometric Booth, an original hearing test cabinet; or about designing with a specific purpose to penetrate new markets such as education, hospital and condominium. Modernform's sales are mainly made through projects for as much as 75 per cent while retailing outlets account for 25 per cent only. Besides, the Company also emphasizes the importance of sales showrooms classified by types of products. For example, Modernform Furniture Shopping Gallery Srinakarindr rd., Crystal Design Center (CDC) and Modernform Furniture Outlet is offering budget furniture. Most importantly, Modernform strives to reinforce the Modernform Brand awareness to boost its uniqueness that reflects quality, value and responsibility to consumers and the society while being a reliable Soul Mate to clients.

In addition, Modernform has a policy to co-invest in a business found complementary to our main operation such as an investment in an architectural design business as in the case of Rafa Associates Co Ltd and an investment in healthcare furniture as in the case of Modernform Health and Care Co Ltd (MHC). In the latest development, Absolute Hygienic Co Ltd, a related business with MHC who holds 55% of its shares, was incorporated in 2015 to sell healthcare products such as hand wash gel for use in hospitals and factories. Besides, Itoki Modernform Co Ltd was incorporated in a joint venture with Japan's Itoki Corporation to sell office furniture. Modernform also forms business alliance with other groups such as Pasaya, L&E and Itoki to develop innovative products.

## Business Operations of the Company

### Revenue structure of different business groups

The revenue structure for the years 2013 to 2015 from the operations of the Company and 3 Subsidiary can be divided into 4 business groups.

Product Range/Business Group	Operated by	Shares (%)	2015		2014		2013	
			Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
<b>Furniture Business</b>	Modernform Group Public Company Limited	–						
– Office furniture and Residential furniture			2,846	66	2,913	68	2,649	74
– Furniture fittings								
– composite stones, carpet tile and engineering wood			590	13	562	13	585	17
– Health Care furniture	Modernform Health & Care Co., Ltd.	60	244	6	149	3	143	4
Space rental and services	Modernform Tower Co., Ltd.	100	75	2	78	2	75	2
	Modernform Group Public Company Limited	–	1	0				
Architectural	Rafa Associates Co., Ltd.	75	49	1	46	1	47	1
Miscellaneous*	–	–	532	12	547	13	57	2
	<b>Total</b>		4,337	100	4,295	100	3,556	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.

### Operation of each product division

Almost all incomes of Modernform Plc and its subsidiaries in 2015 came from the furniture business which can be elaborated as follows.

### Furniture business

#### Nature of Products

Modernform has five main product groups distributed under six brands as follows.

#### Office Furniture

- **Modernform Workplace** – a comprehensive range of office furniture is offered for creating an inspiring workplace ambiance. The furniture is recognized for its modern and cutting-edge beauty and functionality. Modernform Workplace offers desk, chair, shelf, cabinet, partition, meeting room table, reception/welcome area furniture set and office sofa.

A portion of Modernform Workplace's consumer group includes architects, contractors, interior decorators, and developers. 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 and directly through showrooms.

- **Ideacoustic by Cyclence I Modernform** – an innovation that improves workplace environment where acoustic technology that helps absorb undesirable noise is artistically combined with intelligent idea and design. A collaboration with Siam Fibreglass Co Ltd, a company within the Siam Cement Group (SCG), the Ideacoustic series of office furniture is made partly of fiber glass to absorb noise while ensuring effective design and functionality. The final product is made into office partition or for the purpose of interior decoration in various shapes and forms.

### Residential Furniture

**Modernform Exclusive Living** – A high-end premium-grade furniture which underlines luxury, taste and sophistication for middle- and high-class customers, the Modernform Exclusive Living series answer the need for functionality and sophisticated design. The furniture consists of bedroom set, closet, armoire, sideboard cabinet, living room sofa, various designs of relaxing chair, dining table and chair and home furniture for city living as well as multi-function furniture and semi-outdoor furniture items that add aesthetics to the surrounding while expressing individuality and uniqueness.

### Kitchen Furniture

**Modernform Kitchen** – Kitchen furniture with outstanding design and innovation. Designed to be stylish and sublime, Modernform Kitchen is made from high-quality materials that answer to every need while reflecting the ultimate uniqueness of its owner. Developed under My Kitchen concept, various components of Modernform Kitchen can be freely mixed and matched to come up with a unique kitchen that is truly yours.

Kruabaan by Modernform is a successful end-product of kitchen furniture built behind the concept of “Heavy Cooking with Style.” The series have been designed to answer to the need for a heavy use of kitchen normally demanded in the Thai style of cooking. Together with a combination of durable materials that can resist water, mold and pest normally found in kitchen, the product can also be installed in no time.

### Bathroom Furniture Products

**Bathique 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.

Customers of residential furniture products are no longer limited to end-users such as middle to high-ended home owners, townhouse owners or condominium owners. Interestingly, another large group of customers to these residential furniture products are designers, architects, contractors and developers who command a huge amount of orders on each occasion and whose business has been growing throughout the past years.

### Imported furniture fittings and interior decorative products

“Home Decorative Products” One of Modernform’s main businesses that adds variety and uniqueness to our customers, **Modernform Home Decorative Products** offer interesting items imported for sales directly or for the manufacturing of Modernform’s own furniture, the third party or even the end-user. The products, mostly imported from Germany, Spain, Austria, Denmark, the US, China, Singapore and Malaysia, not only cover fitting accessories such as door handle, hinge, cabinet/desk key, drawer rail, sliding door, tabletop materials, decorative trim, edging material, washing sink, bathtub and kitchen equipment, but also extend to interior decorative products such as ReadyDor ready-to-install door, Interface floor material and carpet, Feelflor real wooden flooring, Verona Stone marble, quartz and LG synthetic stone, Lamett laminated flooring, Floover luxury vinyl tile (LVT) and Modernform’s house brand accessories retailed under the name of “Home.”

## Risk Factors

The company has set up risk management measures, scopes and practices for executives and staff to comply with to minimize potential business risks. In 2014, the company evaluated possible risks that could occur and may affect our operations as follows.

### Risk from Economic uncertainty

The 2015 economy remained relatively stable. Modernform re-adjusted our business model by diversifying into other businesses for long-term returns. In other words, as the parent company and subsidiaries rely upon incomes from various sources of businesses; namely, from office furniture; home and kitchen furniture; distribution of furniture, synthetic stone, carpet and wooden flooring, healthcare furniture and medical equipment; rental of office space; architectural design service and revenues from joint venture companies, we can minimize our exposure to a business cyclical risk from having to depend on a particular industry only. Besides, by collaborating with new business allies, we are able to also widen our business network horizon.

We expect to see more constructive measures from the government to stimulate the economy in 2016. With the overseas markets recovery, this will have a positive impact to private sector investment and consumer's spending.

### Competition risk

The furniture market constantly sees new players stepping into the arena, making the industry highly competitive in terms of pricing, production and costs of labor. That's why Modernform focuses at developing new innovative products that are outstanding and directly respond to the needs and lifestyles of customers. We also improve the efficiency of our machinery by making it faster and more sophisticated as this also keeps our production costs low.

### 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 much 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 Plc carefully managed its expenditure budget where the debt to equity ratio was kept at a low level while liquidity level was maintained to accommodate economic volatility. In 2014, the Company did have high liquidity and enough cash flow to accommodate its growth.

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 two installments where we request that the first payment be made before Modernform starts producing 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.

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. Last year, Modernform upgraded its server to increase work efficiency and to support its growth.

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.

## Major Shareholders

### List of top 10 major shareholders as of November 30, 2015

Name of Shareholders	No. of shares	% of total shares
1. The Hongkong and Shanghai Banking Corporation Limited, Fund Services Department	46,174,300	6.16
2. Mrs. Chuleewan Vivaddhanakasem	34,101,840	4.55
3. Mr. Yothin Nerngchamnong	31,788,420	4.24
4. Mr. Thaksa Busayapoka	31,022,000	4.14
5. Krungsri Long Term Equity Fund	29,284,200	3.90
6. Mr. Kavivud Nerngchamnong	27,504,000	3.67
7. Mr. Chaiyot Paporn	21,219,063	2.83
8. Mr. Chareon Usanachitt	19,408,000	2.59
9. Mr. Pornpun Paporn	17,854,029	2.38
10. Mr. Jajjai Dhammarungruang	17,601,000	2.35

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

– Paid-up capital as of November 30, 2015 total 750,000,000 baht (750,000,000 shares)

## 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 2015 – 2011

Year	Net Profit	Interim dividends Baht/Share	Final dividends Baht/Share	Total dividends Baht/Share	Dividend Payment % of net profit
2015*	662.5	0.75	0.25	1.00	113.2
2014	784.8	0.70	0.30	1.00	95.2
2013	420.5	0.25	0.30	0.55	96.5
2012	410.0	0.20	0.30	0.50	87.7
2011	373.5	0.20	0.25	0.45	86.5

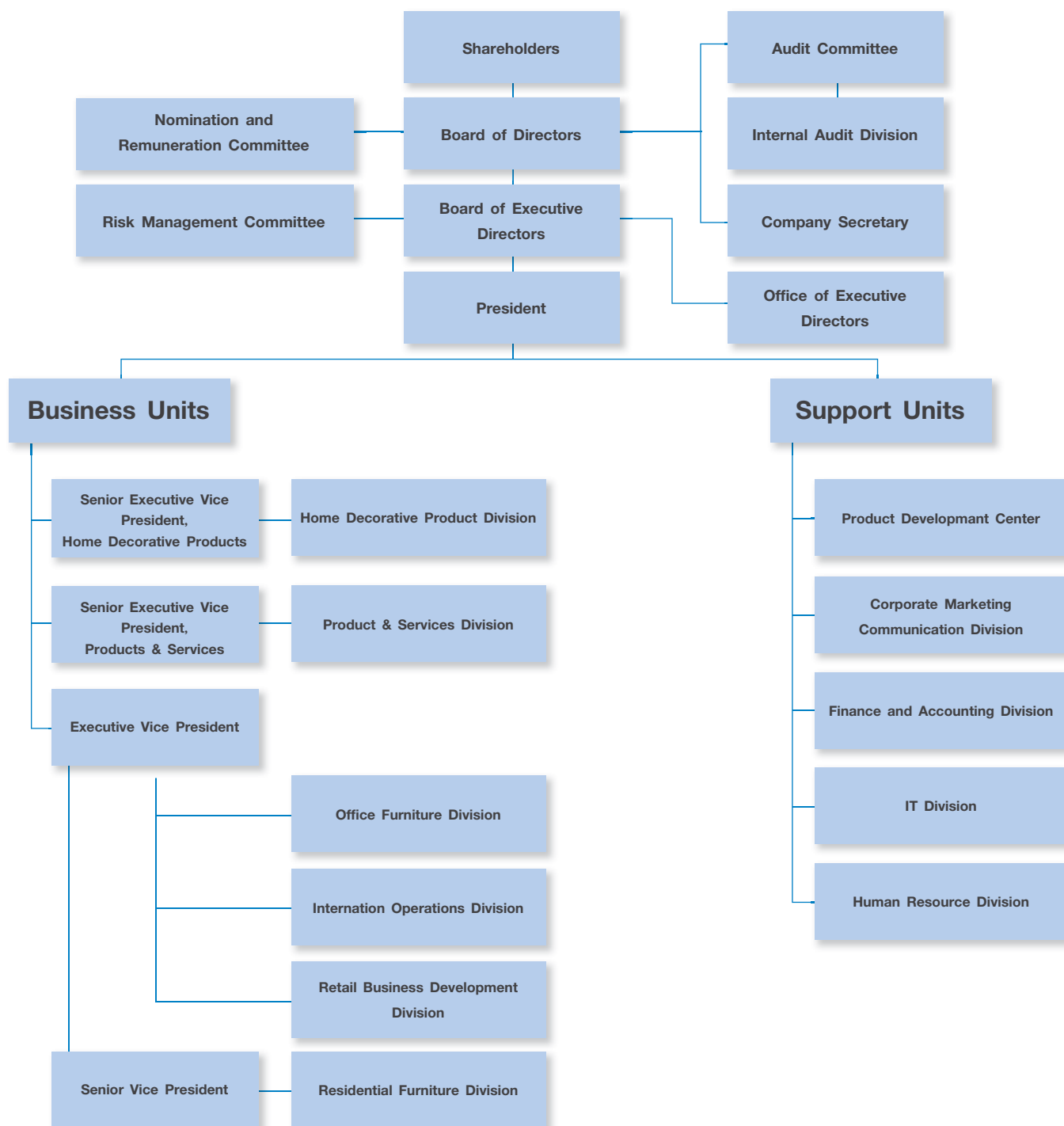
Note : \* The Meeting of the Board of Directors of the Company No.1/2016 held on February 26, 2016 passed resolution to pay dividends at the rate of Baht 1.00 for the year 2015 operating year to shareholders of the company at a rate of Baht 0.50 per share and at the rate 0.50 baht per share from the proceeds of sale of shares and Right warrants held in TPAC. The Company paid interim dividend on October 2015 and December 2015 total 0.75 baht hence a remaining value of Baht 0.25 per share will be paid to shareholders as dividend on May 2016. The matter will be proposed for approval at the Annual Ordinary General Shareholders Meeting No.1/2016 on April 21, 2016.



## Management Structure

In 2015, the Executive Director Committee still maintained the operational and management structure of 6 independent business units and 6 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 2015		
1.	Mr. Chareon Usanachitt ****	Chairman
2.	Mr. Jajjai Dhammarungruang ***	Vice Chairman
3.	Mr. Thaksa Busayapoka ***	Director
4.	Mr. Yothin Nerngchamnong ***	Director
5.	Mr. Somsak Varikarn ***	Director
6.	Mr. Kavivud Nerngchamnong ****	Director
7.	Mr. Supparerk Mallikamarl**	Independent Director
8.	Mr. Suchart Thammapitagkul *	Independent Director
9.	Mr. Kittichai Lattisophonkul *	Independent Director
10.	Mr. Surachai Sonthirathi *	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 Board of Directors capital market :

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.

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

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

**Non-Executive Directors:** means 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.

Nomination and Remuneration Committee 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 RCP (Role of a Chairman) or DCP (Director Certificate Program) or DAP (Director Accreditation Program) or ACP (Effective Audit Committee Program) administered by the Institute of Thai 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.

**Authority 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 review and approve annual business plan and capital expenditure plan proposed by the Executive Board.
4. 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.
5. 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.
6. 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.
7. 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.
8. To maintain an appropriate risk management measure and make a consistent follow up.

9. 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.
10. To disclosure the interest of the directors and their related person to the Company.
11. 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 Committee on Capital Markets 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.

#### **Authority and duties of Chairman of the Board**

1. To call the Board of Directors' meeting and supervise the delivery of invitation letters to attend the meeting and other documents to ensure that the Board receives adequate information in a timely fashion
2. To chair the Board of Directors' meeting
3. To strengthen the Board's corporate governance criteria
4. To chair the Shareholders' meeting and supervise the meeting for the purpose of compliance with the Articles of Association and meeting agendas
5. To ensure efficient communications between directors and shareholders
6. To perform duties as required by the laws especially those specified to be duties of Chairman of the Board

#### **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 2015 the Board of Directors held 8 meetings, 6 for standard meetings and 2 extraordinary meetings with 97.7% attendance of the total member of directors as the records follow:

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

## The Executive Board of Directors

The Executive Board of Directors as of December 31, 2015	
1. Mr. Thaksa Busayapoka	Chief Executive Director
2. Mr. Jajjai Dhammarungruang	Executive Director
3. Mr. Yothin Nerngchamnong	Executive Director
4. Mr. Somsak Varikarn	Executive Director
5. Mr. Patana Usanachitt	President

The Executive Board of Directors are appointed by the Board of Directors to transact such activities as designated so as to achieve the Company's goals or plans as set out by the Board of Directors. The Executive Board of Directors are those directors with power to bind upon the Company as authorized by the resolution of the shareholders' meeting. Presently, the Executive Board of Directors consists of 1 Chief Executive Director, 1 President and the rest and 3 Executive Directors. The executive board holds meetings at least once a month. In 2015 The Executive Board of Directors held 12 meetings. Authority and duties of the executive board of directors are as follows:

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 and screen the procurement or disposal of the Company's major assets before submitting the matter to the Board of Directors.
7. To appoint, remove, and terminate high ranking personnels.

8. To approve distribution of bonus and the amount of money for annual salary increase of the staff within the annual budget of the Company.
9. To see to it that the policy on corporate governance is appropriately carried out.
10. To approve any transactions prior to submitting same to the Board of Directors
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.

#### **Authority, duties and responsibilities of Chief Executive Director**

1. To manage and supervise the business and/or day-to-day activity of the Company
2. To ensure that the management meets objectives, policies, goals, operation plans and budgets approved by the Board and/or the Executive Board of the Company
3. To be an authorized representative of the Company and manage its business to meet objectives, regulations, policies, rules, terms, orders, resolutions of the Shareholders' meeting and/or those of the Board and the Executive Board in all aspects
4. To appoint and manage various work groups for good and transparent management; to appoint a substitute and/or to assign other parties to do a specific task on the Chief Executive Director's behalf where the authorization given to the substitute and/or the assignment shall be subject to the extent of power authorized under the Power of Attorney and/or to approval authority regulations previously approved by the Board of Directors
5. To determine missions, objectives, guidelines and policies of the Company as well as to order and supervise overall operation to maximize corporate management
6. To review and propose investment plans to the Executive Board and the Board of Directors for further approval
7. To monitor and evaluate operation performance on a regular basis; and to report results of such performance, management and operation progress to the Executive Board, the Audit Committee and the Board of Directors
8. To approve each spending item during the normal course of the Company's business operation as stipulated in the approval and direction regulations previously approved by the Board of Directors
9. To review and approve each execution of legal acts that shall bind the Company during the normal course of business as stipulated in the approval and direction regulations previously approved by the Board of Directors
10. To consider hiring, appointing, cross-department transferring or terminating employment of Assistant Vice President and higher; to determine wages, remunerations, salaries and bonuses and welfare of the Company's employees under the policy framework stated by the Executive Board and the Board of Directors
11. To issue order, regulation, notice and memorandum to ensure operation compliance with the Company's policy and interest and to maintain regulatory discipline within the organization
12. To perform other duties according to the resolutions of the Shareholders' meeting, the Board of Directors' meeting and/or as entrusted by the Board of Directors or the Executive Board from time to time

The authorization of power, duties and responsibilities for the Chief Executive Director shall not be in the nature that such authorization or substitution may allow the Chief Executive Director or his authorized representative to approve transactions that he or the person may have any conflict of interest against (based on a definition of relevant departments), any interest in or any other forms of conflict of interest with the Company or subsidiaries unless it's an approval of transaction during the normal course of business that has been clearly defined.

The Chief Executive Director may be appointed or removed by the Board of Directors or the Shareholders' meeting.

**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. Authority and duties of the President is set forth as follows:

1. To administer, manage, and control operations concerning the general management of the Company.
2. To comply with policies and guidelines formulated by the Board of Directors, the Executive Board or the CEO.
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 2015	
1. Mr. Suchart Thammapitagkul	Chairman of Audit Committee
2. Mr. Kittichai Lattisophonkul	Audit Committee Director
3. Mr. Surachai Sonthirathi	Audit Committee Director
4. Mrs. Somrak Chotibhongs	Secretary to the Audit Committee

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.



**Authority 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 consider and approve budgets and manpower of the internal audit department.
10. 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.
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 2015, the Audit Committee held 4 standards meeting with 100% attendance of the member of directors as follows:

Name – Surname	Number of Attendance	Remarks
1. Mr. Suchart Thammapiatagkul	4/4	–
2. Mr. Kittichai Lattisophonkul	4/4	–
3. Mr. Surachai Sonthirathi	4/4	–

## The Nomination and Remuneration Committee

Nomination and Remuneration Committee as of December 31, 2015		
1.	Mr. Thaksa Busayapoka	Chairman of the Committee
2.	Mr. Jajjai Dhammarungruang	Committee
3.	Mr. Yothin Nerngchamnong	Committee
4.	Mr. Somsak Varikarn	Committee
5.	Mr. Suparek Mallikamarl	Committee
6.	Mr. Kavivud Nerngchamnong	Committee
	Mrs. Somrak Chotibhongs	Secretary

### The Nomination and Remuneration Committee

The Board of Directors appoints the Nomination and Remuneration Committee which consists of independent directors, non-executive and executive directors and company secretary to enhance efficiency in the nomination and remuneration of directors, members of subcommittees and senior executives from president and higher. The first Nomination and Remuneration Committee was appointed by the Board of Directors' resolution No. 7/2557 on November 13, 2014 to remain in an office for three years. Members of the Committee who are to retire on rotation may be re-elected. In case of vacancy in the committee due to other reasons than retirement on rotation, the Company's directors are to appoint a fully-qualified person as member of the Nomination and Remuneration Committee within three months. The newly-elected member will stay for the remaining term of the retiring director whom he replaces only. The Nomination and Remuneration Committee is to convene at least twice a year. In 2015 The Nomination and Remuneration Committee held 2 meetings.

### Duties and Responsibilities

The Nomination and Remuneration Committee has the following duties and responsibilities already approved by the Board of Directors.

1. To determine various policies as follows:
  - 1.1 Nomination policy, criteria and procedures of directors, members of subcommittees and senior executive from president and higher.
  - 1.2 Policy of remuneration and other fringe benefits to be paid to directors, members of subcommittees and senior executive from president and higher which must be based on transparent criteria and subject to the Board of Directors' approval
2. To select and nominate candidates with right qualifications in the following positions to the Board of Directors:
  - 2.1 Directors and members of subcommittees (Addition/Replacement/Retirement on rotation)
  - 2.2 Senior executives from president and higher
3. To oversee that directors, members of subcommittees and senior executives from president and higher are appropriately remunerated (as a director/allowance for the position/meeting allowance); or that they receive a competitive amount of bonus in response to their duties and responsibilities compared to businesses in the same industry before submitting details to the Board for approval.
4. To set a direction of performance evaluation of senior executives from president and higher as part of an annual salary adjustment taking into consideration their responsibilities in the business.
5. To evaluate the Nomination and Remuneration Committee's performance and to report the assessment to the Board.
6. To disclose a report of the Nomination and Remuneration Committee in the Annual Report.
7. To do any other thing as designated by the Board.

### Remunerations of Directors and Executives

The Nomination and Remuneration Committee will set remunerations to be paid to directors which will be the same level as paid by other businesses in the same industry in order to provide a competitive remuneration based on director's performance and work quality. As for remunerations of subcommittees; namely, the Executive Board and the Audit Committee whose members could be entrusted with additional roles and responsibilities, as well as those of senior executives who could receive an additional salary, bonus or travel expense, the Nomination and Remuneration Committee will initially propose their remunerations based mainly on performances of both the Company and each individual to the Board of Directors who will propose them to the Shareholders' Meeting. As for the remunerations of the Committee's own members, the Board of Directors will propose them to the Shareholders' Meeting. Remunerations of both directors and executives are to be revealed in the Annual Report.

### Nomination of Directors and Executives

The Nomination and Remuneration Committee is responsible for nominating directors whether they are independent directors, non-executive directors and directors from each group of major shareholders who shall have diverse qualifications and experiences, skills and specialized expertise proven beneficial to the business as well as devotion and determination to help strengthen the Company's Board of Directors. As a result, nominated directors should not hold the same position in no more than five listed companies. Their names will be nominated to the Board who will seek approval from the Shareholders' Meeting based on the Company's Articles of Association which provides that each elected nominee shall receive no less than half of all shareholders' votes attending the Shareholders' Meeting and having voting rights. Each shareholder shall have one vote and each is to exercise all his votes to elect one or several persons as a director. Nominees receiving the highest votes will be elected in order up to a required number. One-third of directors shall retire on rotation at the Annual General Meeting. The number of non-independent directors can be varied depending on the shareholding ratio as well as on qualifications and expertise of selected nominees.

The Nomination and Remuneration Committee will also recruit, nominate and determine remunerations of senior executives from assistant vice president and higher before proposing them to the Executive Board and the Board for approval.

### Risk Management Committee

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

Risk Management Committee as of December 31, 2015		
1.	Mr. Jajjai Dhammarungruang	Advisor
2.	Mr. Thaksa Busayapoka	Chairman
3.	Mr. Patana Usanachitt	Sub director
4.	Mr. Kittti Busayapoka	Sub director
5.	Mr. Kookiat Orankit	Sub director
6.	Mr. Somkiat Pavaritpong	Sub director
7.	Ms. Natcharintorn Siri wattana	Sub director

### **Roles and duties of the Risk Management Committee**

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 and the Company comply with the laws and regulations.
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	64	<ul style="list-style-type: none"> <li>BBA. University of Connecticut, U.S.A.</li> <li>RCP 1/2000, DCP 32/2003 and DCP Re 2/2006 Program of IOD</li> </ul>	2.59	Brother of No.11	2001 – present 1989 – present	Chairman Executive Director	Modernform Group Public Company Limited Modernform Tower Company Limited
2. Mr. Jajjai Dhammarunguang	66	<ul style="list-style-type: none"> <li>Master of Management SASIN Graduate Institute of Business Administration, Chulalongkorn University</li> <li>BBA. Memphis State University, U.S.A.</li> <li>DCP 38/2003 Program of IOD</li> </ul>	2.35	Brother of No.13	1999 – present 1989 – present 2005 – present  1994 – 2015 2006 – present  2007 – present 2007 – present	Vice Chairman Executive Director Executive Director  Executive Director Chairman/Executive Director Executive Director Executive Director	Modernform Group Public Company Limited Modernform Tower Company Limited Modernform Health and Care Company Limited  Thai Plaspac Public Company Limited Rafa Associates Company Limited  Rafa Design Company Limited Rafa Plus Architect Company Limited
3. Mr. Thaksa Busyapoka	65	<ul style="list-style-type: none"> <li>Master of Management, New Technology Venture, College of Management Mahidol University</li> <li>Bachelor of Commerce, Chulalongkorn University</li> <li>DCP 32/2003 Program of IOD</li> </ul>	4.14	Brother of No.12	2000 – present 1989 – present 1994 – 2015 2005 – present  2006 – present 2007 – present 2007 – present 2013 – present 2015 – present	Chief Executive Director Executive Director Chairman Chairman/Executive Director Director Executive Director Executive Director Executive Director Director Executive Director	Modernform Group Public Company Limited Modernform Tower Company Limited Thai Plaspac Public Company Limited Modernform Health and Care Company Limited  Rafa Associates Company Limited Rafa Design Company Limited Rafa Plus Architect Company Limited Interhides Public Company Limited Itoki Modernform Co., Ltd.
4. Mr.Yothin Nengchamnonng	65	<ul style="list-style-type: none"> <li>Honorary Doctorate in Business Administration, Sripatum University</li> <li>Master of Political Science, Ramkhamhang University</li> <li>Bachelor of Political Science, Ramkhamhang University</li> <li>DCP 35/2003 Program of IOD</li> <li>Capital Market Academy Leadership Program (CMA#7)</li> <li>Top Executive Program in Commerce and Trade #4</li> <li>Thailand Energy Academy #2</li> <li>Certificated, Good Governance for Executive Medical batch 3</li> </ul>	4.24	Brother of No.6	1980 – present 1989 – present 2008 – 2015 2012 – 2014 2012 – 2014 2013 – 2014  2013 – present	Executive Director Executive Director Chief Executive Director Director Appointed Member Director  Director	Modernform Group Public Company Limited Modernform Tower Company Limited Thai Plaspac Public Company Limited The Stock Exchange of Thailand State Enterprise Policy Board Dhanarak Asset Development Company Limited Thailand Philharmonic orchestra

Name	Age	Education	Relationship	% shares	Employment Record		
					Period	Position	Company
5. Mr. Somsak Varikam	65	<ul style="list-style-type: none"> <li>BBA, Memphis State University, U.S.A.</li> <li>DCP Program 45/2004 of IOD</li> </ul>	-	0.02	1980 – present 1989 – present	Executive Director Chairman/Executive Director	Modernform Group Public Company Limited Modernform Tower Company Limited
6. Mr. Kavivud Nengchamnon	61	<ul style="list-style-type: none"> <li>Master of Political Science, Ramkhamhang University</li> <li>Bachelor of Political Science, Ramkhamhang University</li> <li>Bachelor of economic, Sukhothai Thammathirat University.</li> <li>DAP 17/2004 Program of IOD</li> </ul>	Brother of No.4	3.67	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. Supparerk Mallikamari	64	<ul style="list-style-type: none"> <li>Master of Architecture, Chulalongkorn University</li> <li>Bachelor of Architecture, Chulalongkorn University</li> <li>ACP 7/2005, DAP 29/2004 and QFR 5/2007 Program of IOD</li> </ul>	-	0.00	2004 – present 1983 – present 2008 – present	Independent Director & Audit Committee Director President Lecturer	Modernform Group Public Company Limited Four Aces Consultant Co., Ltd. Faculty of Architecture, Chulalongkorn University
8. Mr. Suchart Thammapiitagkul	66	<ul style="list-style-type: none"> <li>Master of Law, Harvard Law School, U.S.A</li> <li>Barrister-at-law</li> <li>Bachelor of Law, Chulalongkorn University</li> <li>DCP 60/2005, DAP 27/2004 and Effective Audit Committee and RCC 11/2010 Program of IOD</li> </ul>	-	0.00	2012 – present 1999 – 2012 2011 – Present	Independent Director & Chairman of Audit Committee Independent Director & Audit Committee Director Independent Director & Chairman of Audit Committee	Modernform Group Public Company Limited Modernform Group Public Company Limited MFEC Public Company Limited
					2005 – present	Independent Director & Audit Committee Director	Unimitr Engineering Public Company Limited
					2004 – present	Independent Director & Chairman of Audit Committee	T.C.Union Global Public Company Limited
					2004 – present	Independent Director & Audit Committee Director	Unique Mining Services Public Company Limited
					1989 – present 1986 – Present 1970 – present	Audit Committee Director Partner Director Director	Somnuk Sutee & Associates Bansathorn Company Limited Onnic Co., Ltd.

Name	Age	Education	% shares	Relationship	Employment Record		
					Period	Position	Company
9. Mr. Kittichai Lattisophonkul	66	<ul style="list-style-type: none"> <li>• Bachelor of Commerce, Chulalongkorn University</li> <li>• DAP 97/2012 Program of IOD</li> </ul>	0.00	-	2012 – present 2012 – 2015	Independent Director & Audit Committee Director Independent Director & Audit Committee Director	Modernform Group Public Company Limited Nation Broadcasting Corporation Public Company Limited
10. Mr. Surachai Sonthirathi	64	<ul style="list-style-type: none"> <li>• Bachelor of Commerce, Chulalongkorn University</li> <li>• DAP 10/2004 Program of IOD</li> <li>• ACP 37/2011 Program of IOD</li> </ul>	0.00	-	2006 – 2014 2004 – 2015 2014 – present 2015 – present 2015 – present	Independent Director & Audit Committee Director Independent Director & Chairman of Audit Committee Independent Director & Audit Committee Director Independent Director and Chairman of Remuneration Committee Independent Director and Chairman of Audit Committee	MFEC Public Company Limited Thai Plaspac Public Company Limited Modernform Group Public Company Limited Saraburi Technique Concrete Co., Ltd. GM Group Multimedia Public Company Limited
11. Mr. Patana Usanachitt	56	<ul style="list-style-type: none"> <li>• Bachelor of Marketing, University of Nevada U.S.A.</li> <li>• DCP 35/2003 Program of IOD</li> <li>• FND 4/2003 Program of IOD</li> </ul>	0.11	Brother of No.1	2001 – present 2015 – present 2005 – 2015 2006 – present	President Executive Director Executive Director Executive Director	Modernform Group Public Company Limited Itoki Modernform Co., Ltd. Modernform Health and Care Company Limited Rafa Associates Company Limited
12. Mr. Kitti Busayapoka	58	<ul style="list-style-type: none"> <li>• Bachelor of Economics, Kasetsart University</li> </ul>	0.00	Brother of No.3	2015 – present 1999 – 2014	Senior Executive Vice President Executive Vice President	Modernform Group Public Company Limited Modernform Group Public Company Limited
13. Mr. Kookiat Orankit	54	<ul style="list-style-type: none"> <li>• Diploma, St.John College</li> </ul>	0.00	Brother of No.2	2015 – present 2004 – 2014	Senior Executive Vice President Executive Vice President	Modernform Group Public Company Limited Modernform Group Public Company Limited



Name	Age	Education	% shares	Relationship	Employment Record		
					Period	Position	Company
14. Mr. Somkiat Pavatipong	46	<ul style="list-style-type: none"> <li>• Bachelor of BBA, Assumption University</li> <li>• MBA, Duquesne University, USA</li> </ul>	0.00	-	2015 – present 2014 – 2014 2012 – 2014	Executive Vice President Vice President President	Modernform Group Public Company Limited Modernform Group Public Company Limited EMG Co.,Ltd.
15. Ms. Sawangjit Pongpipatpong	49	<ul style="list-style-type: none"> <li>• BBA., Thammasat University</li> </ul>	0.00	-	2015 – present 2011–2014	Senior Vice President Vice President	Modernform Group Public Company Limited Modernform Group Public Company Limited
16. Mr. Buddhiwat Wiboonsathien	53	<ul style="list-style-type: none"> <li>• Bachelor of Architecture, King Mongkutt Institute of Technology Ladkrabang</li> </ul>	0.00	-	2011 – present	Vice President	Modernform Group Public Company Limited
17. Ms. Natcharintorn Sriwattana	50	<ul style="list-style-type: none"> <li>• Bachelor of Economics, Thammasat University</li> <li>• Master of Business Administration(Finance), Kasetsart University</li> <li>• DCP 109/2008 Program of IOD</li> </ul>	0.00	-	2013 – present 2011 – 2012	Vice President Vice President	Modernform Group Public Company Limited Thai Cold Rolled Steel Sheet Public Company Limited
18. Mrs. Somrak Chotibhongs	65	<ul style="list-style-type: none"> <li>• Bachelor of Political Science public finance, Chulalongkorn University</li> <li>• CSP 4/2003 Program of IOD</li> </ul>	0.00	-	2002 – present 1993 – 2010	Company Secretary Vice President, Administration	Modernform Group Public company Limited Modernform Group Public company Limited

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

– No. of shares as on November 30, 2015.

### The Directors' and Management Remunerations

The Nomination and Remuneration Committee will set remunerations to be paid to Board of Directors, members of sub-committees and senior executives from Executive Vice President (EVP) to Senior Executive Vice President (SEVP) and President in a fair and reasonable manner which is also in line with their responsibilities as well as the Company's financial status where payment will be compared to those offered by listed companies in a similar business and industry based on the survey of director's remunerations conducted by the Stock Exchange of Thailand (SET) and to the average means of listed companies based on the survey of director's remunerations of listed companies conducted SET before submitting the proposed remunerations for the Shareholder's Meeting to approve. Meanwhile, remunerations paid to executive directors and senior executives will be compared with those offered by companies within the same industry or business where consideration will be made together with the Company's operation results and each executive's performance reflected through his Key Performance Index (KPI) indicated in each annual operation plan.

The Company's Board of Directors comprises of 11 members including 3 members of the Audit Committee for year 2015 the quarterly remunerations is baht 65,000 for each director and Baht 85,000 for Chairman, and additional car allowance Baht 22,000 per month is paid for each Audit committee, and Baht 25,000 for Chairman of Audit committee and the quarterly remunerations for Nomination and Remuneration Committee is baht 30,000 for each director.

Remunerations in Monetary Form	Modernform Group PCL. Amount (Baht) As of December 31, 2015	Subsidiaries Amount (Baht) As of December 31, 2015
Directors 11 persons (quarterly)	2,940,000	180,000
Audit Committee Directors (monthly)	828,000	–
Nomination and Remuneration Committee (quarterly)	240,000	–
<b>Total</b>	<b>4,008,000</b>	<b>180,000</b>

**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, 2015
Remuneration (Baht)	68,510,500
Persons	11

### Other Remunerations

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

	As of December 31, 2015
Sum Contributed (Baht)	2,142,500
Persons	11

### 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 in year 2002 and with consistent review. At present the company is using the Corporate Governance Book IV which was revised and updated in 2014 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](http://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 2015, covering the following five 5 main principles as follows:

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

Communication and complete understanding in the principles of good governance were created to install, in all concerned parties within the Company, awareness and a sense of necessity to consistently practice good corporate governance. Internal auditors, under the audit committee, are responsible in monitoring the practice in accordance with the principles of good corporate governance, evaluation of the performance, and uniformly reported the results to the audit committee. Such information has been disclosed by the Company to the shareholders and other interested parties in its annual report as well as in the disclosure form 56-1 and the website of the Company to allow the investors to know the Company's information and transparency.

#### 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 nominate candidates for the director's positions and 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 28 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 2015, the company allowed shareholders to nominate candidates for the directors positions and 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 since December 25, 2014 to January 26, 2015 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 33 days in advance on our website before the shareholder's meeting date scheduled on March 25, 2015 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 27th, 2015 10:00 am. Thailand Securities Depository Company Limited, the Company's securities registrar, delivered the invitation letter with all necessary agenda documents on March 25th, 2015, 33 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 by barcode system one (1) hour prior to the meeting. A total of 11 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 11th, 2015.

## 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 nominate candidates for the directors' positions also 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 2014, 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. Sharing profits on a fair and regular basis.
5. 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.
6. Not to disclose any confidential information to any third party, especially the competitors.
7. Not to do anything which may cause any conflict of interest against the Company.

**To employees**

1. To treat employees as if they are family members.
2. To pay fair remuneration to employees considering qualification, ability, and performance of employees.
3. To supervise and preserve the working environment to ensure safety to life and property of the staff at all times.
4. Avoiding any unfair action that could threaten or put pressure on employee's psychological conditions or that may affect their job security; promoting quality of life of employees.
5. Give priority to development of knowledge and ability of the employees by offering them all the opportunity regularly.
6. To encourage executives and employees to participate in the corporate social responsibility (CSR) projects in a serious and constructive manner with collaboration developed at all levels.
7. To encourage our personnel to maximize the efficient use of resources
8. Comply with laws and regulations related to employees.
9. To nurture employees with ethics and morality.

**To customers**

1. Producing quality goods and services at a fair and reasonable price; maintaining standardized quality all the time.
2. To inform accurate, complete and distortion-free information of goods and products to customers
3. To provide product guarantee and after-sales service under appropriate conditions and for a reasonable period as well as the product liability insurance
4. No to knowingly deliver defective goods and services which may cause damage or loss to customers.
5. To manage pre- and post-sales customer relations by setting up a unit to provide advice and solve problems to ensure customer's satisfaction in our goods and products; to set up a system that will allow customers to file complaints about purchased goods and services and to do the best to respond to customer's reaction
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.
8. To organize Corporate Social Responsibility

**To suppliers and/or creditors**

1. Exercising integrity when making purchase or procurement from suppliers.
2. Being honest and disclosing accurate, complete and true information.
3. Follow conditions agreed and contract with suppliers and creditors.
4. Not to demand nor to accept or pay any benefits, in bad faith, in dealing with suppliers or creditors.
5. To support activities relating to our business; to nurture and expand collaboration network in order to enhance market and business of both parties for mutual interest
6. To co-create a supply chain and a value chain in order to maximize the production process for the best interest of all parties which however should still remain friendly to employees, community, the society and the environment
7. To organize from time to time activities proven beneficial to the society

**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. To supervise and prevent the business from creating problems to community; to respect the community's tradition and culture
2. Providing support to activities proven beneficial to communities and society at large such as education and vocational skill enhancement for the less privileged and health-promoting activities
3. To return profits of the company regularly to any activity that helps contribute to the well-being of the community.
4. Preserving natural resources and environment in and outside the business for sustainability; avoiding actions that could damage natural resources and environment; adopting a policy to eradicate production-based pollution with zero effect to the society.
5. To consume natural resources efficiently and effectively
6. To develop an environmental-friendly technology
7. To continue enhancing employee's awareness to the community, the society and natural resource and environmental conservation; to organize activities that will widen the environmental protection awareness
8. 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 and anti corruption
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. To comply with relevant laws and regulations
4. Employees are prohibited to do anything that could be a conflict of interest with the business.
5. Avoid seeking interest by unscrupulously using own position or title for own interest or for others; committing to counter bribery and corruption.
6. To keep confidential the customer's, suppliers' and the Company's secrets.
7. To respect the rights of other employees in the Company.
8. Not to accuse the management or other employees without any proven fact.
9. To maintain and create unity among the staff. To work as a team and solve problems together.
10. To care for and assist in taking any action to preserve the working environment to make it clean, safe and enjoyable place to work.
11. Not to support or conceal any action of the staff or of the Company which is unlawful.
12. 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](http://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. Preparing the Management Discussion and Analysis (MD&A) on a quarterly basis; summarizing performance evaluation of the Board of Directors and the Audit Committee annually. 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.

At present, the Board of Directors consists of 11 members, which is suitable for the size and operation of the Company's business. Of this, four are independent directors based on the Stock Exchange of Thailand's definition (SET). Of the four independent directors, three are members of the Audit Committee. Five are executive directors and two are non-independent,

non-executive directors. Chairman of the Board, Chief Executive Officer and President are not the same person for the check-and-balance purpose. Meanwhile, roles and responsibilities of the Board, Chairman of the Board, the Executive Board, Chairman of the Executive Board and President are clearly defined. They have been selected through a nomination and appointment process as stated under the topic of Nomination of Directors. The Board of Directors has qualifications as determined by the laws and the Company. Its members have visions, knowledge, skills and experiences in a variety of businesses and in the Company's main business. They are not directors or executives in businesses which could pose a conflict of interest to the Company and they are directors in no more than five listed companies. In addition, they take part in formulating the Company's direction, policy, goals, action plans and budget 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 such as Board of Executive Directors, The Audit Committee, the Nomination and Remuneration Committee 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 2015, 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 Nomination and Remuneration Committee 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 principles and 17 sub-principles of internal control every year. For 2015, 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.

## Corporate Social Responsibility (CSR) Report

Based on our vision of “striving to create innovative ideas that inspire the art of living and quality work life,” which is the basis for our internal management, and our commitment that social and environmental responsibility will lead to sustainable development and happiness, we are committed to social responsibility by placing priority to quality of life, wellbeing and happiness of employees, customers, suppliers, stakeholders and the society.

Stakeholders may express opinions, requirements and recommendations to us through various channels. They can either send their ideas directly to directors by emailing them to Secretary-co@modernform.co.th, by calling our call center at 0-2708-9999, or by writing us at IR@modernform.co.th or enquiry@modernform.co.th, where all opinions and grievance about product quality, service, delivery and others are compiled. In addition, our internal department seeks opinions and recommendations directly from customers after installation to improve our actions. Concerning our employees, we assign a recognized third-party institution to conduct a satisfaction survey of employees at all levels, the results of which are used to improve our operation.

This CSR report exclusively concerns Modernform Group Public Company Limited’s activities based on the CSR guidelines formulated by the Stock Exchange of Thailand (SET). The report describes activities in eight topics as follows.

### 1. Fair operation

Modernform Plc has produced the Code of Conduct for the management and employees to implement since 2002. The Code of Conduct describes how to treat stakeholders under the principles of CG. This has been announced to all employees who have been monitored to encourage their implementation in order to reflect how the Company runs its business. In the end, this is intended to create fairness to everyone ranging from shareholders to employees, customers, suppliers, creditors, competitors and the public at large.

Modernform has clear written practices announced to employees that it would not infringe intellectual property rights or copyrights of other persons here and abroad. This covers products and trademarks of either Modernform itself, the third party or suppliers as well as computer software and IT systems. A regulation on computer use, which is in compliance with the Computer Use Act, B.E. 2550 (2007), was issued in 2008.

To prevent intellectual infringement by others, Modernform underlines the importance of registering patents of all types of furniture especially office furniture. Being the largest office furniture business, we continue to register our office furniture products. Aside from registering new patents, we also renew existing patents on a product-by-product basis especially those registering strong sales.

We continue to remind our employees to be careful and aware of effects when sending photos and information relating to the company from personal communication devices through application network, social media and social networks to prevent themselves, the company and the society from possible adverse effects.

### 2. Anti-Corruption

Modernform has an anti-corruption policy at corporate level. By this, we mean the Board of Directors allows stakeholders to anonymously submit recommendations and expose illegal or alleged misconduct activity of executives or employees and fraudulent financial statements or defected internal control system through our email: co.secretary@modernform.co.th . The Board

will immediately examine the issues and disclose result of its investigation if the case is proven material to the stakeholders. Internally, the Internal Audit Department which reports to the Audit Committee regularly examines our operations under the internal control system and directly reports its auditing to the Audit Committee as this enables internal auditors to perform their tasks and file reports independently and honestly. Corruption or suspicion of corruption, legal violation or any other unusual act that could significantly jeopardize Modernform's reputation and financial position, if found, will be immediately reported to the Audit Committee for remedy within a reasonable timeframe. The management is required to report remedy progress to the Audit Committee and the Board of Directors.

At the employee level, Modernform has spelt out rules to prevent bribery and corruption in Chapter 5 of our Work Regulations regarding disciplinary regulations and actions under Topic 4 re: "Behavior" and Topic 5 re: "Integrity and Honesty." The contents extend to cover legal compliance, refusal to take money or any other benefits from stakeholders and refraining from exercising power and duty for one's interest, all of which are governed by clear disciplinary actions.

### 3. **Respect to human rights**

Our policy is to comply with the laws, regulations and principles of universal human rights. We will not support business of suppliers involving in human rights violation.

In practice, we have formulated a hiring policy, which is based on an individual's competency, knowledge and experiences. We provide fair treatment and job security to employees and encourage those with competency to prosper in their career path without discrimination. We allow foreign workers and workers with disability to work with us under the labor structure of the Thai labor laws where we provide welfare, vocational training and other benefits with the same criteria. A representative of foreign labor is appointed to work with our HR Department to foster understanding and fair and legal treatment. So far, we haven't received any grievance regarding human right violation.

### 4. **Fair labor treatment**

Believing that employees are a pivotal resource that leads us to success, we have a HR policy detailing fairness, wages and remunerations, welfare, health, security and environment (HSE) and capacity-building to nurture wellbeing and good health of our employees. In 2015, we designated Faculty of Business Administration, Bangkok University, to conduct an employee's satisfaction survey, the results of which were applied to improve our HR management as follows.

#### – **Wages and remunerations**

We have constantly adjusted our salary structure to correspond with competitions and labor situations. Together with the third-party institute, we conducted a research on remunerations and benchmarked them with what we had provided to our employees on a position-by-position basis. The idea was to retain our competent employees while allowing ourselves to be competitive in the business.

We have constantly readjusted our performance management system, which is still linked with both short- and long-term corporate goals. Performances are evaluated through Key Performance Indicators (KPI) and through behavioral practices that reflect our corporate culture. A constructive performance evaluation is carried out twice a year, the results of which are used to enhance and award our employees in a clear and fair basis. In addition, a traceability system is put in place to check if the awarding and group performances are properly aligned. We believe that this will make our employees contented, which will help boosting their work to achieve corporate goals.

– **Welfare and employee's relations**

The Welfare Committee has been set up to take part in recommending extra welfare that answers to employee's needs and that enhances their living quality. Some of the welfare includes providing life insurance and lunch, selling discounted consumables to employees to lessen their financial burden, organizing recreational and outing activities and showing featured films.

In addition, we allow sport lovers or those interested in similar activities to set up sports and recreational club to which Modernform partially provides financial support as this will enable them to enjoy free time together which will foster their relationship, happiness and better living. So far, we have clubs for badminton, cycling, golf, walking/running, exercising, music and photography. In 2014, the V Volunteer Club was set up as a platform for employees with voluntary mind to collaborate good deeds. In 2015, employees requested that a football club be set up so that recreational activities organized by employees would be more diverse and respond to the needs of employees of all ages and genders.

– **Occupational Health, Safety and Environment**

We have put in place the Occupational health, safety and environment (OHSE) policy and the OHSE Committee whose duties are to:

- examine and control level of noise within an acceptable standard
- provide hearing protection devices; train workers how to use them and ensure proper action
- provide hearing tests and protection for workers in risk
- measure airborne particle concentration and tighten control measures; strictly supervise workers to wear personal protective equipment (PPE) while on duty
- form a joint team with unit supervisors within the Production Department to observe if safety operation meets the standard or could pose danger or other health effects in order to provide protective devices or improve work environment.
- train new staff on the issue of safety based on the OHSE's plan

In 2015, is more activities as follows:

- Examining building structure of both the head office and two of our production sites as a preventive measure and to improve what could have been posed a problem.
- Organizing a “Safety Area Contest” activity to promote employees’ participation and to raise safety awareness among employees and their departments.
- Building more standard restrooms, which were also designed to be friendly to the disabled.
- Increasing rest & relax area for employees on every floor of the head office building to relieve employee’s stress
- Building a standard badminton court for employees at the production site.
- Joining the “Safety Workplace in Honor of HRH Princess Maha Chakri Sirindhorn Project” organized by Ministry of Labor and being recognized as a workplace with outstanding commitment
- Participating in the 29th National Week of Work Safety organized by Department of Labor Welfare and Protection by demonstrating and exhibiting five cases that were actually implemented and yielded safety results by our Production Department.

## 5. Responsibility to consumers

Modernform commits to produce and provide quality goods and services at reasonable prices. We also strive to maintain our standards and offer complete, accurate and non-distorted information about our goods and services, pre- and post-sales customer relations and a channel for customers to file complaints against our goods and products and our capacity to respond quickly to such dissatisfaction. We also provide product and service guarantee as well as product liability to our customers subject however to conditions. We also set up a channel to allow customers to express dissatisfaction about our products and services and we will do our best to respond promptly to customers.

We have done the following in relation to our responsibility for consumer's policy:

### Design

- Designing products for senior citizens. This was to respond to increasing demands from the Thai society which increasing became aging and to reduce dangers resulting from the use of products.
- A product test lab that meets national testing standards has been built to test quality of both our products and imported items on the basis of our criteria to ensure customer confidence

In 2015, additional product test was conducted for our chairs with a focus on product durability based on the world's recognized "ansi bifma" standards. The criteria highlights consumer's benefit to be able to use a product in the long run while remaining safe when using such product although a warranty period is already expired. In addition, several groups of products subject to different standards were additionally tested for four qualities of material durability, resistance to acidity and alkaline, resistance to external pressure and rusting. The test, which was conducted according to international standards, should positively boost consumer's confidence in our products.

A report of all products subject to the test is made in writing whether or not the product eventually passes the test. The result can be used as a qualitative reference by our customers and organizations.

## 6. Environment Management

We continue to underline the importance of environment and aim to not doing any business that will negatively affect the environment. We pursue environmental activities ranging from pollution control to sustainable use of resources, reduction of the greenhouse effect and protection of biodiversity. At the same time, we support activities that help taking care of natural resources and the environment.

The Company starts at a design stage where product is originated by maximizing the use of resources to focusing at resource management and choosing environmental-friendly materials such as E1 engineered wood product that uses less formaldehyde as flooring adhesive. It also reduces the use of raw materials with adverse environmental impact such as replacing genuine hardwood with engineered wood products. Other activities include reducing production processes to save energy, systematically managing material waste to minimize trash, reducing storage space and using less energy by introducing logistics to manage furniture delivery trips. Here are what it pursued during the past year:

### – Resource management

- Modernform continued its Value Engineering (VE) project which was initiated to study the value of a product in order to maximize the use of resource in the entire production system while maintaining its fundamental value. This resulted in a maximum use of resources, reduction of waste incurred from design and reduction of energy used in various activities which allowed Modernform to effectively use resources in a more environmentally-friendly manner; for example, a structural design of furniture was readjusted to reduce redundant parts.

- Water-based paint continued to be used and is now set as a production standard to improve air quality and employee's health.
  - Nonflammable-grade fabric is chosen for use in projects that give priority to this subject matter.
  - The sling of Modernform's desk was redesigned where a steel beam was replaced to reduce the product's weight while maintaining its strength as this required less energy when the product was delivered.
- **Design**
- Acoustic products such as the Klub, Kurve office furniture series are designed to reduce noise pollution.

Modernform was accredited with the ISO 5001 energy management following its commitment to set up a system to handle the energy. All employees continued to contribute to the energy use during the past year.

## 7. Community and Social Development

To enhance economic strength and to rehabilitate social and cultural heritage through the promotion of community participation, education support, job creation and capacity-building, Modernform Plc continues to support community and social development activities while promoting social awareness among employees at all levels as we know that business, society and community are closely connected and one has to support another for everyone to remain sustainable.

In 2015, we organized the following activities:

- Increasing our funding to undergraduate students currently studying in related fields to our business and in need of financial support from 30 to 35 scholarships totaling Baht 3.5 million to celebrate the 35th Anniversary of our incorporation.
- Designing the classroom prototype and donating the Collaborative Learning Space classroom furniture to Faculty of Commerce and Accountancy, Chulalongkorn University. The furniture is designed to stimulate discussion and interactions either when a training or other similar activity is held since it can be adapted for use in various styles from classroom to meeting room to brainstorm session and lecture session. Besides, the furniture is easy to move around and store.
- Organizing the “16th M Design Award Contest” as a forum for design students nationwide to express and develop their designs and related techniques to suit industrial needs. This year's competition theme was “Functional Art.”
- Supporting the study of design and related techniques to build up real experiences and to prepare students before they step out into the real world. This includes sending design experts to lecture at various universities and recruiting students as our trainees.
- The “Sharing Dream, Sharing Love” Project in 2015 saw Modernform donating books, school accessories and materials for library and preschooler room to 38 schools and one community hospital in Bangkok and upcountry for a total value of Baht 5,151,137.
- Organizing the “Biking to Commemorate the 95th Rapee Day” event with the Court of Justice to commemorate Prince Rapee, the Father of the Thai laws, and to encourage judges, court officials, our employees and the public to exercise.
- Supporting the V Volunteer Club run by our employees turned volunteers to organize eight social projects. The first project called for gift donation from employees before the gifts were later donated to children at the Usupoki community center, Tak Province. The second project, entitled “School Sanitation,” encouraged employees to donate sanitation items and products to students and residents of Bannangstar District, Yala Province. The third recruited volunteers to clean the

Asokaram Temple in Samut Prakan Province. The fourth asked volunteers to help building an artificial food bank for wild animals at Khao Ang Ruenai Wildlife Conservation Sanctuary in Chachoengsao Province. The fifth project involved a reforestation attempt at the National Conservation Forest Area at Muaklek District, Saraburi Province. The sixth project brought clothes, food and toys to kids at Ban Nok Kamin Foundation on Serithai Road, Bangkok. The seventh project saw our volunteers painting the wall of Pitayalongkorn Pitayakom School in Bangkhuntian District, Bangkok. The final project involved first aid and basic life-saving skills training for club members to learn the principles and practice providing first aid to victims.

## 8. Innovation and CSR-based promotion of innovation

With our mission to create innovation for happiness and wellbeing at home and in workplace, Modernform continues to not only push forward product and service innovations but also nurture the idea of innovation among new generation of designers who have collaborated with us. In 2015, we designed and launched innovative products in several new businesses in a wide range of products including:

- Zport series – furniture designed with sports lovers of football, biking or running in mind to help them keep their gears at proper places, making it convenient enough for the next use while tidying up residences.
- My Kitchen – an innovation of design and management where customers are able to design a unique mix-and-match kitchen on his own that exactly answers to his desire.
- Readydor – the products reflects innovation in the installation as it can be installed faster than a conventional method, which effectively reduces labor and energy required in the installation.

## Internal Control and Internal Audit

The Board of Directors entrusted the Audit Committee to oversee the management where an effective and adequate internal control system has been set up to protect and oversee shareholders' investment and the Company's assets based on the five internal control components. In addition, the Company's internal control system has been enhanced to correspond to a new concept that appropriately relates to each of these five internal control components while allowing duties to be effectively performed. The Internal Audit Department which reports to the Audit Committee audits and reviews operation performance and requires that the internal control system be assessed annually. For 2015, the Board of Directors at its Meeting No. 1/2016 expressed opinions that the Company's internal control system was 100% appropriate to their business nature in terms of its adequacy and soundness and the system had no major defect that may materially affect its reliability. This can be summarized on the basis of the five internal control components containing 17 principles as follows.

### 1. Control Environment

- 1.1 The Board of Directors exercises oversight responsibility by requiring the business to clearly formulate written and measurable targets, plans, policies and work regulations as a basis for the management and employees to implement. At the same time, targets are regularly updated to timely respond to the current situation. The Executives and Employees to give priority to the more control as well as responsible for their units.
- 1.2 The Board of Directors has established an appropriate structure, authority and responsibility by currently dividing the business into six business units and six support units with a clear line of command to support the management's operation for proper check & balance.
- 1.3 The Board of Directors demonstrates commitment to integrity and ethical values where the Code of Conduct of the management to various stakeholders and the Code of Conduct of employees are properly written and communicated to everyone. Supervisors of all levels are to oversee the compliance. Any breach of the Code of Conduct will result in disciplinary action.
- 1.4 Preventive measures against conflict of interest are set. In this regard, transaction procedures and policies with major shareholders, directors, executives or related persons are clearly written in Modernform's CG Principles. This is to ensure that any approval will be carried out on the basis of the firm's best interest and at an arm's length basis. In case of a connected transaction, it will have to always be approved first by the Audit Committee before the matter is submitted to the Board and no stakeholder in the transaction must attend the meeting session or take part in adopting a resolution. The procedures must comply with the Stock Exchange of Thailand (SET) rules and regulations. Besides, monitoring is required to ensure compliance with agreed terms and conditions during an entire contract term with which the firm is bound.
- 1.5 A corporate anti-corruption policy is formulated. The Board will allow stakeholders to take part in drafting the policy. Recommendations, opinions, clues or grievance against illegal activity or unethical conduct of executives or employees or information of inaccurate or non-transparency of financial statements or defected internal control can be anonymously sent to [secretary.co@modernform.co.th](mailto:secretary.co@modernform.co.th). The Board will take an immediate action and will reveal a result if it's material to stakeholders and at an internal level. The Internal Audit Department which reports the Audit Committee will regularly audit



the internal control practices and report its findings to the Audit Committee. This will allow internal auditors to work independently and to make a straightforward report. If material defect such as fraud or suspicion of fraud, legal violation, breach of the Code of Conduct, action that could lead to a conflict of interest against the Company or any other unusual action that could materially affect our reputation and financial position is found, they must immediately be reported to the Audit Committee for possible solutions in an appropriate timeframe. The management meanwhile is to evaluate and communicate deficiencies with the Audit Committee and the Board of Directors.

At the employee level, anti-corruption practices are stated in Chapter 5 Re: Disciplines and Disciplinary Actions under its Topic 4: Conduct; and Topic 5: Integrity of the Work Regulations, which cover legal compliance, prohibition to request money or other benefits from stakeholders and prohibition of illegal exercise of authority with clear penalties. The Human Resources Department is supervising the issues.

#### 1.6 Demonstrates commitment to competence

Our hiring policy is based on competency, knowledge and experiences required for each position. We provide fairness and job security to employees and encourage those who are competent to prosper in their career path without discrimination. This is offered through salaries and remunerations, welfare and others benefits, skill training and succession in major positions. The policy is linked with our performance evaluation system, which takes place in a constructive manner, twice a year. In 2015, we conducted the employee's satisfaction survey where we hired a third-party company to independently survey employees' opinions. Results of the survey were implemented to improve our operation for a better workplace environment.

## 2. Risk assessment

The Board of Directors has appointed the Risk Management Sub-committee of which its roles and responsibilities are clearly determined. The Sub-committee is to systematically manage corporate risks affecting the entire work process. The risk assessment process is set to be aligned with relevant business objectives whether to identify a risk incident, analyze internal and external risk factors ranging from strategic risk to marketing risk, operation risk and IT risk or conduct a risk assessment and responses to the risks. Employees are actively communicated to be aware of the significance of risk management. The Audit Department, through fraud risk assessment, analyzes and assesses opportunities that could lead to fraud in major operation systems such as making a false report, loss of property or corruption, and effects from such frauds. In addition, a control self-assessment system is set up for all departments to create a preventive system of internal control that is relating with the existing risks. Finally, a risk management plan is made to prevent or reduce risks to an acceptable level.

## 3. Control activities

Modernform has put in place a process to select and develop control activities as follows.

- 3.1 A policy and practices for financial transactions and procurement are made in writing where financial ceiling is set in order to control approval authority in the line of command. A complete written operating manual is available and regularly updated together with a flowchart of every system so that employees understand what their responsibilities are and can perform their duties accordingly.
- 3.2 Completely separating approval authority, accounting and information booking and asset maintaining duties from one another to comply with the internal control best practices.

- 3.3 Assigning Company Secretary to gather information regarding the interest of directors, executives and major shareholders and related persons in order to review their connected transactions or transactions with possible conflict of interest and update this information.
- 3.4 Setting up a process to report, review and approve transaction or contract with binding effect to the business and monitoring it to ensure compliance with agreed terms and conditions throughout the binding period.
- 3.5 Appointing a director who will represent the business to sit at a subsidiary/associated company to set a policy, give approval, express opinions and monitor performance of the Board of Directors of that subsidiary/associate in which Modernform has invested.
- 3.6 Having the Internal Audit Division audit and ensure Modernform's compliance with relevant laws to reduce business risk and maintain its reputation.
- 3.7 Information infrastructure and security in the IT system is controlled. This includes developing and maintaining the IT system for maximum security. The IT policy and its general control system are under supervision. Access to information in the system is restricted to authorized persons only. A disaster recovery plan is in place to ensure appropriate, adequate and precise control.

#### 4. Information & Communication

Information & communication is a priority at Modernform since decisions are to be made on the basis of accurate and adequate information. As a result, critical and enough information is to be provided as part of a decision-making process. This has been clearly stated in the requirements of the Board of Directors' meeting and the Shareholders' Meeting with regard to information disclosure, operation control of the management and effective communication system to ensure that the management and employees of all level understand the policy and practice. Operation manuals, rules and regulations and announcements have been regularly updated. Besides, communication channels are provided both internally through the intranet and externally through the internet, the Investor Relations (IR) Department and our call center. The information and communication system is regularly maintained to be ready for safer use under the IT security policy.

#### 5. Monitoring activities

The Board of Directors is required to conduct ongoing and/or separate evaluation of the management by benchmarking performance of executives at all levels with their goals and plans. This is to evaluate performance efficiency and also to conduct an ongoing evaluation while one performs his/her job. The idea behind this is to make sure that the internal control is there and, more importantly, is functioning properly and that any internal control defect can be effectively communicated to relevant parties for corrective actions within an appropriate timeframe. Besides, responsible persons are clearly identified to carry out such corrective actions. This way, internal auditors can independently and straightforwardly report performances on the basis of the International Standard for the Professional of Internal Auditing (IIA). If material defect such as fraud or suspicion of fraud, legal violation, breach of the Code of Conduct, action that could lead to a conflict of interest against the Company or any other unusual action that could materially affect our reputation and financial position is found, they must immediately be reported to the Audit Committee for a possible solution in an appropriate timeframe. The management meanwhile is to evaluate and communicate deficiencies with the Audit Committee and the Board of Directors.

## Related Transactions

In 2015 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.

**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

Related Person/ Entity	Relation	Type of Transaction	Amount (million Baht)			Audit Committee Comments
			31 Dec 15	31 Dec 14		
MHC	MODERN holds 60% of the paid up capital of MHC and common directors, Mr. Thaksa Busayapoka, Mr. Jajai Dhammarunguang, and Mr. Patana Usanachitt with Mr. Nithi Nengchamrong son of Mr. Yothin Nengchamrong acting as MD of MHC and holds 20% of the registered of MHC	Sales of goods Trade accounts receivable	3.2 0.3	2.2 0.8		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.
TPAC	MODERN holds 47.68% of the paid up capital of TPAC and common directors Mr. Thaksa Busayapoka, Mr. Jajai Dhammarunguang, and Mr. Yothin Nengchamrong, with Mr. Theerawit Busayapoka, brother of Mr. Thaksa Busayapoka, acting as MD of TPAC and holds 8.02% of paid up capital of TPAC. On October 9, 2015 the Board of Director has passed a resolution to sales of all shares hold in TPAC.	Sales of goods Purchase of goods (Chair fixings, sofa legs) Trade accounts payable	- 0.8 -	0.2 1.0 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.
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 0.37% of the paid up capital of IHL	Purchase of goods Trade accounts payable Sales of goods	12.5 4.8 0.2	7.4 2.3 0.5		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 of long-time customers.
IMC	MODERN holds 48.9% of the paid up capital of IMC and common directors Mr. Thaksa Busayapoka and Mr. Patana Usanachitt.	Purchase of goods Trade accounts payable Sales of goods Trade accounts receivable Other trade accounts receivable	6.0 2.4 3.8 0.4 0.2			MODERN bought furniture from IMC. The transaction price was found appropriate and it was also a market price offered to IMC's major of 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 15	31 Dec 14		
MTC	MODERN holds 100% of the paid up capital of MTC and common directors, Mr.Chareon Usanachitt, Mr.Jajjai Dhammarunguang, Mr.Thaksa Busayapoka, Mr.Yothin Nengchamnong and Mr.Somsak Varikarn.	Rent and service expenses Deposit (rent and services) Other trade accounts payable	45.8 11.3 1.0	45.8 11.3 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 Dhammarunguang 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	0.4	0.4		Financial consultancy services
MHC	MODERN holds 60% of the paid up capital of MHC and common directors, Mr.Thaksa Busayapoka, Mr.Jajjai Dhammarunguang, 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	Service Fee Other trade accounts	1.6 -	1.5 0.1		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.
TPAC	MODERN holds 48% of paid up capital of TPAC and common directors Mr.Thaksa Busayapoka, Mr. Jajjai Dhammarunguang, and Mr.Yothin Nengchamnong, with Mr.Theerawit Busayapoka, brother of Mr. Thaksa Busayapoka, acting as MD of TPAC and holds 7.9% of paid up capital of TPAC. On October 9, 2015 the Board of Directors has passed the resolution to sales all common shares hold in TPAC	Service Fee	1.2	1.5		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 15	31 Dec 14	
IMC	MODERN holds 48.99% of the paid up capital of IMC and common directors Mr.Thaksa Busayapoka and Mr.Patana Usanachitt	On March 26, 2015 the Board of Directors has passed the resolution to invest in Itoki Modernform Co.,Ltd.	7.3	-	On March 26, 2015, the Executive Board of Directors' Meeting No. 3/2558 resolved to allow Modernform to invest in Itoki Modernform Co Ltd with a registered capital of Baht 15 million or a total of 15,000 shares. The new company has two major shareholders; namely, Itoki Corporation of Japan and Modernform Group Plc, each of whom holds 7,348 shares or 48.99% of its shares. Itoki Modernform Co Ltd was incorporated as a company with Department of Business Development on April 16, 2015.
TPAC		On October 9, 2015 the Board of Directors has passed the resolution to sales all common shares hold in TPAC	836	-	On October 9, 2015 the Board of Directors no.6/2015 has passed the resolution to sales all common shares hold in TPAC Total 100,000,000 shares representing 47.90% of the paid up capital of at the rate 7.80 baht per share total Million Baht 780. Furthermore, the Board has approved to sell the Right Warrants of TPAC totally 20,000,000 units at total Baht 56,000,000

#### 4. Financial Assistance

Related Person/ Entity	Relation	Type of Transaction	Amount (million Baht)		Audit Committee Comments
			31 Dec 15	31 Dec 14	
MTC	MODERN holds 100% of the paid up capital of MTC and common directors, Mr.Chareon Usanachitt, Mr.Jajjai Dhammarunguang, Mr.Thaksa Busayapoka, Mr.Yothin Nengchamnong and Mr.Somsak Varikarn.	Interest Income Long-term loans and accrued interest	2.2 26.7	1.7 -	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.
IMC	MODERN holds 48.99% of the paid up capital of IMC and common directors Mr.Thaksa Busayapoka and Mr.Patana Usanachitt	Long-term loans and accrued interest	4.9	-	MODERN extended credit to IMC at the minimum lending rate (MLR) plus 0.5% per annum. This rate was the normal rate commercial banks charged their prime customers.

Notes :	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 Plaspac Public Company Limited	Produces packaging material, industrial plastic, and furniture fixings
	IHL	=	Interhides Public Company Limited	Produce and sale leather
	IMC	=	Itoki Modernform Company Limited	Import and Export Office furniture

### 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 2014. 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.

## Financial Ratios (The Company Only)

		2015	2014	2013
<b>LIQUIDITY RATIO</b>				
Current ratio	(Times)	2.3	2.1	2.1
Quick ratio	(Times)	1.1	1.0	1.0
Cash from operating ratio	(Times)	0.3	0.2	0.4
Receivable turnover ratio	(Times)	4.4	4.0	4.3
Collection days	(Days)	81	90	83
Inventory turnover	(Times)	2.4	2.4	2.4
Average number of days sales	(Days)	153	153	152
Account payable turnover	(Times)	8.5	7.8	6.8
Payment days	(Days)	42	46	53
Cash Cycle	(Days)	192	197	182
<b>PROFITABILITY RATIO</b>				
Gross profit margin	(%)	33.0	35.0	37.6
Return on total income	(%)	21.8	19.4	9.9
Return on equity	(%)	39.9	33.7	13.9
<b>EFFICIENCY RATIO</b>				
Return on total assets	(%)	25.8	21.6	9.5
Return on fixed assets	(%)	221.2	238.5	118.3
Assets turnover	(Times)	1.2	1.1	1.0
<b>FINANCIAL POLICY RATIO</b>				
Debt to Equity ratio	(Times)	0.5	0.6	0.5
Interest payment ratio	(Times)	252.7	1,872.9	471.7
Dividend Payment	(%)	79.4	93.5	125.0



## Financial Ratios (Consolidation)

		2015	2014	2013
<b>LIQUIDITY RATIO</b>				
Current ratio	(Times)	2.1	2.0	2.0
Quick ratio	(Times)	1.1	1.0	1.0
Cash from operating ratio	(Times)	0.3	0.2	0.4
Receivable turnover ratio	(Times)	4.3	3.9	4.2
Collection days	(Days)	85	93	85
Inventory turnover	(Times)	2.3	2.3	2.3
Average number of days sales	(Days)	158	160	158
Account payable turnover	(Times)	8.0	7.4	6.4
Payment days	(Days)	45	49	56
Cash Cycle	(Days)	198	204	187
<b>PROFITABILITY RATIO</b>				
Gross profit margin	(%)	34.3	35.6	38.4
Operating profit	(%)	8.5	10.2	11.4
Quality of earnings	(%)	144.7	85.3	112.8
Return on total income	(%)	15.3	18.1	11.6
Return on equity	(%)	24.9	28.3	15.6
<b>EFFICIENCY RATIO</b>				
Return on total assets	(%)	15.9	18.5	10.8
Return on fixed assets	(%)	93.3	117.6	69.0
Assets turnover	(Times)	1.0	1.0	0.9
<b>FINANCIAL POLICY RATIO</b>				
Debt to Equity ratio	(Times)	0.6	0.6	0.5
Interest payment ratio	(Times)	57.1	846.7	474.8
Cash coverage	(Times)	0.5	0.4	0.9
Dividend Payment	(%)	113.6	95.2	96.5

### Note:

1. The accounting transaction of Thai Plaspac Public Company Limited (TPAC) is presented as one line in the Company's financial statement for year 2015. Therefore, the financial statement of year 2014 (before restated) is used for calculating Financial Ratio of year 2015.
2. The cash flow statement of 3 activities for year 2015 is included the cash flow statement of TPAC. However, the Company's net cash flow for year-end 2015, amount 685 million baht is not included the cash flow statement of TPAC due to sale of investment of TPAC in October 2015.

## Management Discussion & Analysis of a one-year performance as of end December 31, 2015

### Industry Overview

#### Remain unchanged

Economic Outlook for 2015 remains relatively stable. Though, receiving positive factor from government stimulus to support property sector such as reduction in property transfer fees and taxation, the down trend of the world and local economy have impact on private sector investment and lower purchasing power. However, the execution of the government stimulus plan could be expected to be positive to the Company business.

### Business Overview

#### Both sales volume and gross profit almost unchanged

The furniture business is highly competitive. The Company has adapted the business model by diversifying to other investments for long term growth. Furthermore, after the ASEAN Economic Community (AEC) is fully integrated, the development of an international logistic could create new opportunity to expand the business networks.

MODERN continues to implement the following strategies

1. The Company cooperates with a leading Japanese partner, Itoki Corporation, has launched Itoki Safe Automatic Deposit system which will initially cover banking sectors, Office building and Hi-End Condominiums. Moreover, the Company is negotiating with Itoki dealer in Indonesia for business expansion and innovative product development for AEC countries, especially group of CLMV.
2. The Company continues the business expansion and establishes more showrooms in Yangon, Myanmar and Vientiane, Laos, which focus on middle to high segment.
3. The Company plans to open Modernform Outlet for furniture clearance sale, which is in the process of finalizing the location.
4. The consequence of raising wages, the Company has adapted using the services of outsource, and improve the production technology to increase productivity with lower cost management.
5. The Company plans to increase the proportion of investment to healthcare business through its subsidiary company since the business has a higher growth from consumer's health awareness. The subsidiary has high growth in fabricating and furnishing the operation rooms for hospitals. And the subsidiary is now representing many well-known brands in the field of medical equipments.

### Financial Performance in 2015

#### Sale volume increased by 2.9 percent to Baht 3,653.7 million with gross profit margin of 33.5 percent, a decrease of 1.7 percent

MODERN and subsidiaries recorded Baht 3,653.7 million, representing 2.9 percent increase of Baht 103.5 million from the same period in 2014 because of the higher deliveries of healthcare furniture and medical equipments. The gross profit margin was at 33.5 percent decreased by 1.7 percent from the same period in 2014 due to the lower profit margin from some projects.

### **Net profit equaled Baht 662.5 million, a decrease of 15.6 percent**

Net profit of MODERN and subsidiaries in 2015 amounted to Baht 662.5 million, a decrease of 15.6 percent from the same period in 2014 (including gain on sale of TPAC).

In 2015, MODERN received shares of incomes from investment in associate and subsidiary companies total Baht 84.3 million, an increased 3.8 percent from the same period in 2014.

## **Business units and subsidiaries performance**

### **Office and residential furniture business**

#### **Sales decreased by 2.3 percent to Baht 2,845.9 million**

In 2015, sales of office and residential furniture decreased by 2.3 percent from the same period in 2014 to Baht 2,845.9 million due to the postponement of deliveries, which will realize such the revenue in 2016.

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

#### **Sales increased by 5.1 percent to Baht 590.2 million**

In 2015, sales of furniture fittings, solid surface, carpet tile and wooden flooring increased by 5.1 percent from the same period in 2014 to Baht 590.2 million. The business has expanded by increasing new innovative architectural products and the furniture fittings.

### **Office rental business**

#### **Rental income at Baht 76.7 million, a decrease 1.6 percent**

In 2015, the business generated Baht 76.7 million rental incomes, or 1.6 percent decrease compared to the same period in 2014. The vacant space has now been taken by the new tenant.

### **Healthcare product and medical equipment business**

#### **Revenues of Baht 244.0 million, an increase of 62.9 percent**

In 2015, the business recorded revenues of Baht 244.0 million, an increase of 62.9 percent from the same period in 2014 due to the rising trend of healthcare business.

### **Architectural design business**

#### **Revenues of Baht 48.7 million, an increase 4.9 percent**

In 2015, the architectural design business recorded revenue Baht 48.7 million, or 4.9 percent increase from the same period in 2014 due to delivery to the customer which could expect to realize revenue at the fourth quarter. The architectural design business is still growing from private sector.

## Financial status of MODERN and subsidiaries

### Cash, cash equivalents and short-term investments decreased

As of December 31 2015, MODERN and subsidiaries recorded Baht 685.3 million for cash, cash equivalents and short-term investments, increased by Baht 144.3 million from the end of 2014. Consolidated shareholders' equity accounted for Baht 2,587.2 million, decreased by Baht 497.9 million from the end of 2014 due to decreased retained earnings from dividend payment.

### Baht 116.2 million of financial institution debts

MODERN and subsidiaries registered Baht 116.2 million of financial institution debts, increased by Baht 2.2 million, compared to Baht 114.0 million at the end of 2014.

MODERN and subsidiaries still commit to best manage its capital for the highest efficiency and is also ready to invest in any potential businesses for sustainable return to shareholders.

## Report of the Audit Committee

The Audit Committee consisting of three independent directors appointed by the Board of Directors has performed its duties as entrusted by the Board and in accordance with the Audit Committee's Charter No.2. In 2015, the Audit Committee convened four times. Results of its performances and opinions can be summarized as follows.

1. **Reviewing quarterly financial statements and the 2015 financial statements** – The Audit Committee reviewed quarterly financial statements and the 2015 financial statements as well as approved the statements on every occasion before submitting them for the Board's approval. The Audit Committee also quarterly met with the Company's auditors and Vice President of the Accounting and Finance Division to revise new accounting principles and discuss important issues raised by auditors. Having reviewed the accuracy of the financial statements and the adequacy of material information being disclosed; and having acknowledged observations, asked questions and listened to clarifications, advices and possible solutions, the Audit Committee agrees with the auditor that Modernform's financial statements present fairly all material aspects of financial statements in general, are transparent and reliable; the Company has review and selected an appropriate accounting policy which corresponds to the Generally-Accepted Accounting Principles (GAAP) and the International Financial Reporting Standards (IFRS) as well as accounting standards and financial statement reporting criteria taking effect for fiscal periods starting at or after January 1, 2013. All financial statements have already been audited, reviewed and given an unconditionally qualified opinion by an independent certified public accountant (CPA).
2. **Reviewing connected transactions or transactions that could pose conflict of interest** – The Audit Committee examined connected transactions or transactions that could pose a conflict of interest to ensure compliance with relevant rules, regulations and legislations. This was carried out to assure that the Management had executed such transactions with transparency, soundness and for the best interest of Modernform and its shareholders and that all transactions were reviewed by the Audit Committee. In 2014, there was no connected transactions.
3. **Reviewing the internal control system to evaluate its soundness, adequacy and efficiency** based on the COSO-ERM's criteria (the Committee of Sponsoring Organizations of the Treadway Commission-Enterprise Risk Management's practice) which consists of five components embedded with 17 principles as elaborated in the newly-revised evaluation form updated by the Securities and Exchange Commission (SEC) in 2013. The review covers all aspects including internal control, risk management, control of the operation, information & communication and the monitoring system. In addition, we have set up an effective check & balance system to constantly protect and oversee shareholders' funds and the Company's assets by focusing at control self-assessment that requires every department to audit and assess its control capacity to reduce potential risk and to achieve operation targets.  
  
The Audit Committee also evaluated the adequacy of the firm's internal control system and risk Management by the International Standard Guidelines COSO-ERM on an annual basis. In 2015, the Committee was of the view that Modernform did have a sound, adequate and effective internal control system. No material weakness or defect that may affect its business was found. More details can be found in the Annual Report under the "Internal Control" topic.
4. **Reviewing the corporate governance practice** – In 2014 the Audit Committee reviewed the corporate governance practice in which the corporate governance policy was constantly examined and enhanced to suit corporate environment. So far, the 4th manual of corporate governance principles has already been issued. The Management and the Internal Audit Department under

the supervision of the Audit Committee have been entrusted to oversee the strengthening of effective corporate governance practice while the Company undergoes an annual corporate governance policy compliance assessment each year. In 2014, the Board evaluated such compliance using the latest evaluation form of corporate governance compliance for listed companies of 2013, the results of which are elaborated under the topic of “corporate governance compliance” also in this Annual Report.

5. **Reviewing legal and other regulatory compliance** – The Audit Committee, having reviewed legal compliance and other compliance with rules, regulations and obligations relating to Modernform’s business, is of the opinion that the Company has duly complied therewith.
6. **Appointing and setting the auditor’s 2015 remunerations** – The Audit Committee has appointed and determined the auditor’s 2015 remunerations before proposing this to the Board who will seek approval from the 2015 Annual General Meeting of Shareholders. The Audit Committee, having reviewed the auditor’s past performance and assessing his independence and quality, is of the opinion that it’s appropriate to appoint Ms.Rungnapa Lertsuwankul CPA License no. 3516, Mr. Sopon Lertsiriwallop, CPA License No. 3182; or Mr. Chayapol Supasettanon, CPA License No. 3972; or Ms. Pimjai Manitkajornkit, CPA, License No. 4521, of EY Co, Ltd. to be the auditor in 2015 where the auditor’s 2015 fee is set at Baht 1.73 million increase from the previous year 12% divided into the quarterly auditing fee of Baht 160,000 per quarter for a total of three quarters and the year-end auditing fee of Baht 1.25 million. Besides the EY Co.,Ltd. is also the auditor of the subsidiaries, associated companies and related companies Modernform Tower Co.Ltd., Modernform Health and Care Co.,Ltd. Rafa Associated Co.,Ltd. Thai Plaspac Public Company Limited and Itoki Modernform Co.,Ltd. and do not use any other services from EY Co., Ltd. aside from annual auditing. The 4 auditors are not shareholders of the Company or its subsidiaries. They have no relationship or interest with executives, major shareholders or those relating to subsidiary, associated and connected companies, either.
7. **Supervision of internal audit** – The Committee approved the 2015 internal audit plan which covered major operation systems. The report was prepared annually by the Internal Audit Department for submission to the Audit Committee’s consideration. The Audit Committee reviewed performance results from the Internal Audit Division’s quarterly report, provided recommendations and monitored corrective actions for material issues identified in the internal audit report to resolve problems in time. This was to strengthen the Internal Audit Division’s independence so that it can express opinions relating to the internal audit in a straightforward, fair and efficient manner for the purpose of assurance and consulting role to all departments. Besides, the Audit Committee also reviewed a proper number of workforce and approved an annual training budget of internal audit staff in order to strengthen the internal auditor’s professionalism and to further enhance auditing quality to meet the International Standard for the Professional Practice of Internal Auditing and to comply with the Internal Audit Department’s Charter No. 3/2014.
8. **Improving communications among the Board of Directors, external auditors and the Internal Audit Division** – The Audit Committee plays a critical role to improve communications among the Board of Directors, external auditors and the Internal Audit Department where it has required external auditors to meet with the Committee, executives from the Internal Audit Department and the Finance and Accounting Department more frequently on a quarterly basis in order to review and ensure that the Company’s financial practice is in compliance with related new accounting standards. In addition, the Committee requires that auditing results be reported on a quarterly basis while independence of both external and internal auditors is underlined to allow them to express their opinions directly, to report auditing results as they have found and to remedy issues as advised since all of this should enhance the efficiency of the operation. The minutes of the Audit Committee’s meeting which also provided recommendations proven beneficial to the management was submitted to the Chairman after each meeting. The management meanwhile re-adjusted its actions accordingly when appropriate.
9. Preparing the Report of Audit Committee which provided all good advices for administrative management team to the Chairman. All good advices are adjusted by management team appropriately.

10. In 2015, the Audit Committee duly performed its roles and responsibilities as specified in the Audit Committee's Charter and as entrusted by the Board by exercising its competency and prudence while having enough independence and being able to honestly express opinions to the Board and relevant parties for the best interest of all stakeholders with no restriction when it comes to accessing information from executives, employees and other related parties. Based on the review and supervision, it can be concluded that in general, internal control and corporate governance is adequately transparent and efficient. Material information and transactions required to be presented by relevant laws and regulations have been disclosed in strict compliance with procedures and mechanisms that the Company has to abide by and all are auditable. The operation system has been constantly adjusted for a better quality and to suit evolving business environment.
11. the Audit Committee has also assessed its performance on an annual basis using an evaluation form of the Stock Exchange of Thailand, the result of which shows that the entire Audit Committee efficiently and effectively performed all activities in 2015 at a very excellent level.



Mr. Suchart Thammapiatagkul  
(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 2015. 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

### 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 statement of financial position as at 31 December 2015, 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 judgement, 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 2015, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

#### Emphasis of matter

I draw attention to Note 4 to the financial statements regarding the change in accounting policy due to the adoption of TFRS 10 Consolidated Financial Statements. The Company has restated the consolidated financial statements for the year ended 31 December 2014, presented herein as comparative information, to reflect the adjustments resulting from such change. The Company has also presented the consolidated statements of financial position as at 1 January 2014 as comparative information. My opinion is not qualified in respect of this matter.



Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

EY Office Limited

Bangkok: 26 February 2016

## Statement of financial position

Modernform Group Public Company Limited and its subsidiaries

As at 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As of 31	As of 31	As of 1	As of 31	As of 31	As of 1
		December 2015	December 2014	January 2014	December 2015	December 2014	January 2014
		(Restated)					
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	8	685,341,832	528,416,741	358,254,619	611,620,759	429,791,436	282,590,136
Current investments		–	12,590,000	10,030,000	–	–	–
Trade and other receivables	7, 9	798,435,470	1,374,754,622	1,316,006,046	672,598,115	853,694,017	878,374,063
Short-term loan and accrued interest receivable							
from related party	7	4,929,235	–	–	4,929,235	–	–
Current portion of long-term loan and accrued							
interest receivable from subsidiaries	7	–	–	–	26,667,003	–	55,352,620
Inventories	10	1,270,176,833	1,373,964,951	1,300,369,955	1,152,854,747	1,199,862,967	1,157,224,012
Other current assets							
Prepaid expenses		20,660,955	22,683,583	19,109,179	15,106,731	15,999,132	15,405,989
Others		73,953,713	93,242,897	58,896,771	66,099,558	56,238,380	40,146,682
Total other current assets		94,614,668	115,926,480	78,005,950	81,206,289	72,237,512	55,552,671
<b>Total current assets</b>		<b>2,853,498,038</b>	<b>3,405,652,794</b>	<b>3,062,666,570</b>	<b>2,549,876,148</b>	<b>2,555,585,932</b>	<b>2,429,093,502</b>
<b>Non-current assets</b>							
Available-for-sale investments	11	281,717,921	248,066,202	575,564,001	281,717,921	248,066,202	575,564,001
Investments in associate	12	3,321,230	–	–	7,348,000	–	–
Investments in subsidiaries	13	–	–	–	249,299,059	367,471,133	367,471,133
Investment properties	14	212,230,946	229,393,241	246,910,300	–	–	–
Property, plant and equipment	15	650,807,220	1,116,556,570	1,049,034,773	514,581,294	386,089,063	326,164,766
Goodwill	16	–	13,998,642	24,165,954	–	–	–
Other intangible assets	17	9,615,449	8,988,802	5,352,096	9,308,372	7,172,469	3,529,277
Leasehold rights	18	2,840,935	4,532,366	6,223,796	2,840,935	4,532,366	6,223,796
Deferred tax assets	27	61,017,682	58,486,549	5,122,111	58,200,366	53,353,202	–
Other non-current assets	7, 19	11,272,766	71,517,620	110,261,103	21,650,485	38,471,224	44,038,231
<b>Total non-current assets</b>		<b>1,232,824,149</b>	<b>1,751,539,992</b>	<b>2,022,634,134</b>	<b>1,144,946,432</b>	<b>1,105,155,659</b>	<b>1,322,991,204</b>
<b>Total assets</b>		<b>4,086,322,187</b>	<b>5,157,192,786</b>	<b>5,085,300,704</b>	<b>3,694,822,580</b>	<b>3,660,741,591</b>	<b>3,752,084,706</b>

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

## Statement of financial position (continued)

Modernform Group Public Company Limited and its subsidiaries

As at 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As of 31	As of 31	As of 1	As of 31	As of 31	As of 1
		December 2015	December 2014	January 2014	December 2015	December 2014	January 2014
		(Restated)					
<b>Liabilities and shareholders' equity</b>							
<b>Current liabilities</b>							
Bank overdrafts and short-term loans from							
financial institutions	20	116,252,693	114,004,110	81,089,044	1,796,669	801,774	2,709,744
Trade and other payables	7, 21	400,405,704	689,019,984	656,863,792	319,123,064	358,605,516	379,325,050
Current portion of long-term loan	22	–	57,279,441	46,188,831	–	–	–
Customer deposits		602,221,072	823,949,765	748,532,648	579,046,852	798,565,488	719,750,673
Income tax payable		175,094,278	46,086,287	55,155,125	171,382,481	43,856,198	52,578,577
Other current liabilities		65,892,981	58,539,799	50,604,163	55,872,717	31,004,214	26,636,032
<b>Total current liabilities</b>		<b>1,359,866,728</b>	<b>1,788,879,386</b>	<b>1,638,433,603</b>	<b>1,127,221,783</b>	<b>1,232,833,190</b>	<b>1,181,000,076</b>
<b>Non-current liabilities</b>							
Long-term loan, net of current portion	22	–	132,179,984	139,692,935	–	–	–
Provision for long-term employee benefits	23	139,260,289	150,716,031	135,692,628	126,190,927	126,541,121	111,417,383
Deferred tax liabilities		–	–	4,906,982	–	–	4,906,982
Other non-current liabilities		–	356,323	894,793	–	–	–
<b>Total non-current liabilities</b>		<b>139,260,289</b>	<b>283,252,338</b>	<b>281,187,338</b>	<b>126,190,927</b>	<b>126,541,121</b>	<b>116,324,365</b>
<b>Total liabilities</b>		<b>1,499,127,017</b>	<b>2,072,131,724</b>	<b>1,919,620,941</b>	<b>1,253,412,710</b>	<b>1,359,374,311</b>	<b>1,297,324,441</b>

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

## Statement of financial position (continued)

Modernform Group Public Company Limited and its subsidiaries

As at 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As of 31 December 2015	As of 31 December 2014	As of 1 January 2014	As of 31 December 2015	As of 31 December 2014	As of 1 January 2014
		(Restated)					
<b>Shareholders' equity</b>							
Share capital							
Registered							
809,646,280 ordinary shares of Baht 1 each		809,646,280	809,646,280	809,646,280	809,646,280	809,646,280	809,646,280
Issued and paid-up							
750,000,000 ordinary shares of Baht 1 each		750,000,000	750,000,000	750,000,000	750,000,000	750,000,000	750,000,000
Share premium		733,566,600	733,566,600	733,566,600	733,566,600	733,566,600	733,566,600
Treasury stocks premium		145,956,164	145,956,164	145,956,164	145,956,164	145,956,164	145,956,164
Capital reserve for share – based payment transaction		–	3,533,031	2,760,449	–	–	–
Retained earnings							
Appropriated							
Statutory reserve – the Company	24	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000
– the subsidiary	24	24,474,000	44,714,000	40,014,000	–	–	–
Unappropriated		800,953,298	891,610,601	858,804,262	714,862,252	542,775,037	490,965,326
Other components of shareholders' equity		(3,522,952)	27,888,805	167,712,316	7,024,854	39,069,479	244,272,175
<b>Equity attributable to the owners of the Company</b>		<b>2,541,427,110</b>	<b>2,687,269,201</b>	<b>2,788,813,791</b>	<b>2,441,409,870</b>	<b>2,301,367,280</b>	<b>2,454,760,265</b>
Non-controlling interests of the subsidiaries		45,768,060	397,791,861	376,865,972	–	–	–
<b>Total shareholders' equity</b>		<b>2,587,195,170</b>	<b>3,085,061,062</b>	<b>3,165,679,763</b>	<b>2,441,409,870</b>	<b>2,301,367,280</b>	<b>2,454,760,265</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,086,322,187</b>	<b>5,157,192,786</b>	<b>5,085,300,704</b>	<b>3,694,822,580</b>	<b>3,660,741,591</b>	<b>3,752,084,706</b>

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

## Income statement

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

		Consolidated financial statements		Separate financial statements		
		Note	20 15	20 14	20 15	20 14
			(Restated)			
Continuing operations						
Revenues						
Sales	7	3,653,679,452	3,550,218,825	3,436,023,643	3,475,004,511	
Other income						
Gain on sales of investments	11, 33	468,532,521	461,238,652	700,889,228	542,962,630	
Rental income		76,698,674	77,954,516	1,395,000	315,000	
Architectural design service income and construction income		71,897,716	118,195,653	–	–	
Dividend received	7, 13	13,904,120	40,025,497	150,144,127	70,125,987	
Others	7	52,700,305	47,173,100	59,283,099	47,876,874	
		683,733,336	744,587,418	911,711,454	661,280,491	
Total revenues		4,337,412,788	4,294,806,243	4,347,735,097	4,136,285,002	
Expenses						
Cost of sales	7	2,429,524,275	2,301,582,749	2,300,593,512	2,257,622,874	
Cost of rental		26,626,728	28,934,348	1,081,264	126,679	
Cost of design services and construction		43,723,681	83,983,535	–	–	
Selling expenses	7	645,399,681	624,092,131	634,071,401	633,946,986	
Administrative expenses	7	299,523,982	284,554,847	234,322,921	222,192,207	
Other expenses	7	34,431,280	42,063,355	23,267,914	26,270,986	
Total expenses		3,479,229,627	3,365,210,965	3,193,337,012	3,140,159,732	
Profit before share of profit from investments						
in associate, financial cost and income tax expenses		858,183,161	929,595,278	1,154,398,085	996,125,270	
Share of loss from investments in associated company	12.2	(4,026,770)	–	–	–	
Profit before finance cost and income tax expenses		854,156,391	929,595,278	1,154,398,085	996,125,270	
Finance cost		(9,538,870)	(6,436,381)	(6,200,299)	(5,347,039)	
Profit before income tax expenses		844,617,521	923,158,897	1,148,197,786	990,778,231	
Income tax expenses	27	(216,329,098)	(183,947,590)	(201,166,476)	(188,984,270)	
Profit for the year from continuing operations		628,288,423	739,211,307	947,031,310	801,793,961	
Discontinued operations						
Profit for the year from discontinued operations	33	79,457,383	93,391,992	–	–	
Profit for the year		707,745,806	832,603,299	947,031,310	801,793,961	

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

## Income statement (continued)

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	20 15	20 14	20 15	20 14
(Restated)					
Profit attributable to:					
Equity holders of the Company					
Profit for the year from continuing operations		623,187,709	739,112,200	947,031,310	801,793,961
Profit for the year from discontinued operations		39,269,612	45,718,394		
Profit for the year attributable to the Company		662,457,321	784,830,594		
Non-controlling interests of the subsidiaries					
Profit for the year from continuing operations		5,100,714	99,107		
Profit for the year from discontinued operations		40,187,771	47,673,598		
Profit for the year attributable to non-controlling interest		45,288,485	47,772,705		
		707,745,806	832,603,299		
Earnings per share	28				
Basic earnings per share					
Profit attributable to equity holders of the Company					
Profit from continuing operations		0.83	0.99	1.26	1.07
Profit from discontinued operations		0.05	0.06	–	–
		0.88	1.05	1.26	1.07

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

## Statement of comprehensive income

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014 (Restated)	2015	2014
Profit for the year from continuing operations		628,288,423	739,211,307	947,031,310	801,793,961
Profit for the year from discontinued operations		79,457,383	93,391,992	–	–
Profit for the year		707,745,806	832,603,299	947,031,310	801,793,961
<b>Other comprehensive income:</b>					
<b>Continuing operations</b>					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Loss on change in value of available-for-sale investments		(38,530,552)	(98,937,900)	(38,530,552)	(98,937,900)
Income tax effect	27	7,706,110	19,787,580	7,706,110	19,787,580
Net other comprehensive income to be reclassified to profit or loss in subsequent periods – Net of income taxes		(30,824,442)	(79,150,320)	(30,824,442)	(79,150,320)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gain for post-employment benefits plan		16,119,356	–	15,694,844	–
Income tax effect	27	(3,223,871)	–	(3,138,969)	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods – Net of income taxes		12,895,485	–	12,555,875	–
<b>Other comprehensive income for the year from continuing operations</b>		<b>(17,928,957)</b>	<b>(79,150,320)</b>	<b>(18,268,567)</b>	<b>(79,150,320)</b>
<b>Discontinued operations</b>					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gain for post-employment benefits plan		–	4,323,809	–	–
Income tax effect	27	–	(864,762)	–	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods – Net of income taxes	33	–	3,459,047	–	–
<b>Other comprehensive income from discontinued operations</b>	<b>33</b>	<b>–</b>	<b>3,459,047</b>	<b>–</b>	<b>–</b>
<b>Other comprehensive income for the year</b>		<b>(17,928,957)</b>	<b>(75,691,273)</b>	<b>(18,268,567)</b>	<b>(79,150,320)</b>
Total comprehensive income for the year					
Total comprehensive income from continuing operations		610,359,466	660,060,987	928,762,743	722,643,641
Total comprehensive income from discontinued operations	33	79,457,383	96,851,039	–	–
<b>Total comprehensive income for the year</b>		<b>689,816,849</b>	<b>756,912,026</b>	<b>928,762,743</b>	<b>722,643,641</b>

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

## Statement of comprehensive income (continued)

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		20 15	20 14	20 15	20 14
		(Restated)			
Total comprehensive income attributable to:					
Equity holders of the Company					
Total comprehensive income from continuing operations		605,215,034	659,961,880	928,762,743	722,643,641
Total comprehensive income from discontinued operations		39,269,612	47,378,736		
Total comprehensive income attributable to the company		644,484,646	707,340,616		
Non-controlling interests of the subsidiaries					
Total comprehensive income from continuing operations		5,144,432	99,107		
Total comprehensive income from discontinued operations		40,187,771	49,472,303		
Total comprehensive income attributable to non-controlling interest		45,332,203	49,571,410		
		689,816,849	756,912,026		

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



# Statement of changes in shareholders' equity

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements									
		Equity attributable to owners of the Company					Other components of shareholders' equity				
		Issued and paid-up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings		Total other components of shareholders' equity	Total equity attributable to owners of the Company	Non-controlling interests of the subsidiaries	Total shareholders' equity	
					Appropriated Statutory reserve	Unappropriated reserve					
							Other comprehensive income				
							Revaluation surplus (deficit) on changes in value of available-for-sale investments				
<b>Balance as at 31 December 2013 – as previously reported</b>		750,000,000	879,522,764	-	112,835,500	875,815,548	96,663,233	170,564,612	2,788,738,424	38,240,539	2,826,978,963
Cumulative effect of change in accounting policy	4	-	-	2,760,449	17,178,500	(17,011,286)	-	(2,852,296)	75,367	338,625,433	338,700,800
<b>Balance as at 31 December 2013 – as restated</b>		750,000,000	879,522,764	2,760,449	130,014,000	858,804,262	96,663,233	167,712,316	2,788,813,791	376,965,972	3,165,679,763
Profit for the year (restated)		-	-	-	-	784,830,594	-	-	784,830,594	47,772,705	832,603,299
Other comprehensive income (loss) for the year (restated)		-	-	-	-	1,660,342	(79,150,320)	(79,150,320)	(77,489,978)	1,798,705	(75,691,273)
Total comprehensive income for the year (restated)		-	-	-	-	786,490,936	(79,150,320)	(79,150,320)	707,340,616	49,571,410	756,912,026
Capital reserve for share-based payment transaction		-	-	2,097,382	-	-	-	-	2,097,382	-	2,097,382
Dividend paid	31	-	-	-	-	(749,984,250)	-	-	(749,984,250)	-	(749,984,250)
Dividend paid to non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	-
Appropriated retained earnings transferred to statutory reserve		-	-	-	-	-	-	-	-	-	-
Decrease in other surplus from sales of investment	25	-	-	-	4,700,000	(4,700,000)	-	-	-	-	-
Change in the ownership interest in subsidiary		-	-	-	-	-	-	(60,673,191)	(60,673,191)	-	(60,673,191)
<b>Balance as at 31 December 2014 – as restated</b>		750,000,000	879,522,764	3,533,031	134,714,000	89,1610,601	999,653	-	(325,147)	4,928,647	4,603,500
<b>Balance as at 31 December 2014 – as previously reported</b>		750,000,000	879,522,764	-	112,835,500	912,322,234	17,512,913	10,375,892	2,687,269,201	397,791,861	3,085,061,062
Cumulative effect of change in accounting policy	4	-	-	3,533,031	21,878,500	(20,711,633)	-	(2,852,296)	1,847,602	359,452,215	361,299,817
<b>Balance as at 31 December 2014 – as restated</b>		750,000,000	879,522,764	3,533,031	134,714,000	89,1610,601	17,512,913	10,375,892	2,687,269,201	397,791,861	3,085,061,062
Profit for the year		-	-	-	-	662,457,321	-	-	662,457,321	45,288,485	707,745,806
Other comprehensive loss for the year		-	-	-	-	12,851,767	(30,824,442)	(30,824,442)	(17,972,675)	43,718	(17,928,957)
Total comprehensive income for the year		-	-	-	-	675,309,088	(30,824,442)	-	644,484,646	45,332,203	689,816,849
Capital reserve for share-based payment transaction		-	-	951,219	-	-	-	-	951,219	-	951,219
Dividend paid	31	-	-	-	-	(787,499,970)	-	-	(787,499,970)	-	(787,499,970)
Dividend paid to non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	-
Appropriated of retained earnings – statutory reserve		-	-	-	-	(660,000)	-	-	-	(33,613,723)	(33,613,723)
Decrease in other surplus from sales of investment	25	-	-	-	-	-	-	(587,315)	(587,315)	-	(587,315)
Change in investment in subsidiaries		-	-	(4,484,250)	(20,900,000)	22,193,579	-	-	(3,190,671)	(363,742,281)	(366,932,952)
<b>Balance as at 31 December 2015</b>		750,000,000	879,522,764	-	114,474,000	800,953,298	(13,311,529)	9,788,577	2,541,427,110	45,768,060	2,587,195,170

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

# Statement of changes in shareholders' equity (continued)

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Note	Separate financial statements									
		Other components of shareholders' equity									
		Issued and paid-up share capital	Share premium	Retained earnings		in value of available-for-sale investments	Other surplus	Total other components of shareholders' equity	Total		
				Appropriated Statutory reserve	Unappropriated						
<b>Balance as at 1 January 2014</b>		750,000,000	879,522,764	90,000,000	490,965,326	96,663,233	147,608,942	244,272,175	2,454,760,265		
Profit for the year		-	-	-	801,793,961	-	-	-	801,793,961		
Other comprehensive income for the year		-	-	-	-	(79,150,320)	-	(79,150,320)	(79,150,320)		
Total comprehensive income for the year		-	-	-	801,793,961	(79,150,320)	-	(79,150,320)	722,643,641		
Decrease in other surplus from sales of investment	25	-	-	-	-	-	(126,052,376)	(126,052,376)	(126,052,376)		
Dividend paid	31	-	-	-	(749,984,250)	-	-	-	(749,984,250)		
<b>Balance as at 31 December 2014</b>		750,000,000	879,522,764	90,000,000	542,775,037	17,512,913	21,556,566	39,069,479	2,301,367,280		
<b>Balance as at 1 January 2015</b>		750,000,000	879,522,764	90,000,000	542,775,037	17,512,913	21,556,566	39,069,479	2,301,367,280		
Profit for the year		-	-	-	947,031,310	-	-	-	947,031,310		
Other comprehensive income for the year		-	-	-	12,555,875	(30,824,442)	-	(30,824,442)	(18,268,567)		
Total comprehensive income for the year		-	-	-	959,587,185	(30,824,442)	-	(30,824,442)	928,762,743		
Decrease in other surplus from sales of investment	25	-	-	-	-	-	(1,220,183)	(1,220,183)	(1,220,183)		
Dividend paid	31	-	-	-	(787,499,970)	-	-	-	(787,499,970)		
<b>Balance as at 31 December 2015</b>		750,000,000	879,522,764	90,000,000	714,862,252	(13,311,529)	20,336,383	7,024,854	2,441,409,870		

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

## Statement of cash flows

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	20 15	20 14 (Restated)	20 15	20 14
Cash flows from operating activities:				
Profit before income tax from continuing operations	844,617,521	923,158,897	1,148,197,786	990,778,231
Profit before income tax from discontinued operations	99,320,973	117,445,123	–	–
Profit before income tax	943,938,494	1,040,604,020	1,148,197,786	990,778,231
Adjustments to reconcile profit before income tax to net cash received by (paid from) operating activities:				
Depreciation and amortisation	201,475,920	220,548,293	75,683,710	73,036,990
Written-off equipment	3,579,783	658,790	3,511,079	131,434
Impairment loss relating to goodwill	–	10,167,312	–	–
Written-off software	–	70,375	–	70,375
Allowance for doubtful accounts	10,080,483	11,283,311	10,025,483	9,756,443
Reduction of inventory to net realisable value	405,897	10,207,982	184,102	9,917,367
Share of loss from investments in associated company	4,026,770	–	–	–
Gain on sales of land, building and equipment and investment property	(887,747)	(2,117,186)	(552,036)	(1,281,354)
Gain on revaluation of investments	(374,860)	(79,590)	–	–
Gain on sales of investments in equity securities	(111,251)	–	–	–
Gain on sales of investment in available-for-sale	(3,164,737)	(461,238,652)	(3,955,822)	(542,962,630)
Gain on sales of investment in subsidiaries	(465,256,533)	–	(696,933,406)	–
Provision for long-term employee benefits	20,271,935	21,253,285	16,648,450	16,047,591
Capital reserve from share-based payment transactions	951,219	2,097,381	–	–
Interest income	(8,095,524)	(11,502,939)	(10,087,722)	(12,594,573)
Dividend received	(13,904,120)	(40,025,497)	(150,144,127)	(70,125,987)
Interest expenses	10,502,741	13,312,162	1,522,026	261,637
Profit from operating activities before changes in operating assets and liabilities	703,438,470	815,239,047	394,099,523	473,035,524
(Increase) decrease in operating assets				
Trade and other receivables	194,043,694	(61,552,797)	171,070,419	23,402,694
Inventories	12,729,363	(83,802,978)	46,824,119	(52,556,322)
Other current assets	(11,620,105)	(9,819,155)	(8,968,778)	(16,686,409)
Other non-current assets	(43,171,614)	(11,829,032)	16,820,739	(2,912,084)
Increase (decrease) in operating liabilities				
Trade and other payables	(60,548,722)	43,741,597	(39,309,097)	(15,842,308)
Other current liabilities	(201,303,059)	83,441,404	(194,650,135)	83,182,997
Provision for long-term employee benefit plan	(1,304,136)	(1,906,073)	(1,303,800)	(923,853)
Cash flows from operating activities	592,263,891	773,512,013	384,582,990	490,700,239
Cash paid for interest expenses	(3,083,215)	(641,427)	(1,522,026)	(260,069)
Cash refunded on income tax	–	5,621,627	–	–
Cash paid for corporate income tax	(121,822,935)	(263,648,268)	(73,615,170)	(204,666,158)
Net cash flows from operating activities	467,357,741	514,843,945	309,445,794	285,774,012

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

## Statement of cash flows (continued)

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	20 15	20 14 (Restated)	20 15	20 14
<b>Cash flows from investing activities:</b>				
(Increase) decrease in current investments	2,500,000	(2,500,000)	–	–
Cash receipt from repayment of long-term loan to related party	–	–	–	55,000,000
Share subscription in subsidiary	–	–	(20,000,000)	–
Share subscription in associate	(7,348,000)	–	(7,348,000)	(49,126,965)
Cash paid in short-term loan to related party	(4,900,000)	–	(4,900,000)	–
Cash paid in long-term loan to related party	–	–	(70,000,000)	–
Cash receipt from repayment of short-term loan to related party	–	–	43,500,000	–
Cash receipt from share capital reduction of equity security	10,020	19,590	–	–
Proceeds from sales of investments in equity securities	10,566,092	–	–	–
Proceeds from sales of investments in available-for-sale securities	5,118,594	663,084,024	5,118,594	663,084,024
Proceeds from sale of investment in subsidiary	809,127,478	–	835,105,480	–
Cash receipt from non-controlling from investment in subsidiary	4,500,400	–	–	–
Dividend received from investments in associates and subsidiaries	–	–	136,599,677	30,720,000
Dividend received from equity security	359,670	–	–	–
Dividend received from available-for-sale securities	13,544,450	40,025,497	13,544,450	39,405,987
Purchase of investment in available-for-sale	(74,870,271)	(49,126,965)	(74,870,271)	–
Cash payment for purchase of land building equipment and investment properties	(233,581,916)	(248,536,501)	(206,350,556)	(135,104,096)
Purchase of computer software	(4,339,156)	(5,319,487)	(3,937,589)	(5,289,432)
Proceeds from disposal of land, building and equipment and investment properties	3,848,876	2,844,993	2,535,335	1,682,798
Interest received	8,066,289	11,502,939	9,891,484	12,947,193
<b>Net cash flows from investing activities</b>	<b>532,602,526</b>	<b>411,994,090</b>	<b>658,888,604</b>	<b>613,319,509</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	12,248,583	32,915,066	994,895	(1,907,971)
Cash receipt from long-term loans	15,800,000	51,242,500	–	–
Repayment of long-term loans	(54,739,329)	(47,664,840)	–	–
Repayment of financial lease liabilities	(396,073)	(645,051)	–	–
Interest expense	(8,628,164)	(13,568,670)	–	–
Dividend paid to non-controlling interests of the subsidiaries	(33,613,723)	(33,574,168)	–	–
Cash receipt from exercise of warrants	13,793,500	4,603,500	–	–
Dividend paid	(787,499,970)	(749,984,250)	(787,499,970)	(749,984,250)
<b>Net cash flows used in financing activities</b>	<b>(843,035,176)</b>	<b>(756,675,913)</b>	<b>(786,505,075)</b>	<b>(751,892,221)</b>
<b>Net increase in cash and cash equivalents</b>	<b>156,925,091</b>	<b>170,162,122</b>	<b>181,829,323</b>	<b>147,201,300</b>
Cash and cash equivalents at beginning of year	528,416,741	358,254,619	429,791,436	282,590,136
<b>Cash and cash equivalents at end of year (Note 8)</b>	<b>685,341,832</b>	<b>528,416,741</b>	<b>611,620,759</b>	<b>429,791,436</b>

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

## Statement of cash flows (continued)

Modernform Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
<b>Supplement cash flows information</b>				
Non-cash items consist of:				
Increase (decrease) in payables from purchase of assets	13,801,327	6,883,681	(173,355)	(4,877,226)
Unrealised loss on change in the value of investment (Net of income tax)	30,824,442	79,150,320	30,824,442	79,150,320
Actuarial gain for post-employment benefits plan (Net of income tax)	12,895,485	3,459,047	12,555,875	–
Decrease in other surplus from sales of share of investment (Net of income tax)	587,315	60,673,191	1,220,183	126,052,376

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 2015

### 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 Road, 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 Thai Financial Reporting 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	
			2015 %	2014 %
Held by the Company				
Modernform Tower Company Limited	Rental office space	Thailand	100	100
Modernform Health & Care Company Limited	Distribution of health & care products and construction	Thailand	60	60
Rafa Associates Company Limited	Landscape and interior design services	Thailand	75	75
Thai Plaspac Public Company Limited	Manufacturing and distribution of plastic packaging	Thailand	–	48
Held by Modernform Health & Care Company Limited				
Absolute Hygienics Company Limited	Distribution of health & care products, tools and equipment	Thailand	60	–
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

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

c) 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.

- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) 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.
- f) 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, present investments in subsidiaries and associates under the cost method.

### 3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

#### (a) Financial reporting standard that became effective in the current year

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, some of these standards involve changes to key principles, which are summarised below:

##### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the former standard allowed the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

The Company and its subsidiaries have changed the recognition of actuarial gains and losses in the current period from an immediate recognition in profit or loss to an immediate recognition in other comprehensive income. However, the method of recognizing those gains and losses is changed to immediately recognise them in other comprehensive income, there will be no impact to retained earnings in the financial statements.

##### **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the content of TAS 27 Consolidated and Separate Financial Statements dealing with consolidated financial statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over investees and determining which entities have to be included in preparation of the consolidated financial statements.

The management of the Company reviewed whether the Company has control over investees in accordance with the principles of this standard and determined that the Company has control over Thai Plaspac Public Company Limited, formerly considered an associate, even though the Company holds 48% of shares and voting rights. This is because the Company is a major shareholder and has the ability to direct the significant activities, while other shareholders are only minor shareholders. As a result, Thai Plaspac Public Company Limited is deemed to be a subsidiary of the Company and

has to be included in the consolidated financial statements from the date on which the Company assumed control (the date on which the Company invested in this entity). The Company restated the prior period's financial statements, presented as comparative information, to reflect the effect of this change. The cumulative effect of changes in accounting policies is presented in Note 4 to the financial statements.

#### **TFRS 11 Joint Arrangements**

TFRS 11 supersedes TAS 31 Interests in Joint Ventures. This standard requires an entity investing in any other entity to determine whether the entity and other investors have joint control in the investment. When joint control exists, there is deemed to be a joint arrangement and the entity then needs to apply judgement to assess whether the joint arrangement is a joint operation or a joint venture and to account for the interest in the investment in a manner appropriate to the type of joint arrangement. If it is a joint operation, the entity is to recognise its shares of assets, liabilities, revenue and expenses of the joint operation, in proportion to its interest,, in its separate financial statements. If it is a joint venture, the entity is to account for its investment in the joint venture using the equity method in the financial statements in which the equity method is applied or the consolidated financial statements (if any), and at cost in the separate financial statements. This standard does not have any impact on the Company's and its subsidiaries' financial statements.

#### **TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact on the financial statements of the Company and its subsidiaries.

#### **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effects of the adoption of this standard are to be recognised prospectively.

This standard does not have any significant impact on the Company's and its subsidiaries' financial statements.

#### **(b) Financial reporting standard that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is initially applied.

#### **4. Cumulative effect of changes in accounting policies due to the adoption of new financial reporting standards**

As described in Note 3 to the financial statements, during the current year, the Company and its subsidiaries have changed some of their accounting policies, as a result of the adoption of new and revised financial reporting standards. The cumulative effect of the changes has been separately presented in the statements of changes in shareholders' equity.



The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

(Unit: Million Baht)

	Consolidated financial statements	
	As at 31 December 2014	As at 1 January 2014
<b>Statements of financial position:</b>		
Increase in total current assets	592	493
Increase in total non-current assets	314	358
<b>Increase in total assets</b>	<b>906</b>	<b>851</b>
Increase in total current liabilities	401	356
Increase in total non-current liabilities	144	156
<b>Increase in total liabilities</b>	<b>545</b>	<b>512</b>
Increase in capital reserve for share-based payment transactions	4	3
Increase in appropriated retained earnings	22	17
Decrease in unappropriated retained earnings	(21)	(17)
Decrease in other components of shareholders' equity	(3)	(3)
Increase in non-controlling interests of the subsidiaries	359	339
<b>Increase in total shareholders' equity</b>	<b>361</b>	<b>339</b>

(Unit: Million Baht)

	For the year ended 31 December 2014
	Consolidated financial statements
<b>Income statement</b>	
<b>Profit or loss:</b>	
Increase in revenue	1,641
Increase in expenses	1,593
<b>Increase in net profit</b>	<b>48</b>
<b>Statement of comprehensive income</b>	
<b>Other comprehensive income:</b>	
Other comprehensive income not to be reclassified to profit or loss in subsequent periods – net of income taxes	3
Increase in other comprehensive income	3
<b>Net profit attributable to:</b>	
Increase in profit attributable to non-controlling interest of the subsidiaries	48
<b>Comprehensive income attributable to:</b>	
Increase in profit attributable to non-controlling interest of the subsidiaries	49

## 5. Significant accounting policies

### 5.1 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 and construction*

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

### 5.2 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.

### 5.3 Trade and other receivables

Trade and other receivables 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.

### 5.4 Inventories

Finished goods and work in process are valued at the lower of cost (under the weighted average method) and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs and attributable factory overheads.

Trade finished goods are valued at the lower of average cost 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.

### 5.5 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 associate are accounted for in the separate financial statements at cost less provision for impairment of investments (if any).

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.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the

investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

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

## 5.6 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.

## 5.7 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 buildings and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

	<u>Useful lives</u>
Land improvement	5 – 20 years
Buildings	20 years
Building improvement	5 – 20 years
Leasehold improvement	5 years
Machinery	5 – 11 years
Furniture and equipment	5 – 10 years
Vehicles	5 – 10 years
Other equipment	3 – 20 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.

## 5.8 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 profit or loss.

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

	<u>Useful lives</u>
Computer software	5 – 10 years

## 5.9 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.

## 5.10 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.

## 5.11 Long-term leases

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

## 5.12 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency.

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.

## 5.13 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 carries 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.

#### 5.14 **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 other comprehensive income.

#### 5.15 **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.

#### 5.16 **Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current 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.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

### 5.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 – Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 – Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 – Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

### 5.18 Assets held for sale and discontinued operations

Assets held for sale are measured at the lower of their carrying value and fair value less costs to sell. Disposal groups of assets are classified as assets held for sale if their carrying values are recovered principally through a sales transaction rather than through continuing use. In such case, the assets must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and their sale must be highly probable. Management of the Company and its subsidiaries must be committed to the sale plan, which should be expected to qualify for recognition as a complete sale within one year from the date the assets are classified as assets held for sale.

In the consolidated statements of income and comprehensive income of the reporting period and the prior comparable year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations and shown as profit for the year from discontinued operation in the line item next to profit for the year from continuing operations.

## 6. 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 from these estimates. Significant judgments and estimates are as follows:

### Consolidation of subsidiaries that the Company holds less than half of shares

The management of the Company determined that the Company has control over Thai Plaspac Public Company Limited, even though the Company holds 48% of shares and voting rights that is less than half of shares and voting rights. This is because the Company is a major shareholder and has the ability to direct the significant activities, while other shareholders are only. As a result, Thai Plaspac Public Company Limited is deemed to be a subsidiary of the Company and has to be included in the consolidated financial statements from the date on which the Company assumed control.

**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.

**Impairment of equity investments**

The Company treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

**Fair value of financial instruments**

In determining the fair value of financial instruments disclosed in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value disclosed in the notes to financial statements and disclosures of fair value hierarchy.

**Property plant and equipment and investment property/Depreciation**

In determining depreciation of plant and equipment and investment property, the management is required to make estimates of the useful lives and residual values of the Company and subsidiaries’ plant and equipment and investment property, 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 and investment property 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.

**Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

**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.

## 7. 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 <sup>(1)</sup>	Subsidiary, 48% shareholding
Rafa Plus Architec Company Limited	Subsidiary (Holding by subsidiary)
Rafa Design Office Company Limited	Subsidiary (Holding by subsidiary)
Absolute Hygienics Company Limited	Subsidiary (Holding by subsidiary)
Itoki Modernform Company Limited	Associate
Quyst Company Limited	Shareholder and director is related to the Company's management
Interhides Public Company Limited	Shareholder and director is related to the Company's management
MFEC Public Company Limited <sup>(1)</sup>	Related by common shareholder and director
Related person	Director, executive officer and related person with director and executive officer
<sup>(1)</sup> Thai Plaspac Public Company Limited was the subsidiary until 9 October 2015 (due to changes in shareholding and management structure)	
<sup>(2)</sup> MFEC Public Company Limited was the Company's related party until May 2014 (due to changes in shareholding and management structure)	

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

(Unit: Million Baht)

	<u>Consolidated</u>		<u>Separate</u>		<u>Transfer pricing policy</u>
	<u>financial statements</u>		<u>financial statements</u>		
	2015	2014	2015	2014	
<b>Transactions with subsidiaries</b>					
(Eliminated from the consolidated financial statements)					
Sales of goods	-	-	3	2	Close to market price
Purchase of good	-	-	1	1	Close to market price
Services income	-	-	3	3	Contract price
Dividend income	-	-	137	31	As declared
Rental income	-	-	1	1	Contract price
Interest income	-	-	2	2	MLR plus 0.5% per annum
Rental expenses and related service fees	-	-	46	46	Baht 400 per square meter per month for showroom, Baht 300 per square meter per month for office unit.
<b>Transactions with associate</b>					
Sale of goods	4	-	4	-	Close to market price
Purchases of goods	6	-	6	-	Close to market price
<b>Transactions with related companies</b>					
Dividend income	8	7	8	7	As declared
Purchase of goods	13	7	13	7	Close to market price
Sales of goods	-	1	-	1	Close to market price



As at 31 December 2015 and 2014, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b><u>Trade accounts receivable (Note 9)</u></b>				
<b>Subsidiary:</b>				
Modernform Health & Care Company Limited	–	–	323	843
Thai Plaspac Public Company Limited	–	–	–	28
<b>Associate:</b>				
Itoki Modernform Company Limited	432	–	432	–
<b>Related companies:</b>				
Interhides Public Company Limited	41	44	41	44
Quyst Company Limited	107	–	107	–
<b>Total</b>	<b>580</b>	<b>44</b>	<b>903</b>	<b>915</b>
<b><u>Other receivables (Note 9)</u></b>				
<b>Subsidiaries:</b>				
Modernform Health & Care Company Limited	–	–	23	128
Modernform Tower Company Limited	–	–	19	17
Thai Plaspac Public Company Limited	–	–	–	51
<b>Associate:</b>				
Itoki Modernform Company Limited	225	–	225	–
<b>Total</b>	<b>225</b>	<b>–</b>	<b>267</b>	<b>196</b>
<b><u>Long-term loans and accrued interest receivable from related party</u></b>				
<b>Subsidiaries:</b>				
Modernform Tower Company Limited	–	–	26,667	–
Less: Current portion	–	–	(26,667)	–
<b>Net–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b><u>Short-term loans and accrued interest receivable from related party</u></b>				
<b>Associate:</b>				
Itoki Modernform Company Limited	4,929	–	4,929	–
<b><u>Other non-current assets – deposits</u></b>				
<b>Subsidiary:</b>				
Modernform Tower Company Limited	–	–	11,291	11,291
<b><u>Trade and other payables (Note 21)</u></b>				
<b>Subsidiaries:</b>				
Modernform Tower Company Limited	–	–	1,016	857
Thai Plaspac Public Company Limited	–	–	–	168
<b>Associate:</b>				
Itoki Modernform Company Limited	2,360	–	2,360	–
<b>Related company:</b>				
Interhides Public Company Limited	4,788	2,309	4,788	2,309
<b>Total</b>	<b>7,148</b>	<b>2,309</b>	<b>8,164</b>	<b>3,334</b>

During the current year, movements of loans and accrued interest receivable from related parties are as follows:

(Unit: Thousand Baht)

	Separate financial statement					
	Balance as at	During the year		Balance as at	Interest charging	Repayment
	1 January	Increase	Decrease	31 December		
	2015			2015	policy	schedule
<b>Loans and accrued interest receivable from related party</b>						
<b>Subsidiary:</b>						
Modernform Tower Company Limited	–	72,161	(45,494)	26,667	MLR plus 0.5% per annum	Due in 2017
Itoki Modernform Company Limited	–	4,973	(44)	4,929	MLR plus 0.5% per annum	Due in 15 April 2016
<b>Total</b>	<b>–</b>	<b>77,134</b>	<b>(45,538)</b>	<b>31,596</b>		

As at 31 December 2015, the credit facilities of Modernform Tower Company Limited and Modernform Health & Care Company Limited which can be drawn down from the Company amounting to Baht 173 and 10 million, respectively (2014: Baht 200 and 10 million, respectively).

#### **Directors and management's remuneration**

During the years ended 31 December 2015 and 2014, 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	
	2015	2014	2015	2014
<b>Continuing operations</b>				
Short-term employee benefits	97	103	73	77
Post-employment benefits	5	5	4	4
<b>Total</b>	<b>102</b>	<b>108</b>	<b>77</b>	<b>81</b>

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Discontinued operations</b>				
Short-term employee benefits	9.2	10.7	–	–
Post-employment benefits	0.2	0.2	–	–
Share-based payment	0.3	0.7	–	–
<b>Total</b>	<b>9.7</b>	<b>11.6</b>	<b>–</b>	<b>–</b>

## 8. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	20 15	20 14 (restated)	20 15	20 14
Cash	665	724	545	548
Bank deposits	684,677	527,693	611,076	429,243
Total	685,342	528,417	611,621	429,791

As at 31 December 2015, bank deposits carried interests between 0.37% to 1.60% per annum (2014: between 0.37% to 2.05% per annum).

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	20 15	20 14 (restated)	20 15	20 14
<b><u>Trade accounts receivable – related parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due and past due				
Up to 3 months	580	44	903	915
Total trade accounts receivable – related parties	580	44	903	915
<b><u>Trade accounts receivable – unrelated parties</u></b>				
<b>Age on the basis of due dates</b>				
Not yet due and past due				
Up to 3 months	560,614	1,063,795	460,553	575,106
Past due				
3 – 6 months	69,352	98,341	60,878	92,922
6 – 12 months	88,174	144,664	83,459	134,910
Over 12 months	87,051	76,655	75,690	60,877
Total	805,191	1,383,455	680,580	863,815
Less: Allowance for doubtful accounts	(55,483)	(45,403)	(53,626)	(43,601)
Total trade accounts receivable – unrelated parties, net	749,708	1,338,052	626,954	820,214
<b><u>Other receivables</u></b>				
Advances	44,761	32,737	44,167	31,806
Accrued income – unrelated parties	2,744	3,021	89	276
Other receivables – related parties	225	–	267	196
Other receivables – unrelated parties	417	901	218	287
Total	48,147	36,659	44,741	32,565
Trade and other receivables – net	798,435	1,374,755	672,598	853,694

## 10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventory – net	
	2015	2014	2015	2014	2015	2014
	(restated)		(restated)		(restated)	
Finished goods	1,033,466	1,062,375	(71,013)	(71,330)	962,453	991,045
Work in process	71,271	88,729	(10,167)	(10,261)	61,104	78,468
Raw materials	204,866	240,227	(41,048)	(40,518)	163,818	199,709
Goods for showroom	36,522	52,308	–	–	36,522	52,308
Goods in transit	41,410	36,768	–	–	41,410	36,768
Other supplies	4,870	15,667	–	–	4,870	15,667
Total	1,392,404	1,496,074	(122,228)	(122,109)	1,270,177	1,373,965

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventory – net	
	2015	2014	2015	2014	2015	2014
Finished goods	937,390	934,006	(68,750)	(69,318)	868,640	864,688
Work in process	70,564	88,729	(10,167)	(10,261)	60,397	78,468
Raw materials	204,866	205,092	(41,048)	(40,202)	163,818	164,890
Goods for showroom	34,757	50,681	–	–	34,757	50,681
Goods in transit	20,604	35,204	–	–	20,604	35,204
Other supplies	4,639	5,932	–	–	4,639	5,932
Total	1,272,820	1,319,644	(119,965)	(119,781)	1,152,855	1,199,863

During the current year, the Company reduced cost of inventories by Baht 122 million (2014: Baht 122 million) (The Company only: Baht 120million and 2014: Baht 120 million), to reflect the net realisable value. This was included in cost of sales. In addition, the Company reversed the write-down of cost of inventories by Baht 0.1 million (2014: Baht 10.1 million) (The Company only: Baht 0.1 million and 2014: Baht 9.9 million), and reduced the amount of inventories recognised as expenses during the year.

## 11. Available-for-sale investments

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2015	2014
Cost	298,357	226,175
Gain (loss) on changes in value of investments	(16,639)	21,891
Total	281,718	248,066

On 10 April 2014, the Board of Directors Meeting No.2/2014 of the Company passed a resolution to approve the selling of investment in ordinary shares of MFEC Public Company Limited (MFEC) totaling 61,983,675 ordinary shares, or equivalent to 14.04% of MFEC Public Company Limited's issued and paid-up share capital, to TIS INC. in Japan, at a price of Baht 10.70 per share, or a total of Baht 663.2 million. The remaining ordinary shares held by the Company decreased to 10,600,000 shares, or 2.40% of share capital of that company. The Company received the payment of the share subscription in full in May 2014. The Company recognized gain from sales of investment in MFEC in the consolidated financial statements and in separate financial statements for the year ended 31 December 2014 amounting to Baht 461.2 million and Baht 543.0 million, respectively.

## 12. Investments in associate

### 12.1 Details of associate:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Consolidated financial statements		Separate financial statements	
							Carrying amounts based on equity method		Carrying amounts based on cost method	
			31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
			%	%						
Itoki Modernform Company Limited	Distribution of furniture	Thailand	49	–	7,348	–	3,321	–	7,348	–
Total					7,348	–	3,321	–	7,348	–

On 26 March 2015, meeting 3/2015 of the Company's Directors passed a resolution approving an investment in ITOKI Modernform Company Limited, which has a registered capital of Baht 15 million, or 15,000 shares. The two major shareholders of ITOKI Modernform Company Limited are ITOKI Corporation, Japan which holds 7,348 shares for a 48.99% interest, and the Company, which also holds 7,348 shares for a 48.99% interest. ITOKI Modernform Company Limited registered its incorporation with the Department of Business Development on 16 April 2015.

### 12.2 Share of loss from investments in associate

During the years, the Company has recognised its share of loss from investment in associate in the financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements	
	Share of loss from investment in associate during the year	
	As at 31 December	
	2015	2014
Itoki Modernform Company Limited	(4,027)	–
Total	(4,027)	–

### 12.3 Summarised financial information of associate

Financial information of the associated company as included in the consolidated financial statements is summarised below:

Summarised financial information of associate

(Unit: Million Baht)

	Itoki Modernform Company Limited	
	2015	2014
Current assets	50	–
Non-current assets	5	–
Current liabilities	27	–
Non-current liabilities	21	–
Net assets	7	–
Shareholding percentage (%)	49	–
Share of net assets	3	–
Carrying amounts of associate based on equity method	3	–

Summarised information about income statement

(Unit: Million Baht)

	For the year ended 31 December	
	Itoki Modernform Company Limited	
	2015	2014
Revenue	33,845	–
Loss	(8,220)	–

### 13. Investments in subsidiaries

#### 13.1 Details of 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		Dividend income	
	31 December		31 December		31 December		31 December	
	2015	2014	2015	2014	2015	2014	2015	2014
	Million Baht	Million Baht	%	%	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Modernform Tower Company Limited	220	220	100	100	219,899	219,899	101,200	–
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	5,400	–
Thai Plaspac Public Company Limited	–	201	–	48	–	118,172	30,000	30,720
Total					249,299	367,471	136,600	30,720

On 26 March 2015, the meeting 3/2015 of a subsidiary company's Board of Directors passed a resolution approving an investment in Absolute Hygienics Company Limited, which has a registered capital of Baht 10 million, or 100,000 shares. The subsidiary holds 54,996 shares for a 55% interest. Absolute Hygienics Company Limited registered its incorporation with the Department of Business Development on 16 June 2015.

During the current year, the Company sold all investment in Thai Plaspac Public Company Limited as described in Note 33.

### 13.2 Details of investments in subsidiaries that have material non-controlling interests

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Profit allocated to non-controlling interests during the year		Dividend paid to non-controlling interests during the year	
	2015	2014	2015	2014	2015	2014	2015	2014
	(%)	(%)						
Thai Plaspac Public Company Limited	–	52	–	359	40	48	32	34

### 13.3 Summarised financial information that based on amounts before inter-company elimination about subsidiary that have material non-controlling

Summarised information about financial position

(Unit: Million Baht)

	Thai Plaspac Public Company Limited	
	31 December 2015	31 December 2014
Current assets	–	624
Non-current assets	–	612
Current liabilities	–	401
Non-current liabilities	–	144

Summarised information about comprehensive income

(Unit: Million Baht)

	For the year ended 31 December	
	Thai Plaspac Public Company Limited	
	2015 <sup>(1)</sup>	2014
Revenue	1,212	1,686
Profit	80	93
Other comprehensive income	–	3
Total comprehensive income	80	96

<sup>(1)</sup> Thai Plaspac Public Company Limited was the Subsidiary until 9 October 2015 (due to sales all investments in Thai Plaspac Public Company Limited)

Summarised information about cash flow

(Unit: Million Baht)

	For the year ended 31 December	
	Thai Plaspac Public Company Limited	
	2015 <sup>(1)</sup>	2014
Cash flow from operating activities	131	190
Cash flow from investing activities	(26)	(109)
Cash flow from financing activities	(140)	(66)
Net increase (decrease) in cash and cash equivalents	(35)	15

<sup>(1)</sup> Thai Plaspac Public Company Limited was the Subsidiary until 9 October 2015 (due to sales all investments in Thai Plaspac Public Company Limited)

### 13.4 Fair values investment in listed associate

In respect of investment in a subsidiary company that is listed company on the Stock Exchange of Thailand, its fair value is as follows:

		(Unit: Million Baht)	
Company's name		Fair value as at	
		31 December 2015	31 December 2014
Thai Plaspac Public Company Limited			
Ordinary shares		–	523
Warrants		–	37
Total		–	560

### 14. Investment properties

The net book value of investment properties as at 31 December 2015 and 2014 is presented below.

		(Unit: Thousand Baht)		
		Consolidated financial statements		
		Land and land improvement	Office building and building improvement for rent	Total
31 December 2015				
Cost		53,412	544,855	598,267
Less: Accumulated depreciation		(2,233)	(383,803)	(386,036)
Net book value		51,179	161,052	212,231
31 December 2014				
Cost		53,412	544,855	598,267
Less: Accumulated depreciation		(2,016)	(366,858)	(368,874)
Net book value		51,396	177,997	229,393

A reconciliation of the net book value of investment properties for the years 2015 and 2014 is presented below.

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		2015	2014
Net book value at beginning of year		229,393	246,910
Depreciation charged		(17,162)	(17,517)
Net book value at end of year		212,231	229,393

The fair value of the investment properties as at 31 December 2015 and 2014 stated below:

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		2015	2014
Land and office building and building improvement for rent		910,421	873,473



The fair value of the above investment properties has been determined based on valuation performed by an accredited independent valuer. The land and office building held for rent has been determined using the income approach. Key assumptions used in the valuation include yield rate, inflation rate, long-term vacancy rate and long-term growth in real rental rates.

A subsidiary company has mortgaged total investment properties thereon with a bank with a mortgage value as at 31 December 2015 and 2014 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 (restated)								
	Land and land improvement	Buildings	Building and leasehold improvement	Machinery	Furniture and equipment	Vehicles	Construction in progress	Others	Total
<b>Cost:</b>									
1 January 2014	199,298	653,951	295,242	1,075,663	179,721	93,606	1,432	353,674	2,852,587
Additions	3,074	–	23,388	42,021	21,325	12,024	55,172	98,415	255,419
Transfer-in (transfer-out)	877	34,188	6,351	40,995	(1,191)	1,310	(41,811)	(44,683)	(3,964)
Disposals	–	(4,789)	(775)	(13,974)	(8,751)	(2,288)	–	(10,203)	(40,780)
Written-off	–	–	(2,573)	–	(1,393)	–	–	(137)	(4,103)
31 December 2014	203,249	683,350	321,633	1,144,705	189,711	104,652	14,793	397,066	3,059,159
Additions	38,971	–	22,879	15,352	15,702	8,955	65,616	79,907	247,382
Transfer-in (transfer-out)	(14,980)	81,206	2,116	64,305	365	–	(68,352)	(64,660)	–
Disposals	–	(321)	(3,604)	(76,046)	(13,840)	(2,377)	–	(1,312)	(97,500)
Write-off	(346)	–	(27,166)	–	(4,766)	–	(15)	–	(32,293)
Decrease from disposals of a subsidiary company	(54,276)	(156,051)	(23,573)	(767,350)	(8,436)	(13,460)	(12,042)	(307,672)	(1,342,860)
31 December 2015	172,618	608,184	292,285	380,966	178,736	97,770	–	103,329	1,833,888
<b>Accumulated depreciation:</b>									
1 January 2014	13,557	445,958	202,823	697,022	146,690	72,439	–	224,946	1,803,435
Depreciation for the year	3,453	22,684	25,197	67,384	12,989	8,908	–	41,931	182,546
Depreciation for transfer-in (transfer-out)	–	–	–	(228)	–	627	–	(399)	–
Depreciation on disposals	–	(4,789)	(759)	(13,972)	(8,445)	(2,287)	–	(9,800)	(40,052)
Depreciation on written-off	–	–	(2,483)	–	(946)	–	–	(15)	(3,444)
31 December 2014	17,010	463,853	224,778	750,206	150,288	79,687	–	256,663	1,942,485
Depreciation for the year	3,482	21,495	22,156	61,387	14,367	8,866	–	35,115	166,868
Depreciation for transfer-in (transfer-out)	–	–	(2)	–	2	–	–	–	–
Depreciation on disposals	–	(320)	(3,401)	(75,300)	(13,088)	(1,980)	–	(450)	(94,539)
Depreciation on written-off	(55)	–	(23,956)	–	(4,702)	–	–	–	(28,713)
Decrease from disposals of a subsidiary company	–	(94,160)	(5,691)	(474,035)	(6,470)	(9,362)	–	(213,302)	(803,020)
31 December 2015	20,437	390,868	213,884	262,258	140,397	77,211	–	78,026	1,183,081

(Unit: Thousand Baht)

	Consolidated financial statements (restated)								
	Land and improvement	Buildings	Building and leasehold improvement	Machinery	Furniture and equipment	Vehicles	Construction in progress	Others	Total

**Allowance for impairment loss:**

1 January 2014	-	-	-	117	-	-	-	-	117
31 December 2014	-	-	-	117	-	-	-	-	117
Decrease from disposals of a subsidiary company	-	-	-	(117)	-	-	-	-	(117)
31 December 2015	-	-	-	-	-	-	-	-	-

**Net book value:**

1 January 2014	185,741	207,993	92,419	378,524	33,031	21,167	1,432	128,728	1,049,035
31 December 2014	186,239	219,497	96,855	394,382	39,423	24,965	14,793	140,403	1,116,557
31 December 2015	152,181	217,316	78,401	118,708	38,339	20,559	-	25,303	650,807

**Depreciation for the year**

2014 (Baht 41 million included in manufacturing cost, and the balance in selling and administrative expenses)	182,546
2015 (Baht 44 million included in manufacturing cost, and the balance in selling and administrative expenses)	166,868

(Unit: Thousand Baht)

	Separate financial statements (restated)								
	Land and improvement	Buildings	Building and leasehold improvement	Machinery	Furniture and equipment	Vehicles	Construction in progress	Others	Total

**Cost:**

1 January 2014	112,370	195,485	240,129	370,091	157,039	81,531	152	87,478	1,244,275
Additions	3,006	-	21,889	4,051	17,838	11,465	53,106	18,872	130,227
Transfer-in (transfer-out)	-	34,187	3,882	7,678	397	1,310	(38,465)	(8,989)	-
Disposals	-	(4,789)	(775)	(32)	(5,825)	(2,287)	-	(474)	(14,182)
Written-off	-	-	(2,573)	-	(129)	-	-	(38)	(2,740)
31 December 2014	115,376	224,883	262,552	381,788	169,320	92,019	14,793	96,849	1,357,580
Additions	38,971	-	20,911	7,722	12,329	5,882	53,559	66,804	206,178
Transfer-in (transfer-out)	(14,980)	81,206	2,116	64,126	366	-	(68,352)	(64,482)	-
Disposals	-	(318)	(3,604)	(72,671)	(13,054)	(1,905)	-	(450)	(92,002)
Write-off	(345)	-	(27,166)	-	(4,642)	-	-	-	(32,153)
31 December 2015	139,022	305,771	254,809	380,965	164,319	95,996	-	98,721	1,439,603

(Unit: Thousand Baht)

	Separate financial statements (restated)								
	Land and	Building and		Furniture		Construction		Others	Total
	improvement	land	leasehold	improvement	Machinery	equipment	Vehicles	in progress	
<b>Accumulated depreciation:</b>									
1 January 2014	12,425	174,273	168,335	304,454	128,851	64,339	–	65,433	918,110
Depreciation for the year	3,316	5,425	22,917	13,672	11,386	7,561	–	5,492	69,769
Depreciation on disposals	–	(4,789)	(759)	(30)	(5,566)	(2,287)	–	(349)	(13,780)
Depreciation for transfer-in (transfer-out)	–	–	–	(228)	–	627	–	(399)	–
Depreciation on written-off	–	–	(2,483)	–	(113)	–	–	(13)	(2,609)
31 December 2014	15,741	174,909	188,010	317,868	134,558	70,240	–	70,164	971,490
Depreciation for the year	3,345	6,024	20,420	16,315	12,648	7,684	–	5,754	72,190
Depreciation on disposals	–	(318)	(3,401)	(71,925)	(12,444)	(1,508)	–	(419)	(90,015)
Depreciation for transfer-in (transfer-out)	–	–	(2)	–	2	–	–	–	–
Depreciation on written-off	(55)	–	(23,956)	–	(4,632)	–	–	–	(28,643)
31 December 2015	19,031	180,615	181,071	262,258	130,132	76,416	–	75,499	925,022
<b>Net book value:</b>									
1 January 2014	99,945	21,212	71,794	65,637	28,188	17,192	152	22,045	326,165
31 December 2014	99,635	49,974	74,542	63,920	34,762	21,779	14,793	26,685	386,090
31 December 2015	119,991	125,156	73,738	118,707	34,187	19,580	–	23,222	514,581
<b>Depreciation for the year</b>									
2014 (Baht 41 million included in manufacturing cost, and the balance in selling and administrative expenses)									69,769
2015 (Baht 44 million included in manufacturing cost, and the balance in selling and administrative expenses)									72,190

As at 31 December 2015, the Company and its subsidiaries had certain items of plant and equipment were fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 755 million (2014: Baht 778 million) (The Company only: Baht 679 million, 2014: Baht 706 million).

The Company has mortgaged land with structures thereon with a bank with a total net book value as at 31 December 2015 and 2014 of Baht 16 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 2015 and 2014 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	
	2015	2014 (restated)
Thai Plaspac Public Company Limited	–	13,999
Rafa Associates Company Limited	2,151	2,151
Rafa Design Office Company Limited (100% shareholding by Rafa Associates Company Limited)	6,458	6,458
Rafa Plus Architect Limited (100% shareholding by Rafa Associates Company Limited)	1,558	1,558
Less: Allowance for impairment loss	(10,167)	(10,167)
Total	–	13,999

On 24 October 2014, meeting of the Board of Directors No. 2/2014 of a subsidiary passed a resolution approving the recording of impairment loss on goodwill of Rafa Design Office Company Limited and Rafa Plus Architect Limited, amounting to Baht 6.4 million and Baht 1.6 million, respectively. In addition, on 20 November 2015, meeting of the Board of Executive Directors 11/2014 of the Company passed a resolution approving the recording of impairment loss on goodwill of Rafa Associates Company Limited amounting to Baht 2.2 million. This was because the Company and the subsidiaries' management foresee that it will be difficult for these companies to generate high outcome because the number of competitors in the architect and landscape design business has risen very substantially.

## 17. Other intangible assets

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

(Unit: Thousand Baht)

	Consolidated financial statements (restated)	Separate financial statements
<b>Cost</b>		
1 January 2014	30,539	26,646
Additions	5,708	5,289
Write-off	(253)	(253)
31 December 2014	35,994	31,682
Additions	4,339	3,938
Decrease from disposals of a subsidiary company	(3,682)	–
31 December 2015	36,651	35,620
<b>Accumulated amortisation</b>		
1 January 2014	25,187	23,117
Amortisation for the year	2,001	1,576
Amortisation on write-off	(183)	(183)
31 December 2014	27,005	24,510
Amortisation for the year	2,179	1,802
Decrease from disposals of a subsidiary company	(2,148)	–
31 December 2015	27,036	26,312
<b>Net book value</b>		
1 January 2014	5,352	3,529
31 December 2014	8,989	7,172
31 December 2015	9,615	9,308
<b>Amortisation expenses included in the income statement for the year</b>		
2014	2,001	1,576
2015	2,179	1,802

## 18. Leasehold rights

(Unit: Thousand Baht)

	Consolidated and Separate financial statements
<b>Cost</b>	
1 January 2014	28,778
31 December 2014	28,778
31 December 2015	28,778
<b>Accumulated amortisation</b>	
1 January 2014	22,554
Amortisation for the year	1,692
31 December 2014	24,246
Amortisation for the year	1,691
31 December 2015	25,937
<b>Net book value</b>	
1 January 2014	6,224
31 December 2014	4,532
31 December 2015	2,841
<b>Amortisation expenses included in the income statement for the year</b>	
2014	1,692
2015	1,691

## 19. Other non-current assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (restated)	2015	2014
Other receivables	–	25,679	–	25,679
Less: Allowance for doubtful accounts	–	(25,679)	–	(25,679)
Other receivables – net	–	–	–	–
Other assets	93	22,019	93	91
Deposits	10,713	17,044	21,090	27,442
Advance for purchase fix assets	467	32,454	467	10,938
Total	11,273	71,517	21,650	38,471

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

(Unit: Thousand Baht)

	Interest rate (% per annum)	Consolidated financial statements		Separate financial statements	
		2015	2014 (restated)	2015	2014
Bank overdrafts	7.375	1,797	878	1,797	802
Liabilities under trust receipts	2.30 – 3.00	53,456	43,126	–	–
Promissory note	2.44 – 2.75	61,000	70,000	–	–
Total		116,253	114,004	1,797	802

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 Notes 14 and 15.

## 21. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (restated)	2015	2014
Trade accounts payables – related parties	6,805	2,309	6,805	2,477
Trade accounts payables – unrelated parties	293,713	515,428	253,120	278,375
Other payables – related parties	343	–	1,359	–
Other payables – unrelated parties	60,391	85,079	50,791	67,388
Accrued expenses – related parties	–	–	–	857
Accrued expenses – unrelated parties	39,154	86,204	7,048	9,509
Total trade and other payables	400,406	689,020	319,123	358,606

## 22. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (% per annum)	Repayment schedule	Consolidated financial statements	
			31 December 2015	31 December 2014 (restated)
1	MLR – 2 to MLR – 1	Monthly installment as from January 2011 to November 2020	–	124,324
2	Prime rate – 1.25	Monthly installment as from December 2012 to December 2019	–	65,135
Total			–	189,459
Less: Current portion			–	(57,279)
Long-term loans – net of current portion			–	132,180

The loans are secured by land and construction thereon and certain machinery of a subsidiary company.

The loan agreements contain several covenants which, among other things, require a subsidiary company to maintain debt-to-equity ratio and debt service coverage ratio at the rate prescribed in the agreements.

As at 31 December 2014, the long-term credit facilities of a subsidiary company which have not yet been drawn down amounted to Baht 26.3 million (2015: Nil).

### 23. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire from the company, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (restated)	2015	2014
<b>Provision for long-term employee benefits at beginning of year</b>	<b>150,716</b>	<b>135,692</b>	<b>126,541</b>	<b>111,417</b>
Included in profit or loss:				
Current service cost	16,372	15,037	13,457	11,821
Interest cost	3,900	5,047	3,191	4,227
Past service costs	–	1,369	–	–
Actuarial gain of other benefits arising from	–	(199)	–	–
Demographic assumptions changes	–	270	–	–
Financial assumptions changes	–	(4)	–	–
Experience adjustments	–	(465)	–	–
Actuarial gain arising from	(16,120)	(4,324)	(15,695)	–
Demographic assumptions changes	(16,305)	(361)	(16,195)	–
Financial assumptions changes	11,131	(1,575)	10,734	–
Experience adjustments	(10,946)	(2,388)	(10,234)	–
Decrease from disposals subsidiary company	(14,305)	–	–	–
Benefits paid during the year	(1,303)	(1,906)	(1,303)	(924)
<b>Provisions for long-term employee benefits at end of year</b>	<b>139,260</b>	<b>150,716</b>	<b>126,191</b>	<b>126,541</b>

Long-term employee benefit expenses included in the income statements consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (restated)	2015	2014
Cost of sales	9,368	10,887	7,444	7,475
Selling and administrative expenses	10,904	10,367	9,204	8,573
Total expenses realizable in profit or loss	20,272	21,254	16,648	16,048

The Company and its subsidiaries expect to pay Baht 0.4 million of long-term employee benefits during the next year (Separate financial statements: Baht 0.4 million) (2014: Baht 2.4 million, separate financial statements: Baht 1.3 million).

As at 31 December 2015, the weighted average duration of the liabilities for long-term employee benefit is 23.4 years (Separate financial statements: 25.6 years) (2014: 24.1 years, separate financial statements: 26.3 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.58 – 3.72	3.6 – 4.3	2.9	3.8
Future salary increase rate	4.4	4.3	4.4	4.3
Staff turnover rate (depending on age)	0 – 50	0 – 49	0 – 50	0 – 49

ผลกระทบของการเปลี่ยนแปลงสมมติฐานที่สำคัญต่อมูลค่าปัจจุบันของการผูกพันผลประโยชน์ระยะยาวของพนักงาน ณ วันที่ 31 ธันวาคม 2558 สรุปได้ดังนี้

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	เพิ่มขึ้น 1%	ลดลง 1%	เพิ่มขึ้น 1%	ลดลง 1%
อัตราคิดลด	(10.9)	12.6	(10.5)	12.1
อัตราการขึ้นเงินเดือน	12.9	(11.3)	12.4	(10.9)
อัตราการเปลี่ยนแปลงในจำนวนพนักงาน	(11.6)	4.2	(11.2)	4.0

## 24. Statutory reserve

### The Company and subsidiary listed in SET

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% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

### Subsidiaries

According to the Thai Civil and Commercial Code, the Company is required to set aside to a statutory reserve an amount equal to at least 5% of its net profit each time the Company pays out a dividend, until such reserve reaches 10% of its registered share capital. The statutory reserve cannot be used for dividend payment.



## 25. Other surplus

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	20 15	20 14	20 15	20 14
	(restated)			
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 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	59	59	185	185
Decrease in other surplus from sales of shares of investment	(76)	(76)	(160)	(158)
Income tax effect	(3)	(3)	(5)	(5)
Total	10	10	20	22

## 26. Expenses by nature

Significant expenses (excluded expenses of discontinued operations) classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	20 15	20 14	20 15	20 14
Salaries and wages and other employee benefits	979,229	971,843	921,123	915,814
Depreciation	103,010	100,503	72,191	69,769
Amortisation expenses	3,609	3,379	3,493	3,268
Rental expenses from operating lease agreements	29,940	37,253	48,453	56,238
Raw materials and consumables used	827,710	803,564	827,048	803,560
Changes in inventories of finished goods and work in process	(4,725)	(67,380)	(14,781)	(39,487)

## 27. Income tax

Income tax expenses for the years ended 31 December 2015 and 2014 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	20 15	20 14	20 15	20 14
<b>Continuing operations</b>				
<b>Current income tax:</b>				
Current income tax charge	216,651	207,502	201,191	195,943
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(322)	(23,554)	(25)	(6,959)
<b>Income tax expense reported in income statements</b>	<b>216,329</b>	<b>183,948</b>	<b>201,166</b>	<b>188,984</b>
<b>Discontinued operations</b>				
<b>Current income tax:</b>				
Current income tax charge	20,301	23,814	–	–
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(437)	239	–	–
<b>Income tax expense reported in income statements</b>	<b>19,864</b>	<b>24,053</b>	<b>–</b>	<b>–</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (restated)	2015	2014
<b>Continuing operations</b>				
Deferred tax assets relating to actuarial gain for post – employment benefits plan	3,224	–	3,139	–
Deferred tax liabilities relating to loss on change in value of available-for-sale investments	(7,706)	(19,788)	(7,706)	(19,788)
	(4,482)	(19,788)	(4,567)	(19,788)
<b>Discontinued operations</b>				
Deferred tax assets relating to actuarial gain for post – employment benefits plan	–	865	–	–
	–	865	–	–

The reconciliation between accounting profit and income tax expense is shown below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (restated)	2015	2014
Accounting profit before tax	943,938	1,040,604	1,148,198	990,778
Applicable tax rate	15% – 20%	15% – 20%	20%	20%
Accounting profit before tax multiplied by income tax rate	188,309	208,058	229,640	198,156
Effects of:				
Non-deductible expenses	4,846	5,107	3,729	1,565
Share of loss from investments in associate	805	–	–	–
Dividend income	(2,727)	(2,381)	(30,029)	(8,447)
Additional expense deductions allowed	(2,182)	(2,294)	(2,174)	(2,290)
Others	47,142	(489)	–	–
Total	47,884	(57)	(28,474)	(9,172)
Income tax expenses reported in the income statement	236,193	208,001	201,166	188,984
Income tax expenses – Continuing operations	216,329	183,948	201,166	188,984
Income tax expenses – Discontinued operations	19,864	24,053	–	–
	236,193	208,001	201,166	188,984

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	As at	As at	As at	As at
	31 December 2015	31 December 2014 (restated)	31 December 2015	31 December 2014
<b>Deferred tax assets</b>				
Loss on re-measuring available-for-sale investments	3,328	–	3,328	–
Allowance for doubtful accounts	10,866	13,856	10,725	13,856
Allowance for diminution in value of inventories	24,446	24,422	23,993	23,956
Allowance for assets impairment	–	23	–	–
Provision for long-term employee benefits	27,462	29,953	25,238	25,308
Total	66,102	68,254	63,284	63,120
<b>Deferred tax liabilities</b>				
Gain on re-measuring available-for-sale investments	5,084	9,767	5,084	9,767
Total	5,084	9,767	5,084	9,767
Deferred tax assets – Net	61,018	58,487	58,200	53,353

As at 31 December 2015 a subsidiary has deductible temporary differences and unused tax losses totaling Baht 3.8 million (2014: Nil), on which deferred tax assets have not been recognized as the Company believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

A subsidiary has unused tax losses totaling Baht 3.8 million which will expire in 2020.

## 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.

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

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Profit for the year from continuing operations (Thousand Baht)	623,188	739,112	943,031	801,794
Earnings per share from continuing operations (Baht/share)	0.83	0.99	1.26	1.07
Profit for the year from discontinued operations (Thousand Baht)	39,270	45,718	–	–
Earnings per share from discontinued operations (Baht/share)	0.05	0.06	–	–
Weighted average number of ordinary shares (Thousand shares)	750,000	750,000	750,000	750,000

## 29. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Board of Directors of the Company.

For management purposes, the Company and its subsidiaries are ealizable into business units based on its products and services and have four reportable segments which are (1) office and resident furniture business, (2) furniture fittings and other materials business, (3) office rental business and (4) architectural design business and (5) plastic packaging business.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit and total assets information regarding the Company and its subsidiaries' operating segments for the years ended 31 December 2015 and 2014, respectively.

(Unit: Million Baht)

	For the years ended 31 December 2015							
	Furniture fitting					Total reportable segments	Elimination of inter -segment	Consolidation
	Furniture business	and other materials business	Rental and service business	Architectural design business	Plastic packaging business			
Revenue from external customers	3,063	590	77	72	–	3,802	–	3,802
Intersegment revenues	2	2	47	–	–	51	(51)	–
Dividend income	150	–	–	1	–	151	(137)	14
Other income	47	10	–	1	–	58	(5)	53
Financial cost	(8)	(1)	(2)	–	–	(11)	2	(9)
Depreciation and amortisation	(71)	(6)	(30)	(1)	–	(108)	1	(107)
Allowance for doubtful accounts	10	–	–	–	–	10	–	10
Reduction of inventory to net realizable value	1	(1)	–	–	–	–	–	–
Disposal of land, building and equipments	1	–	–	–	–	1	–	1
Sales of investment	701	–	–	–	–	701	(232)	469
Share of loss from investment in associated company on equity method	(4)	–	–	–	–	(4)	–	(4)
Profit from continuing operations before income tax	1,117	47	47	5	–	1,216	(372)	844
Income tax expenses	(206)	–	(9)	(1)	–	(216)	–	(216)
Profit from continuing operations	911	47	38	4	–	1,000	(372)	628
Profit from discontinued operations	–	–	–	–	100	100	–	100
Income tax expenses	–	–	–	–	(20)	(20)	–	(20)
<b>Segment profit</b>	<b>903</b>	<b>48</b>	<b>38</b>	<b>9</b>	<b>23</b>	<b>1,021</b>	<b>(313)</b>	<b>708</b>
<b>Segment total assets</b>	<b>3,496</b>	<b>470</b>	<b>357</b>	<b>63</b>	<b>–</b>	<b>4,386</b>	<b>(300)</b>	<b>4,086</b>
Investment in associate lease on equity method	3	–	–	–	–	3	–	3
Change in non-current assets which not include financial instrument and deferred tax asset	17	(3)	(28)	(1)	(609)	(624)	69	(555)

(Unit: Million Baht)

For the years ended 31 December 2014								
	Furniture fitting						Elimination	
	Furniture	and other	Rental and	Architectural	Plastic	Total	of inter	
	business	materials	service	design	packaging	reportable	-segment	Consolidation
	business	business	business	business	business	segments		
Revenue from external customers	2,989	561	78	118	–	3,746	–	3,746
Intersegment revenues	1	1	48	–	–	50	(50)	–
Dividend income	70	–	–	1	–	71	(31)	40
Other income	38	11	–	2	–	51	(4)	47
Financial cost	(6)	–	(2)	–	–	(8)	2	(6)
Depreciation and amortisation	(67)	(7)	(29)	(1)	–	(104)	–	(104)
Allowance for doubtful accounts	(7)	(2)	–	(2)	–	(11)	–	(11)
Reduction of inventory to net realisable value	(10)	–	–	–	–	(10)	–	(10)
Disposal of land, building and equipments	1	–	–	–	–	1	–	1
Sales of investment	543	–	–	–	–	543	(82)	461
Profit from continuing operations before income tax	942	37	45	13	–	1,037	(114)	923
Income tax expense	(190)	–	(9)	(1)	–	(200)	16	(184)
Profit from continuing operations	752	37	36	12	–	837	(98)	739
Profit from discontinued operations before income tax	–	–	–	–	117	117	–	117
Income tax expenses	–	–	–	–	(24)	(24)	–	(24)
<b>Segment profit</b>	<b>752</b>	<b>37</b>	<b>36</b>	<b>12</b>	<b>93</b>	<b>930</b>	<b>(98)</b>	<b>832</b>
<b>Segment total assets</b>	<b>3,079</b>	<b>417</b>	<b>394</b>	<b>64</b>	<b>1,249</b>	<b>5,203</b>	<b>(46)</b>	<b>5,157</b>
Change in non-current assets which not include financial instrument and deferred tax asset	65	(1)	(27)	(8)	(41)	(12)	15	3

### Geographic information

The Company and its subsidiaries are operated in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable.

### Major customers

For the year 2015 and 2014, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity's revenues.

### 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% of basic salary. The fund, which is managed by Bualuang Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2015, the Company and its subsidiaries contributed Baht 25 million (2014: Baht 21 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 2014	Annual General Meeting of the shareholders on 27 April 2015	225,000	0.30	750,000
Interim dividends for 2015	Board of Directors' meeting on 18 September 2015	187,500	0.25	750,000
	Board of Directors' meeting on 13 November 2015	375,000	0.50	750,000
Total dividends for 2015		787,500		
Final dividends for 2013	Annual General Meeting of the shareholders on 18 April 2014	224,994	0.30	750,000
Interim dividends for 2014	Board of Directors' meeting on 29 July 2014	337,490	0.45	750,000
	Board of Directors' meeting on 2 October 2014	187,500	0.25	750,000
Total dividends for 2014		749,984		

### 32. Commitment and contingent liabilities

#### 32.1 Capital commitments

As at 31 December 2015, the Company had capital commitments of approximately Baht 0.4 million (2014: the Company and its subsidiaries Baht 64 million, USD 0.2 million and JPY 7 million), relating to land purchase, building construction and purchasing machinery for production and equipments purchase for operation.

#### 32.2 Purchasing of goods for sale

The Company had commitments of approximately Baht 37 million as at 31 December 2015, relating to purchasing of goods for sale (2014: Baht 19 million).

#### 32.3 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 5 years. Future minimum rentals and service charges payables were as follows:

(Unit: Million Baht)

		As at 31 December	
		2015	2014
			(restated)
Payable within:			
1 year		80	95
1 to 5 years		41	23

This amount includes commitments of Baht 44 million (2014: Baht 44 million) under rental agreements which the Company has entered into with a subsidiary company.

#### 32.4 Guarantees

As at 31 December 2015 and 2014, there were outstanding bank guarantees of approximately Baht 561 million and Baht 549 million, respectively issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 552 million and Baht 527 million, respectively, to guarantee contractual performance and Baht 9 million and Baht 22 million, respectively, to guarantee electricity use, among others.

### 32.5 Letter of credit

As at 31 December 2015, the Company and its subsidiaries had unused letters of credit amounting to Baht 1,190 million (2014: Baht 1,316 million).

### 33. Disposals of investment in subsidiary company/ Discontinued operations

On 9 October 2015, the Board of Directors Meeting No. 6/2015 of the Company passed a resolution for the sales of shares of Thai Plaspac Public Company Limited total 100,000,000 shares representing 47.90% of paid-up capital to Mr. Anuj Lohia and QAMA Investments Limited at a price of Baht 7.8 per unit , or a total of Baht 780 million. Furthermore, the Board has approved to sell the Right Warrants of TPAC totally 20,000,000 units at a price of Baht 2.8 per unit, or a total of Baht 56 million to Mr. Anuj Lohia and QAMA Investments Limited as well.

The Company recognised gain from sales of all investment in Thai Plaspac Public Company Limited in income statement of consolidated financial statements and separate financial statements amounting to Baht 465 million and Baht 697 million, respectively.

Therefore, to comply with the requirements of accounting standards, the operating results of Thai Plaspac Public Company limited. were separately presented under “Profit for the year from discontinued operations” and “Other comprehensive income from discontinued operations” in the consolidated statement of income and comprehensive income for the year ended 31 December 2015 and 2014 .The details are as follows:

(Unit: Million Baht)

	For the year ended 31 December	
	2015 <sup>(1)</sup>	2014
<b>Income statement</b>		
<b>Revenues</b>		
Sales	1,203	1,673
Other income	9	13
Total operating revenues	1,212	1,686
<b>Expenses</b>		
Cost of sale	1,014	1,436
Selling expenses	40	51
Administrative expenses	51	69
Total expenses	1,105	1,556
Profit before finance cost and income tax expense	107	130
Financial cost	(7)	(13)
Profit before income tax expense	100	117
Income tax expense	(20)	(24)
Profit for the year from discontinued operations	80	93
Other comprehensive income:		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Actuarial gain for post-employment benefits plan	–	4
Income tax effect	–	(1)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		
– Net of income taxes	–	3
Other comprehensive income from discontinued operations	–	3
Total comprehensive income from discontinued operations	80	96

<sup>(1)</sup> The operating results of Thai Plaspac Public Company limited. since 1 January 2015 to the date of disposal of the investment

### 34. Fair value hierarchy

As at 31 December 2015, the Company and its subsidiaries had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	Consolidated Financial Statements			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Available-for-sale investments Equity instruments	282	–	–	282
<b>Financial liabilities measured at fair value</b>				
Investment Property	–	–	910	910
<b>Liabilities for which fair value are disclosed</b>				
Derivatives				
Foreign currency forward contracts	–	39	–	39

(Unit: Million Baht)

	Separate Financial Statements			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Available-for-sale investments Equity instruments	282	–	–	282
<b>Liabilities for which fair value are disclosed</b>				
Derivatives				
Foreign currency forward contracts	–	2	–	2

### 35. Financial instruments

#### 35.1 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, investment, trade and other receivable, loans, short-term loans, trade and other payables. 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.

(Unit: Thousand Baht)

	Consolidated financial statements				
	As at 31 December 2015				
	Fixed interest	Floating	Non-interest	Total	Average
	rates within 1 year	interest rate	bearing		interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	–	657,467	27,875	685,342	0.37 – 1.60
Available for sale securities	–	–	281,718	281,718	–
Trade and other receivables	–	–	798,435	798,435	–
	–	657,467	1,108,028	1,765,495	
<b>Financial liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	114,456	1,797	–	116,253	2.3 – 7.375
Trade and other payables	–	–	400,406	400,406	–
Customer deposits	–	–	602,221	602,221	–
	114,456	1,797	1,002,627	1,118,880	

(Unit: Thousand Baht)

	Consolidated financial statements				
	As at 31 December 2014 (Restated)				
	Fixed interest	Floating	Non-interest	Total	Average
	rates within 1 year	interest rate	bearing		interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	–	511,774	16,643	528,417	0.13 – 2.05
Trading securities	2,500	–	10,090	12,590	–
Available for sale securities	–	–	248,066	248,066	–
Trade and other receivables	–	–	1,374,755	1,374,755	–
	2,500	511,774	1,649,554	2,163,828	
<b>Financial liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	113,202	802	–	114,004	2.00 – 7.42
Trade and other payables	–	–	689,020	689,020	–
Customer deposits	–	–	823,950	823,950	–
Financial lease liabilities	511	–	–	511	4.10 – 6.67
Long-term loans	–	189,459	–	189,459	4.75 – 5.75
	113,713	190,261	1,512,970	1,816,944	

(Unit: Thousand Baht)

	Separate financial statements				
	As at 31 December 2015				
	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Average interest rate
					(% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	–	605,453	6,168	611,621	0.37 – 1.60
Available for sale securities	–	–	281,718	281,718	–
Trade and other receivables	–	–	672,598	672,598	–
	–	605,453	960,484	1,565,937	
<b>Financial liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	–	1,797	–	1,797	7.375
Trade and other payables	–	–	319,123	319,123	–
Customer deposit	–	–	579,047	579,047	–
	–	1,797	898,170	899,967	

(Unit: Thousand Baht)

	Separate financial statements				
	As at 31 December 2014				
	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Average interest rate
					(% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	–	424,280	5,511	429,791	0.37 – 2.05
Available for sale securities	–	–	248,066	248,066	–
Trade and other receivables	–	–	853,694	853,694	–
	–	424,280	1,107,271	1,531,551	
<b>Financial liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	–	802	–	802	7.37
Trade and other payables	–	–	358,606	358,606	–
Customer deposit	–	–	798,565	798,565	–
	–	802	1,157,171	1,157,973	

**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		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		As at 31 December	
	2015	2014	2015	2014	2015	2014
	(restated) (Thousand)	(restated) (Thousand)	(restated) (Thousand)	(restated) (Thousand)	(Baht per 1 foreign currency unit)	
US dollar	192	1,055	670	1,543	36.0886	32.9630
Euro	–	–	2,107	959	39.4388	40.0530
Danish Krone	–	–	121	299	5.2848	5.3807
Swiss Franc	–	–	32	43	36.3704	33.3016
Singapore dollar	–	–	27	9	25.5195	24.8959
Japanese Yen	–	–	–	35,557	0.2996	0.2738
Hongkong dollar	–	–	–	4	4.6579	4.2516
Swedish krona	–	–	3	7	4.3080	4.1993

As at 31 December 2015, the Company and its subsidiaries had foreign exchange contracts outstanding are summarized below (2014: Nil).

Foreign currency	Bought amount (Thousand)	Contractual exchange rate (Baht per 1 foreign currency unit)	Contractual maturity date
USD	90	36.0916 – 36.1883	31 May 2016
Euro	891	39.5817 – 39.6141	18 March 2016 – 5 April 2016

### 35.2 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 except derivatives.

The estimated fair value of the derivatives is as follows:

(Unit: Million Baht)

	Consolidated and Separate financial statement			
	2015	2014	2015	2014
	Fair value	Fair value	Fair value	Fair value
	Gain (loss)	Gain (loss)	Gain (loss)	Gain (loss)
Derivatives				
Forward exchange contracts	(1.4)	–	0.01	–

The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable and short-term loans their carrying amounts in the statement of financial position approximate their fair value.
- For equity securities, their fair value is generally derived from quoted market prices.
- For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves.

During the current year, there were no transfers within the fair value hierarchy.

## 36. 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 2015, the Group's debt-to-equity ratio was 0.58:1 (2014: 0.67:1) and the Company's was 0.51:1 (2014: 0.59:1).

### 37. Events after the reporting period

#### 1) Dividend payment

On 26 February 2016, the meeting of the Company's Board of Directors passed a resolution to propose to the annual general meeting of the Company's shareholders to adopt a resolution to pay a dividend from operating results of the year 2015 of Baht 1.00 per share, totaling of Baht 750 million, in respect of the 2015 earnings. The Company paid an interim dividend of Baht 0.25 per share in October 2015 and Baht 0.50 per share in December 2015. The remaining dividend of Baht 0.25 per share will be paid and recorded after it is approved by the annual general meeting of the Company's shareholders.

#### 2) Reduction of share capital of subsidiary

On 15 December 2015, the extraordinary general meeting of shareholders passed a resolution to reduce the registered share capital of Rafa Associates Company Limited from Baht 30 million to Baht 15 million. As a results, the registered share capital remains at Baht 15 million comprising 1.5 million shares of Baht 10 each. Rafa Associates Company Limited registered the reduction with Ministry of Commerce on 22 January 2016

#### 3) Dividend payment of subsidiary

On 9 February 2016, the meeting of the Company's Board of Directors passed a resolution to pay an interim dividend to shareholders of Baht 43.75 per share, totaling Baht 70 million. The Company paid an interim dividend on 16 February 2016.

### 38. Reclassification

During the current year, in order to make the financial statement position to be clearer from current assets to non-current assets, the Company has reclassified advance for purchase assets from trade and other receivables to other non-current assets. Therefore, the financial statement position after reclassification are as follows:

(Unit: Thousand Baht)

	As at 31 December 2014	
	As reclassified	As previously reported
	Separate financial statements	Separate financial statements
Investments in associate	–	118,172
Investments in subsidiaries	367,471	249,299
Trade and other receivables	853,694	864,632
Other non-current assets	38,471	27,533

The reclassifications had no effect to previously reported profit or loss or shareholders' equity.

### 39. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2016.



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